

CITY OF MENOMINEE, MICHIGAN

Annual Financial Report

June 30, 2014

CITY OF MENOMINEE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT



UNGER & WALTERS, S.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Common Council
City of Menominee
Menominee, Michigan

Report on the Financial Statements

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 Menominee, Michigan ("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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 City's preparation 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 City'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.

Honorable Mayor and Members of the Common Council
City of Menominee

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, 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 discussion and analysis on pages 3 through 7, schedule of funding progress for retirement benefits on page 52, and budgetary comparison information on pages 53 through 56 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 supplementary information on pages 57 through 72 identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 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 the City's internal control over financial reporting and compliance.



UNGER & WALTERS, S.C.

Certified Public Accountants

December 8, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2014

As management of the City of Menominee, we offer readers of the City's financial statements this overview of the financial activities of the City of Menominee for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the City of Menominee exceeded the liabilities as of June 30, 2014 by \$55,513,401 (net position). Of this amount, \$6,312,503 were unrestricted net position. The net position for government activities were \$35,295,044, and for business-type activities \$20,218,357.
- The total net position increased by \$331,958 during the fiscal year.
- The general fund balance is \$2,847,244 with \$192,524 non-spendable, \$172,892 assigned, and \$2,481,828 unassigned.
- General obligation debt decreased by a net amount of \$794,000 during fiscal year 2014.
- Capital assets increased by \$2,836,757 net of depreciation during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, required supplementary information, and other supplementary information.

1. Government-wide Financial Statements.

The government-wide financial statements (pages 8-10) provide readers with a broad overview of the finances of the City, in a manner similar to a private sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The statement of net position shows the net investment in capital assets, restricted net assets and unrestricted net assets. The unrestricted assets are the assets that can be spent under City's discretion. The restricted assets are the assets that are constrained by external regulations on how they may be used, such as debt covenants, enabling legislation, or other legal requirements. These assets can not be spent under the City's discretion. The City's total unrestricted net position was \$6,312,503 at fiscal year end June 30, 2014, with \$3,297,306 in the governmental activities.

The largest portion of the net assets for the business-type activities is the investment in capital assets (i.e., land, buildings, machinery and equipment, and infrastructure), less any related debt used to purchase those assets that is still outstanding. The City uses these capital assets to provide services to citizens. These assets are not available for future spending.

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2014

CITY OF MENOMINEE NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
ASSETS:						
Current and Other Assets	\$ 12,312,251	\$ 12,757,155	\$ 4,730,791	\$ 7,157,173	\$ 17,043,042	\$ 19,914,328
Capital Assets	<u>28,978,460</u>	<u>27,965,866</u>	<u>25,442,984</u>	<u>23,618,821</u>	<u>54,421,444</u>	<u>51,584,687</u>
Total Assets	<u>41,290,711</u>	<u>40,723,021</u>	<u>30,173,775</u>	<u>30,775,994</u>	<u>71,464,486</u>	<u>71,499,015</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Unamortized Bond Discount/Costs	<u>-</u>	<u>4,014</u>	<u>207,916</u>	<u>195,842</u>	<u>207,916</u>	<u>199,856</u>
LIABILITIES:						
Long-Term Liabilities						
Outstanding	4,799,087	5,138,912	8,710,753	9,104,762	13,509,840	14,243,674
Current and Other Liabilities	<u>1,181,655</u>	<u>1,244,424</u>	<u>1,132,714</u>	<u>609,051</u>	<u>2,314,369</u>	<u>1,853,475</u>
Total Liabilities	<u>5,980,742</u>	<u>6,383,336</u>	<u>9,843,467</u>	<u>9,713,813</u>	<u>15,824,209</u>	<u>16,097,149</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>14,925</u>	<u>94,963</u>	<u>319,867</u>	<u>325,316</u>	<u>334,792</u>	<u>420,279</u>
NET POSITION:						
Net Investment in Capital Assets	23,879,943	22,356,595	16,567,503	14,383,521	40,447,446	36,740,116
Restricted	8,117,795	7,667,928	635,657	2,475,059	8,753,452	10,142,987
Unrestricted	<u>3,297,306</u>	<u>4,224,213</u>	<u>3,015,197</u>	<u>4,074,127</u>	<u>6,312,503</u>	<u>8,298,340</u>
Total Net Position	<u>\$ 35,295,044</u>	<u>\$ 34,248,736</u>	<u>\$ 20,218,357</u>	<u>\$ 20,932,707</u>	<u>\$ 55,513,401</u>	<u>\$ 55,181,443</u>

The Change in Net Position presents information showing how the City's net position changed during the fiscal year. All changes for net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the terms of related cash flows. The net position increased by \$331,958.

In the statement of net position and the statement of activities, the City is divided into two kinds of activities: governmental activities and business-type activities.

The governmental activities of the City include police, fire, public works, parks, recreation, and general administration. Property taxes, state shared revenue, and state and federal grants finance most of the activities. Also, all the special revenue funds, debt service funds, capital project funds, and permanent funds are also included here.

The business-type activities include Water Utility, Wastewater Utility, Marina, River Park, and Industrial Aid. The City charges a fee to customers to help it cover the cost of certain services it provides.

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2014

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenue	\$ 845,954	\$ 984,031	\$ 2,818,229	\$ 2,915,259	\$ 3,664,183	\$ 3,899,290
Operating Grants and Contributions	1,051,929	1,365,167	-	-	1,051,929	1,365,167
Capital Grants and Contributions	1,408,250	64,369	-	-	1,408,250	64,369
General Revenues:						
Property Taxes	4,673,519	4,462,579	-	-	4,673,519	4,462,579
State and Federal Aids Not Restricted to Specific Functions	950,310	920,203	-	-	950,310	920,203
Interest and Investment Earnings	119,512	107,275	6,039	6,343	125,551	113,618
Other	927,789	646,241	-	-	927,789	646,241
Total Revenues	9,977,263	8,549,865	2,824,268	2,921,602	12,801,531	11,471,467
Expenses:						
Legislative						
General Government	925,982	889,012	-	-	925,982	889,012
Public Safety	2,941,763	2,830,779	-	-	2,941,763	2,830,779
Public Works	2,108,434	1,930,302	-	-	2,108,434	1,930,302
Sanitation	625,629	558,570	-	-	625,629	558,570
Culture and Recreation	1,029,816	1,025,385	-	-	1,029,816	1,025,385
Other	1,144,632	410,647	-	-	1,144,632	410,647
Interest and Fiscal Charges	154,699	61,084	-	-	154,699	61,084
Water Treatment	-	-	1,324,649	1,174,885	1,324,649	1,174,885
Wastewater Treatment	-	-	1,350,486	1,313,399	1,350,486	1,313,399
Marina	-	-	750,174	521,024	750,174	521,024
River Park	-	-	113,309	113,146	113,309	113,146
Total Expenses	8,930,955	7,705,779	3,538,618	3,122,454	12,469,573	10,828,233
Change in Net Position	1,046,308	844,086	(714,350)	(200,852)	331,958	643,234
Net Position – Beginning of Year	34,248,736	33,404,650	20,932,707	21,133,559	55,181,443	54,538,209
Net Position – End of Year	\$ 35,295,044	\$ 34,248,736	\$ 20,218,357	\$ 20,932,707	\$ 55,513,401	\$ 55,181,443

CITY OF MENOMINEE, MICHIGAN
 Managements Discussion and Analysis
 June 30, 2014

2. Fund Financial Statements

The fund financial statements (pages 11 - 24) provide detailed information about the most significant funds - not the City as a whole. The City has three kinds of funds: governmental, proprietary, and fiduciary funds.

Governmental Funds. Governmental funds financial statements focus on near-term inflows and outflow of spendable resources. Such information is useful in assessing the City's financial requirements. Unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the June 30, 2014 fiscal year. The unassigned funds are the funds that can be spent under management's discretion.

At fiscal year end June 30, 2014, the City's governmental funds reported a combined ending fund balance of \$11,609,215.

The general fund is the chief operating fund of the City. At June 30, 2014, its unassigned fund balance was \$2,481,828. A healthy, unassigned fund balance is necessary for a sound and responsible financial management system. The City needs the unassigned funds to meet emergency needs, generate interest revenues through investments, and to maintain the City's bond rating. The principal use of the unassigned funds is to avoid short term borrowing due to cash flow shortages.

Proprietary Funds. Proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail. For the proprietary funds, the unrestricted net position of the Water Utility at fiscal year end was \$541,278, for the Wastewater Utility unrestricted net position was \$1,353,124, for the Marina unrestricted net position was \$670,370, for the River Park unrestricted net position was \$407,487, and for Industrial Aid unrestricted net position was \$42,938.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs.

General Fund Budgetary Highlights

The City amended its budget during the fiscal year as shown in the following chart:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 - 2014 Actual</u>	<u>Variance</u>
General Fund:				
Revenues	\$ 5,287,537	\$ 6,627,950	\$ 6,585,275	\$ (42,675)
Expenditures	5,482,950	7,102,306	6,461,934	640,372
Other Financing Sources (Uses)	195,413	474,356	67,538	(406,818)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,879</u>	<u>\$ 190,879</u>
Major Streets:				
Revenues	\$ 583,192	\$ 583,192	\$ 1,015,284	\$ 432,092
Expenditures	583,192	583,192	994,910	(411,718)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,374</u>	<u>\$ 20,374</u>

CITY OF MENOMINEE, MICHIGAN
 Management Discussion and Analysis
 June 30, 2014

General Fund Budgetary Highlights (continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 - 2014 Actual</u>	<u>Variance</u>
Local Streets:				
Revenues	\$ 273,692	\$ 273,692	\$ 297,654	\$ 23,962
Expenditures	308,366	308,366	243,761	64,605
Other Financing Sources (Uses)	34,674	34,674	-	(34,674)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,893</u>	<u>\$ 53,893</u>

Capital Assets and Debt Administration

The City's capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2014 was \$54,421,444. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

At June 30, 2014, the City had total bonded debt outstanding of \$13,493,000. Of this amount, \$4,718,000 comprised debt backed by the full faith and credit of the government and \$8,775,000 represents bonds secured by specified revenue sources (i.e., revenue bonds).

The City maintains an A+ bond rating by Standard and Poors for both its general obligation debt and for the revenue bonds for the Wastewater Treatment Utility.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total state equalized value. The current debt limitation for the City of Menominee is \$22.7 million which is significantly in excess of the City's outstanding general obligation debt of \$4,718,000.

NEXT YEAR'S BUDGETS AND RATES

State shared revenue contributes approximately 14% of the general fund revenues for the City of Menominee. For the 2014–2015 fiscal year, the City budgeted this revenue to be approximately 14% of the general fund revenues.

Over 50% of the City's general fund revenues are from general property tax levies. The tax rate has remained relatively unchanged the last few years. City management expects the current tax rate to remain relatively stable.

Request for Information

The financial report is designed to provide a general overview of the City of Menominee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report, or requests for additional financial information, should be addressed to Menominee City Clerk/Treasurer, 2511 Tenth Street, Menominee, Michigan 49858.

BASIC FINANCIAL STATEMENTS

CITY OF MENOMINEE, MICHIGAN
Statement of Net Position
As of June 30, 2014

	Governmental Fund Types		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 4,008,275	\$ 3,548,569	\$ 7,556,844
Receivables - Net	721,732	544,232	1,265,964
Due from Other Governments	218,851	-	218,851
Internal Balances	237,038	(172,290)	64,748
Inventories and Prepaid Items	385,058	174,623	559,681
Total Current Assets	5,570,954	4,095,134	9,666,088
Noncurrent Assets:			
Restricted Cash	5,159,894	635,657	5,795,551
Restricted Investments	1,581,403	-	1,581,403
Capital Assets, Net of Depreciation	28,978,460	25,442,984	54,421,444
	<u>35,719,757</u>	<u>26,078,641</u>	<u>61,798,398</u>
TOTAL ASSETS	41,290,711	30,173,775	71,464,486
DEFERRED OUTFLOWS OF RESOURCES:			
Unamortized Bond Discount	-	207,916	207,916
	<u>-</u>	<u>207,916</u>	<u>207,916</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	290,667	640,784	931,451
Due to Other Governments	170,620	-	170,620
Accrued Payroll	134,890	49,993	184,883
Accrued Interest	20,703	69,293	89,996
Current Portion of Long-Term Debt	564,775	372,644	937,419
	<u>1,181,655</u>	<u>1,132,714</u>	<u>2,314,369</u>
Noncurrent Liabilities:			
Long-Term Debt	4,799,087	8,710,753	13,509,840
TOTAL LIABILITIES	5,980,742	9,843,467	15,824,209
DEFERRED INFLOWS OF RESOURCES:	<u>14,925</u>	<u>319,867</u>	<u>334,792</u>
NET POSITION:			
Net Investment in Capital Assets	23,879,943	16,567,503	40,447,446
Restricted	8,117,795	635,657	8,753,452
Unrestricted	3,297,306	3,015,197	6,312,503
TOTAL NET POSITION	\$ 35,295,044	\$ 20,218,357	\$ 55,513,401

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
Governmental Activities:				
General Government	\$ 925,982	\$ 2,500	\$ -	\$ -
Public Safety	2,941,763	66,460	72,539	-
Public Works	2,108,434	393,538	858,639	310,631
Sanitation	625,629	280,092	-	-
Culture and Recreation	1,029,816	103,364	120,751	1,097,619
Other	1,144,632	-	-	-
Interest and Fiscal Charges	154,699	-	-	-
Total Governmental Activities	8,930,955	845,954	1,051,929	1,408,250
Business-Type Activities:				
Water Treatment	1,324,649	911,806	-	-
Wastewater Treatment	1,350,486	1,240,464	-	-
Marina	750,174	551,554	-	-
River Park	113,309	114,405	-	-
Total Business-Type Activities	3,538,618	2,818,229	-	-
TOTAL ACTIVITIES	\$ 12,469,573	\$ 3,664,183	\$ 1,051,929	\$ 1,408,250

GENERAL REVENUES:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Property Taxes, Levied for Streets
Property Taxes, Levied for Library
Property Taxes, Levied for Solid Waste
State and Federal Aids Not Restricted to Specific Functions
Interest and Investment Earnings
Other

Total General Revenues

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

**Net (Expense) Revenue
And Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (923,482)	\$ -	\$ (923,482)
(2,802,764)	-	(2,802,764)
(545,626)	-	(545,626)
(345,537)	-	(345,537)
291,918	-	291,918
(1,144,632)	-	(1,144,632)
(154,699)	-	(154,699)
<u>(5,624,822)</u>	<u>-</u>	<u>(5,624,822)</u>
-	(412,843)	(412,843)
-	(110,022)	(110,022)
-	(198,620)	(198,620)
-	1,096	1,096
<u>-</u>	<u>(720,389)</u>	<u>(720,389)</u>
<u>(5,624,822)</u>	<u>(720,389)</u>	<u>(6,345,211)</u>
3,379,532	-	3,379,532
625,078	-	625,078
193,991	-	193,991
195,343	-	195,343
279,575	-	279,575
950,310	-	950,310
119,512	6,039	125,551
927,789	-	927,789
<u>6,671,130</u>	<u>6,039</u>	<u>6,677,169</u>
1,046,308	(714,350)	331,958
<u>34,248,736</u>	<u>20,932,707</u>	<u>55,181,443</u>
<u>\$ 35,295,044</u>	<u>\$ 20,218,357</u>	<u>\$ 55,513,401</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Balance Sheet
Governmental Funds
As of June 30, 2014

	General Fund	Special Revenue Funds	
		Major Street	Local Street
ASSETS:			
Cash and Cash Equivalents	\$ 1,987,865	\$ 683,893	\$ 725,890
Investments	-	-	-
Receivables - Net	159,075	-	-
Due from Other Governments	54,512	80,150	30,410
Due from Other Funds	779,581	-	-
Inventories and Prepaid Items	192,524	191,150	-
TOTAL ASSETS	\$ 3,173,557	\$ 955,193	\$ 756,300
LIABILITIES:			
Accounts Payable	\$ 56,934	\$ 189,734	\$ -
Accrued Payroll	116,384	1,956	2,007
Due to Other Funds	46,838	77,087	205,233
Due to Other Governments	14,223	-	-
Total Liabilities	234,379	268,777	207,240
DEFERRED INFLOWS OF RESOURCES	91,934	-	-
FUND BALANCES:			
Non-Spendable	192,524	191,150	-
Restricted	-	495,266	549,060
Assigned	172,892	-	-
Unassigned	2,481,828	-	-
Total Fund Balances	2,847,244	686,416	549,060
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,173,557	\$ 955,193	\$ 756,300

See Accompanying Notes

Capital Projects Fund Street Construction	Other Governmental Funds	Total Governmental Funds
\$ 5,157,565	\$ 629,228	\$ 9,184,441
-	1,565,131	1,565,131
-	562,657	721,732
-	53,779	218,851
-	62,414	841,995
-	1,384	385,058
<u>\$ 5,157,565</u>	<u>\$ 2,874,593</u>	<u>\$ 12,917,208</u>
\$ -	\$ 43,999	\$ 290,667
-	14,543	134,890
-	275,799	604,957
-	156,397	170,620
<u>-</u>	<u>490,738</u>	<u>1,201,134</u>
-	14,925	106,859
-	1,208,279	1,591,953
5,157,565	709,009	6,910,900
-	451,642	624,534
-	-	2,481,828
<u>5,157,565</u>	<u>2,368,930</u>	<u>11,609,215</u>
<u>\$ 5,157,565</u>	<u>\$ 2,874,593</u>	<u>\$ 12,917,208</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets
 As of June 30, 2014

Total Fund Balances - Governmental Funds		\$ 11,609,215
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:</p>		
Capital Assets	\$ 48,027,707	
Accumulated Depreciation	<u>(19,049,247)</u>	28,978,460
<p>Certain deferred inflows of resources reported on the balance sheet is recognized as revenue on the statement of activities and has been removed from the statement of net position.</p>		
Property Taxes and Special Assessments		91,934
<p>Long-term liabilities, including bonds and notes payable, are reported in the fund statements. Long-term liabilities at year-end consist of:</p>		
General Obligation Debt	\$ (4,718,000)	
Capital Lease Obligation	(380,517)	
Vested Compensated Absences	<u>(265,345)</u>	(5,363,862)
<p>Accrued interest on long-term obligations is not included as a liability in the governmental funds</p>		
		<u>(20,703)</u>
Total Net Position - Governmental Activities		<u><u>\$ 35,295,044</u></u>

CITY OF MENOMINEE, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Special Revenue Funds	
		Major Street	Local Street
REVENUES:			
Property Taxes	\$ 3,524,031	\$ 96,996	\$ 96,995
Federal Grants	120,901	310,631	-
State Grants	1,100,201	46,470	-
State Shared Revenue	950,310	558,952	198,854
Licenses and Permits	160,101	-	-
Fines and Forfeitures	33,043	-	-
Investment Income	9,528	-	-
Rentals	429,346	-	-
Charges for Services	2,500	-	-
Other Revenues	255,314	2,235	1,805
TOTAL REVENUES	6,585,275	1,015,284	297,654
EXPENDITURES:			
Current:			
General Government	851,680	-	-
Public Safety	2,830,632	-	-
Highways, Streets and Bridges	548,556	564,108	243,761
Sanitation	-	-	-
Culture and Recreation	349,389	-	-
Other	200,474	-	-
Capital Outlay	1,607,109	430,802	-
Debt Service:			
Principal Retirement	48,769	-	-
Interest and Fiscal Charges	25,325	-	-
TOTAL EXPENDITURES	6,461,934	994,910	243,761
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	123,341	20,374	53,893
OTHER FINANCING SOURCES (USES):			
Transfers In	218,243	-	-
Transfers Out	(150,705)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	67,538	-	-
NET CHANGE IN FUND BALANCES	190,879	20,374	53,893
FUND BALANCES - BEGINNING OF YEAR	2,656,365	666,042	495,167
FUND BALANCES - END OF YEAR	\$ 2,847,244	\$ 686,416	\$ 549,060

Capital Projects Fund Street Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,136,733	\$ 4,854,755
-	-	431,532
-	-	1,146,671
-	5,226	1,713,342
-	-	160,101
-	56,400	89,443
1,627	72,388	83,543
-	-	429,346
-	357,032	359,532
-	150,394	409,748
<u>1,627</u>	<u>1,778,173</u>	<u>9,678,013</u>
-	-	851,680
-	1,500	2,832,132
55,084	-	1,411,509
-	625,629	625,629
-	543,917	893,306
-	879,897	1,080,371
-	28,846	2,066,757
-	466,000	514,769
-	112,287	137,612
<u>55,084</u>	<u>2,658,076</u>	<u>10,413,765</u>
<u>(53,457)</u>	<u>(879,903)</u>	<u>(735,752)</u>
-	170,652	388,895
-	(19,947)	(170,652)
-	150,705	218,243
<u>(53,457)</u>	<u>(729,198)</u>	<u>(517,509)</u>
<u>5,211,022</u>	<u>3,098,128</u>	<u>12,126,724</u>
<u>\$ 5,157,565</u>	<u>\$ 2,368,930</u>	<u>\$ 11,609,215</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(517,509)
<p>The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>		
Capital outlay reported in governmental fund statements	\$ 2,066,757	
Depreciation expense reported in the statement of activities	<u>(1,054,163)</u>	1,012,594
<p>Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Special Assessments		81,009
<p>Repayment of principal on long-term debt and capital leases is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.</p>		
		514,768
<p>Some expenses reported in the government-wide statement of activities do not require the use of current financial resources and, therefore, are not reported in the government funds.</p>		
Compensated Absences	(23,198)	
Other	<u>(4,270)</u>	(27,468)
<p>Unamortized bond discount is reported as expenditures in the governmental funds. For governmental-wide activities, those costs are amortized over the life of the bond as annual interest expense.</p>		
		(4,014)
<p>In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.</p>		
		<u>(13,072)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>1,046,308</u>

CITY OF MENOMINEE, MICHIGAN

Statement of Net Position

Proprietary Funds

As of June 30, 2014

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 783,312	\$ 1,360,469	\$ 983,001
Receivables - Net	214,373	329,859	-
Due from Other Funds	2,070	105,830	-
Inventories	89,337	-	-
Prepaid Items	37,183	35,050	12,962
Total Current Assets	<u>1,126,275</u>	<u>1,831,208</u>	<u>995,963</u>
Noncurrent Assets:			
Restricted Cash and Investments	273,301	362,356	-
Capital Assets, Net of Depreciation	11,267,550	12,416,962	884,443
Total Noncurrent Assets	<u>11,540,851</u>	<u>12,779,318</u>	<u>884,443</u>
TOTAL ASSETS	<u>12,667,126</u>	<u>14,610,526</u>	<u>1,880,406</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Unamortized Bond Discount/Cost	70,716	129,690	7,510
LIABILITIES:			
Current Liabilities:			
Accounts Payable	360,428	247,768	32,292
Accrued Expense	2,235	13,063	32,467
Accrued Interest	29,446	35,420	4,427
Due to Other Funds	165,703	143,853	1,705
Current Portion of Noncurrent Liabilities	90,942	166,702	115,000
Total Current Liabilities	<u>648,754</u>	<u>606,806</u>	<u>185,891</u>
Noncurrent Liabilities:			
Bonds, Notes, Loans, and Capital Leases	3,671,999	4,793,754	245,000
TOTAL LIABILITIES	<u>4,320,753</u>	<u>5,400,560</u>	<u>430,891</u>
DEFERRED INFLOWS OF RESOURCES	<u>27,185</u>	<u>37,980</u>	<u>254,702</u>
NET POSITION:			
Net Investment in Capital Assets	7,575,325	7,586,196	531,953
Restricted	273,301	362,356	-
Unrestricted	541,278	1,353,124	670,370
TOTAL NET POSITION	<u>\$ 8,389,904</u>	<u>\$ 9,301,676</u>	<u>\$ 1,202,323</u>

See Accompanying Notes

<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
\$ 421,787	\$ 3,548,569
-	544,232
42,938	150,838
-	89,337
91	85,286
<u>464,816</u>	<u>4,418,262</u>
-	635,657
874,029	25,442,984
<u>874,029</u>	<u>26,078,641</u>
<u>1,338,845</u>	<u>30,496,903</u>
-	207,916
296	640,784
2,228	49,993
-	69,293
11,867	323,128
-	372,644
<u>14,391</u>	<u>1,455,842</u>
-	8,710,753
<u>14,391</u>	<u>10,166,595</u>
-	319,867
874,029	16,567,503
-	635,657
450,425	3,015,197
<u>\$ 1,324,454</u>	<u>\$ 20,218,357</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
OPERATING REVENUES:			
Charges for Services	\$ 898,901	\$ 1,216,767	\$ 551,554
Other Revenues	12,905	23,697	-
Total Operating Revenues	<u>911,806</u>	<u>1,240,464</u>	<u>551,554</u>
OPERATING EXPENSES:			
Personal Services	57,247	148,124	82,633
Contractual Services	436,231	420,045	66,352
Utilities	72,799	121,208	33,086
Repairs and Maintenance	204,882	36,532	39,832
Other Supplies and Expenses	24,942	53,868	190,715
Depreciation	397,515	383,242	97,843
Amortization	3,252	6,426	2,503
Total Operating Expenses	<u>1,196,868</u>	<u>1,169,445</u>	<u>512,964</u>
OPERATING INCOME (LOSS)	<u>(285,062)</u>	<u>71,019</u>	<u>38,590</u>
NON-OPERATING REVENUE (EXPENSES):			
Interest and Investment Revenue	1,402	3,133	1,394
Transfers Out	-	-	(218,243)
Interest Expense	(127,781)	(181,041)	(18,967)
Total Non-operating Revenue (Expenses)	<u>(126,379)</u>	<u>(177,908)</u>	<u>(235,816)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(411,441)</u>	<u>(106,889)</u>	<u>(197,226)</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(411,441)</u>	<u>(106,889)</u>	<u>(197,226)</u>
NET POSITION - BEGINNING OF YEAR	<u>8,801,345</u>	<u>9,408,565</u>	<u>1,399,549</u>
NET POSITION - END OF YEAR	<u>\$ 8,389,904</u>	<u>\$ 9,301,676</u>	<u>\$ 1,202,323</u>

See Accompanying Notes

Other Proprietary Funds	Total Proprietary Funds
\$ -	\$ 2,667,222
114,405	151,007
<u>114,405</u>	<u>2,818,229</u>
46,354	334,358
5,629	928,257
23,224	250,317
2,428	283,674
3,254	272,779
32,420	911,020
-	12,181
<u>113,309</u>	<u>2,992,586</u>
1,096	(174,357)
110	6,039
-	(218,243)
-	(327,789)
<u>110</u>	<u>(539,993)</u>
1,206	(714,350)
-	-
1,206	(714,350)
1,323,248	20,932,707
<u>\$ 1,324,454</u>	<u>\$ 20,218,357</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	<u>Water Utility</u>	<u>Wastewater Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 916,335	\$ 1,234,730
Payments to Suppliers	(734,717)	(628,445)
Payment to Employees	(55,398)	(147,238)
Interfund Activity - Receipts (Payments) from (to) Other Funds	100,284	101,523
Net Cash From Operating Activities	<u>226,504</u>	<u>560,570</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Other Financing Activity	(7,779)	(16,476)
Principal and Interest Paid on Capital Debt	(210,922)	(327,816)
Purchases of Capital Assets	(1,163,335)	(1,145,931)
Net Cash From Capital and Related Financing Activities	<u>(1,382,036)</u>	<u>(1,490,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	1,402	3,133
Net Cash From Investing Activities	<u>1,402</u>	<u>3,133</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,154,130)	(926,520)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,210,743</u>	<u>2,649,345</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,056,613</u>	<u>\$ 1,722,825</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (285,062)	\$ 71,019
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	397,515	383,242
Amortization	3,252	6,426
Changes in Non-Cash Components of Working Capital:		
Accounts Receivable	4,729	(3,340)
Due from Other Funds	40,456	23,917
Inventories	20,922	-
Prepaid Items	(561)	(529)
Accounts Payable	(16,224)	3,737
Accrued Expenses	1,849	886
Due to Other Funds	59,828	77,606
Deferred Outflows and Inflows of Resources	(200)	(2,394)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 226,504</u>	<u>\$ 560,570</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Unrestricted Cash and Investments	\$ 783,312	\$ 1,360,469
Restricted Cash and Investments	273,301	362,356
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,056,613</u>	<u>\$ 1,722,825</u>

See Accompanying Notes

<u>Marina</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
\$ 548,699	\$ 114,405	\$ 2,814,169
(360,820)	(34,992)	(1,758,974)
-	(46,530)	(249,166)
(1,922)	(14,149)	185,736
<u>185,957</u>	<u>18,734</u>	<u>991,765</u>
-	-	(24,255)
(125,227)	-	(663,965)
(218,243)	(14,550)	(2,542,059)
<u>(343,470)</u>	<u>(14,550)</u>	<u>(3,230,279)</u>
1,394	110	6,039
<u>1,394</u>	<u>110</u>	<u>6,039</u>
(156,119)	4,294	(2,232,475)
<u>1,139,120</u>	<u>417,493</u>	<u>6,416,701</u>
<u>\$ 983,001</u>	<u>\$ 421,787</u>	<u>\$ 4,184,226</u>
\$ 38,590	\$ 1,096	\$ (174,357)
97,843	32,420	911,020
2,503	-	12,181
-	-	1,389
-	-	64,373
-	-	20,922
(12,962)	(92)	(14,144)
32,292	(365)	19,440
32,468	(176)	35,027
(1,922)	(14,149)	121,363
(2,855)	-	(5,449)
<u>\$ 185,957</u>	<u>\$ 18,734</u>	<u>\$ 991,765</u>
\$ 983,001	\$ 421,787	\$ 3,548,569
-	-	635,657
<u>\$ 983,001</u>	<u>\$ 421,787</u>	<u>\$ 4,184,226</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Net Position

Fiduciary Funds

As of June 30, 2014

	Employee Trust Funds	Agency Funds	Total
ASSETS:			
Cash and Cash Equivalents	\$ 83,476	\$ 57,882	\$ 141,358
Investments at Fair Value	10,920,885	-	10,920,885
Taxes Receivable	-	38,414	38,414
TOTAL ASSETS	11,004,361	96,296	11,100,657
LIABILITIES:			
Due to Other Funds	6,890	57,858	64,748
Due to Other Governments	-	38,438	38,438
TOTAL LIABILITIES	6,890	96,296	103,186
NET POSITION:			
Held in Trust for Employees' Retirement System	10,995,302	-	10,995,302
Reserved for Employees' Benefits	2,169	-	2,169
TOTAL NET POSITION	\$ 10,997,471	\$ -	\$ 10,997,471

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2014

	<u>Employee Trust Funds</u>
ADDITIONS:	
Contributions:	
Employees	\$ 116,276
Employer	465,919
Interest and Dividends	1,420,867
Total Additions	<u>2,003,062</u>
DEDUCTIONS:	
Net Depreciation in Fair Value of Investments	17,649
Annuities	809,103
Benefits	11,156
Total Deductions	<u>837,908</u>
CHANGE IN NET POSITION	1,165,154
NET POSITION - BEGINNING OF YEAR	<u>9,832,317</u>
NET POSITION - END OF YEAR	<u><u>\$ 10,997,471</u></u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the City of Menominee ("City") is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management who is responsible for the integrity and objectivity of the financial statements.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The significant accounting and reporting policies used by the City are described below.

A. REPORTING ENTITY

The City is governed by an appointed city manager, mayor, and an eight-member council and provides the following services as authorized by its charter: public safety, public works, development services, public health and welfare, culture, recreation, water and wastewater.

The City's basic financial statements include the accounts of all City operations. As required by GAAP, the financial statements are required to include the City and any component units for which the City is considered to be financially accountable. The City has not identified any component units that are required to be included in the financial statements in accordance with standards established in GASB Statements No. 14 and 39. City officials are responsible for appointing a majority of the board members for the Menominee Housing Commission, but the City's accountability for this organization does not extend beyond making the appointments. Therefore, this organization is not included in the City's reporting entity.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities present financial information about the City's governmental-type and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental-type activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions and are reported separately from business-type activities which rely to a significant extent on fees and charges for services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental-type and business-type activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Fund financial statements of the City are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary financial categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type and

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FUND FINANCIAL STATEMENTS (Continued):

- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and proprietary funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

The City reports the following major governmental funds:

General Fund – This 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.

Major Street Fund – Accounts for revenues and expenditures in connection with the street system designated as major streets by the State of Michigan. This fund is required under state law.

Local Street Fund – Accounts for revenues and expenditures in connection with the street system designated as local streets by the State of Michigan. This fund is required under state law.

Street Construction Fund – Accounts for the financial resources to be used for the improvement of the City's street system.

The City reports the following major proprietary funds:

Water Utility Fund – Accounts for the City's provision of water service to city residents, business entities and public authorities.

Wastewater Utility Fund – Accounts for the City's provision of wastewater treatment service to city residents, business entities and public authorities.

Marina Fund – Accounts for the operation of the City's marina.

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 assets and changes in net assets. These assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City. For that reason, these funds are not incorporated into the government-wide statements.

The City reports the following employee trust funds:

Police and Fire Retirement Fund – Accounts for investments held for funding police and fire department employees' retirement benefits.

Employee Flexible Benefits Fund – Accounts for employee contributions and payouts for employees enrolled in the City's flexible benefits plan.

The City reports the following agency fund:

The Tax Collection Fund – Accounts for property tax collections and distributions.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial report.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as do the proprietary financial statements. The fiduciary funds have no measurement focus and utilize the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the City gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources, as well as all tax revenues, are reported as general revenues rather than as program revenues.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. When program expenditures are incurred, both restricted and unrestricted resources may be available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

CASH AND INVESTMENTS

Cash deposits consist of demand and time deposits with financial institutions carried at cost. Investments are stated at fair value.

For purposes of the statement of cash flows, cash and investments having a maturity of three months or less are considered to be cash equivalents.

Investment Valuation and Income Recognition

Investments are valued at fair value using quoted market prices.

Net appreciation (depreciation) of investments included in the accompanying financial statements includes realized gains or losses from the sale of investments and unrealized appreciation (depreciation) in fair value of investments. Net unrealized appreciation (depreciation) in the fair value of investments represents the net change in the fair value of the investments held during the period. The net realized gains or loss on the sale of investments is the difference between the sale proceeds and the fair value of the investment as of the beginning of the period or the cost of the investment if purchased during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of allowances for doubtful accounts.

INVENTORIES

Inventories of governmental and proprietary fund types are recorded at cost, which approximates market, using the first-in first-out method of valuation. The cost is recorded as an expenditure at the time individual inventory items are consumed. A reserve for inventories has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher 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 donation.

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

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings	40 Years	50 Years
Improvements Other Than Building	20 Years	15 – 50 Years
Equipment	15 Years	3 – 10 Years
Infrastructure	50 Years	N/A

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources is a consumption of net assets by the government that is applicable to future reporting periods. Deferred inflows of resources is an acquisition of net assets by the government that is applicable to future reporting periods.

COMPENSATED ABSENCES

Under terms of employment, employees are granted sick leave and vacations in varying amounts, and are allowed to accrue unused sick leave and vacation time according to specific policies for different departments and unions. A liability for these accrued compensated absences is reported in the government-wide and proprietary funds financial statements. The liability is determined on the basis of current salary rates as of June 30, 2014, although payments for the accrued compensated absences will be made at rates in effect when the benefits are used.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

LONG-TERM OBLIGATIONS

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

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

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Noncurrent portions of the interfund receivables for the governmental funds are offset by a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

INTERFUND TRANSACTIONS

During the course of normal operations, the City has various transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The governmental funds generally record such transactions as operating transfers if within governmental funds. Transactions between governmental and proprietary funds are usually recorded as revenues and either expenditures or expenses of the respective funds.

Fund Financial Statements

Interfund activity, if any, within and among the governmental categories is reported as follows in the fund financial statements:

- Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the government-wide statement of net assets. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

FUND EQUITY DESIGNATIONS

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- Unrestricted – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Fund balance is classified as follows:

- Nonspendable - amounts that are not in a spendable form (such as inventory and prepaid items) or are required to be maintained intact;
- Restricted - amounts restricted by external sources (such as creditors, grantors, bondholders, and higher levels of government through constitutional provisions, or enabling legislation);
- Committed - amounts that can only be used for specific purposes pursuant to ordinances passed by the City Council; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same action to remove or change the constraint;
- Assigned - amounts the City intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority;
- Unassigned - amounts that are available for any purpose; positive amounts are reported only in the general fund.

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 (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2014, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS:

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	\$ 7,556,844
Restricted Cash and Investments	7,376,954
Fiduciary Funds:	
Cash and Cash Equivalents	141,358
Investments	<u>10,920,885</u>
Total Cash and Investments	<u>\$ 25,996,041</u>

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has adopted a formal investment policy in accordance with Public Act 196 of 1997. The policy allows all deposits and investments authorized by the above statute, with the following additional restrictions:

- Commercial paper must be rated at the time of purchase within the highest classification established by not less than two standard rating services.
- Mutual Funds must be registered under the Investment Company Act of 1940 and maintain a \$1.00 per share net asset value.

In addition, the policy allows investment in stock, but only for Fund 732, the Police and Fire Retirement Fund, as set forth in Michigan Act 314, PA 1965, and MSA Section 3.98 (114). Donated stock may be held in any fund, in accordance with the wishes of the donor.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued):

CUSTODIAL CREDIT RISK

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial risk for *investments* is the risk that, in the event of the failure of a counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The State statutes and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risks for deposits or investments.

The City maintains its cash accounts at several financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Effective January 1, 2013, all time and savings deposits, including Negotiable Order of Withdrawal (NOW) accounts and money market deposit accounts owned by a public unit and held by the same official custodian in an insured depository institution within the state in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits (interest bearing and non-interest bearing) are added together and insured up to \$250,000. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institutions minimizes such risk.

The following is a summary of cash deposits (bank balance) as of June 30, 2014:

Fully Insured Deposits	\$	1,059,889
Collateralized with Securities Held by Pledging Financial Institution in City's Name		10,835,744
Uninsured and Uncollateralized		<u>2,600,877</u>
Total	\$	<u>14,496,510</u>

The following investment types were held by the same counterparty that was used by the City to buy the securities:

Investment Type:		
U.S. Treasury Notes	\$	904,979
Federal Agency Securities - Others		1,066,457
Corporate Bonds		1,338,543
Mutual Funds		2,838,538
Exchange-Traded Funds (ETF's)		2,353,087
Common Stocks		<u>3,467,092</u>
	\$	<u>11,968,696</u>

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued):

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	<u>Total</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Investment Type:					
U.S. Treasury Notes	\$ 904,979	\$ 311,222	\$ 21,359	\$ 540,728	\$ 31,670
Federal Agency Securities	1,066,457	76,419	283,713	573,152	133,173
Corporate Bonds	<u>1,338,543</u>	<u>190,626</u>	<u>87,524</u>	<u>615,464</u>	<u>444,929</u>
	<u>\$ 3,309,979</u>	<u>\$ 578,267</u>	<u>\$ 392,596</u>	<u>\$ 1,729,344</u>	<u>\$ 609,772</u>

INVESTMENTS WITH FAIR VALUES HIGHLY SENSITIVE TO INTEREST RATE FLUCTUATIONS

Certain investments are highly sensitive to interest rate fluctuations, to a greater degree than already indicated in the information provided above. The City's investments in Federal Agency Securities (Federal Home Loan Bank, Federal National Mortgage Association, and Federal Farm Credit Bank) are backed by mortgages, which are subject to early payment in periods of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2014 for each investment type.

	<u>Total</u>	<u>Moody's Credit Rating</u>
Investment Type:		
U.S. Treasury Notes	\$ 904,979	N/A
Federal Agency Securities - Other	1,066,457	AAA
Corporate Bonds	<u>1,338,543</u>	A2 (Ave.)
	<u>\$ 3,309,979</u>	

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued):

CONCENTRATION OF CREDIT RISK

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer other than U.S. Treasury securities, mutual funds and money market funds.

Investments in any one issuer that represent 5% or more of total investments by reporting unit are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Cemetery Perpetual Care Fund:		
Federal Home Loan Bank	Federal Agency Securities	\$ 412,790
Federal National Mortgage Association	Federal Agency Securities	233,585
Federal Home Loan Mortgage Corp.	Federal Agency Securities	151,044

NOTE 3 - PROPERTY TAXES:

Property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31.

Property taxes are recorded in the year levied as receivables and recognized as revenue. Real property taxes not collected by February 28 are turned over to the county for collection. The county pays the City for these delinquent taxes within 60 days. Delinquent personal property taxes are recorded as deferred revenue until collected or written off. In addition to property taxes for the City, taxes are collected and remitted to state and county governments as well as local school districts.

The 2013 taxable valuation of the City totaled \$197.3 million, on which ad valorem taxes levied consisted of 18.6127 mills for the City operating purposes, .9872 mills for City street and road repair, 3.1800 mills for debt service, and .9965 mills for the library.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 4 - RECEIVABLES:

Receivables as of year-end for the City's governmental individual major funds, aggregate nonmajor funds, proprietary funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Aggregate Nonmajor Funds</u>	<u>Total</u>
Taxes and Special Assessments	\$ 91,932	\$ -	\$ 91,932
Accounts	59,449	207,091	266,540
Loans	-	533,757	533,757
Other	7,694	-	7,694
Less: Allowance for Doubtful Accounts	-	(178,191)	(178,191)
Net Receivables	<u>\$ 159,075</u>	<u>\$ 562,657</u>	<u>\$ 721,732</u>
		Proprietary Funds	
		Wastewater Utility	
	<u>Water Utility</u>	<u>Utility</u>	<u>Total</u>
Taxes and Special Assessments	\$ 12,417	\$ 39,190	\$ 51,607
Accounts	217,526	300,343	517,869
Less: Allowance for Doubtful Accounts	(15,570)	(9,674)	(25,244)
Net Receivables	<u>\$ 214,373</u>	<u>\$ 329,859</u>	<u>\$ 544,232</u>
	Aggregate Fiduciary Funds		
Taxes and Special Assessments	<u>\$ 38,414</u>		

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 5 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Balance 7/01/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2014</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,873,395	\$ -	\$ -	\$ 1,873,395
Construction in Progress	302,490	-	302,490	-
Total Capital Assets not being Depreciated	<u>2,175,885</u>	<u>-</u>	<u>302,490</u>	<u>1,873,395</u>
Other Capital Assets:				
Buildings and Improvements	7,655,386	1,770,962	-	9,426,348
Infrastructure	30,094,128	430,802	-	30,524,930
Machinery, Equipment and Vehicles	4,702,882	167,483	-	4,870,365
Library Materials	1,332,669	-	-	1,332,669
Total Capital Assets being Depreciated	<u>43,785,065</u>	<u>2,369,247</u>	<u>-</u>	<u>46,154,312</u>
Less Accumulated Depreciation for:				
Building and Improvements	4,077,722	244,679	-	4,322,401
Infrastructure	10,231,566	646,492	-	10,878,058
Machinery, Equipment and Vehicles	3,685,796	162,992	-	3,848,788
Total Accumulated Depreciation	<u>17,995,084</u>	<u>1,054,163</u>	<u>-</u>	<u>19,049,247</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>25,789,981</u>	<u>1,315,084</u>	<u>-</u>	<u>27,105,065</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 27,965,866</u>	<u>\$ 1,315,084</u>	<u>\$ 302,490</u>	<u>\$ 28,978,460</u>

Depreciation expense was charged to functions of the City's governmental activities as follows:

General Government	\$ 69,288
Public Safety	95,432
Public Works	695,020
Culture and Recreation	135,553
Other	58,870
Total Depreciation Expense – Governmental Activities	<u>\$ 1,054,163</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Balance 7/01/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/14</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 455,152	\$ -	\$ -	\$ 455,152
Construction in Progress	248,858	2,253,088	-	2,501,946
Total Capital Assets not being Depreciated	<u>704,010</u>	<u>2,253,088</u>	<u>-</u>	<u>2,957,098</u>
Capital Assets being Depreciated:				
Water	18,591,357	96,805	-	18,688,162
Wastewater	19,368,779	370,736	-	19,739,515
Marina	2,996,536	-	-	2,996,536
River park	1,134,455	14,550	-	1,149,005
Subtotal	42,091,127	482,091	-	42,573,218
Less Accumulated Depreciation	<u>19,176,314</u>	<u>911,020</u>	<u>-</u>	<u>20,087,334</u>
Total Capital Assets, being Depreciated, Net of Depreciation	<u>22,914,813</u>	<u>(428,929)</u>	<u>-</u>	<u>22,485,884</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 23,618,823</u>	<u>\$ 1,824,159</u>	<u>\$ -</u>	<u>\$ 25,442,982</u>

Depreciation expense was charged to functions of the City's business-type activities as follows:

Water Treatment	\$ 397,515
Wastewater Treatment	383,242
Marina	97,843
River Park	32,420
Total Depreciation Expense – Business-Type Activities	<u>\$ 911,020</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 6 - LONG-TERM DEBT OBLIGATIONS:

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2014:

	<u>Balance 7/1/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/14</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 5,184,000	\$ -	\$ 466,000	\$ 4,718,000	\$ 511,000
Other Liabilities:					
Capital Lease Obligation	429,285	-	48,768	380,517	53,775
Vested Compensated Absences	242,147	208,478	185,280	265,345	200,000
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,855,432</u>	<u>\$ 208,478</u>	<u>\$ 700,047</u>	<u>\$ 5,363,862</u>	<u>\$ 764,775</u>

Total interest expense during the year on governmental activities long-term debt totaled \$148,933.

Business-Type Activities:

General Obligation Debt:					
Bonds	\$ 9,103,000	\$ -	\$ 328,000	\$ 8,775,000	\$ 350,000
Other Liabilities:					
Capital Lease Obligation	328,142	-	19,745	308,397	22,644
Total Business-Type Activities Long-Term Liabilities	<u>\$ 9,431,142</u>	<u>\$ -</u>	<u>\$ 347,745</u>	<u>\$ 9,083,397</u>	<u>\$ 372,644</u>

Total interest expense during the year on business-type activities long-term debt totaled \$327,789.

Additional information on the outstanding long-term obligations follows:

All general obligation debt is secured by the full faith and credit and unlimited taxing authority of the City. General obligation debt at June 30, 2014 is comprised of the following individual issues:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 06/30/14</u>
Governmental Activities:					
Unlimited Tax General Obligation Bond, Series 2013	06/26/13	05/01/23	1.00-3.00%	\$ 4,415,000	\$ 4,060,000
Unlimited Tax General Obligation Bond, Series 2003 (Refunding of Callable 1995 Library Bonds)	09/04/03	10/01/16	2.25-4.55%	965,000	285,000
2007 Brownfield Redemption Authority Tax Investment Bonds (Limited Tax General Obligation)	06/15/07	06/15/18	6.34%	225,000	85,000
2012 Capital Improvement Bonds (Limited Tax General Obligation)	06/25/12	06/1/42	3.375%	300,000	288,000
Total Governmental Activities General Obligation Debt					<u>\$ 4,718,000</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 6 - LONG-TERM OBLIGATIONS (Continued):

Additional information on the outstanding long-term obligations follows:

All general obligation debt is secured by the full faith and credit and unlimited taxing authority of the City. General obligation debt at June 30, 2014 is comprised of the following individual issues:

	Date of Issuance	Final Maturity	Interest Rates	Original Indebtedness	Balance 06/30/14
Business Type Activities:					
2013 Capital Improvement and Refunding Bonds					
(Limited Tax General Obligation)	05/15/13	04/01/38	2.00 – 3.625%	3,480,000	\$ 3,390,000
1999 Building Authority Bonds					
(Limited Tax General Obligation)	05/01/99	10/01/16	4.40 - 5.00%	1,250,000	360,000
2007 Capital Improvement Bonds					
(Limited Tax General Obligation)	07/01/07	06/15/28	4.60 - 4.75%	2,015,000	1,570,000
Water Supply System Junior Lien Revenue Bond, Series 2010					
	06/17/10	04/01/50	3.25%	2,370,000	2,161,000
Sewage Disposal System Junior Lien Revenue Bond, Series 2010					
	06/17/10	04/01/50	3.25%	1,410,000	<u>1,294,000</u>
Total Business Type Activities General Obligation Debt					<u><u>\$ 8,775,000</u></u>

The above debt issues have been allocated to the City's enterprise fund and governmental funds based on the use of the proceeds. The annual principal and interest debt service requirements to maturity are as follows:

	General Long-Term Obligations		Business Type Long-Term Obligations		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 511,000	\$ 118,242	\$ 350,000	\$ 297,119	\$ 861,000	\$ 415,361
2016	532,000	108,724	366,000	283,675	898,000	392,399
2017	552,000	96,634	379,000	269,622	931,000	366,256
2018	467,000	84,355	266,000	258,076	733,000	342,431
2019	457,000	73,834	273,000	249,239	730,000	323,073
2020-2024	1,985,000	185,873	1,496,000	1,104,444	3,481,000	1,290,317
2025-2029	47,000	33,042	1,606,000	821,333	1,653,000	854,375
2030-2034	56,000	24,570	1,263,000	590,678	1,319,000	615,248
2035-2039	66,000	14,445	1,304,000	363,376	1,370,000	377,821
2040-2044	45,000	3,038	656,000	198,122	701,000	201,160
2045-2049	-	-	784,000	83,430	784,000	83,430
2050-2054	-	-	32,000	1,042	32,000	1,042
	<u>\$ 4,718,000</u>	<u>\$ 742,757</u>	<u>\$ 8,775,000</u>	<u>\$ 4,520,156</u>	<u>\$ 13,493,000</u>	<u>\$ 5,262,913</u>

Estimated payments of accumulated employee benefits are not included in the above schedule.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 7 - OBLIGATION UNDER CAPITAL LEASES:

The City is obligated under certain capital leases for the acquisition of energy efficient upgrades and equipment. The gross amount recorded under capital leases is \$1,000,102. The leases require quarterly and monthly payments beginning March 24, 2010 with a final payment due December 25, 2024. Future minimum lease payments are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Fiscal Year Ended June 30:			
2015	\$ 74,093	\$ 38,394	\$ 112,487
2016	56,096	38,394	94,490
2017	47,435	38,394	85,829
2018	41,261	38,394	79,655
2019	41,261	38,394	79,655
2020 - 2024	206,305	191,970	398,275
2025	20,631	19,197	39,828
	<u>487,082</u>	<u>403,137</u>	<u>890,219</u>
Less: Amount Representing Interest	<u>106,565</u>	<u>94,740</u>	<u>201,305</u>
Present Value of Minimum Lease Payments	380,517	308,397	688,914
Less: Current Maturities	<u>53,775</u>	<u>22,644</u>	<u>76,419</u>
Long-Term Lease Obligation	<u>\$ 326,742</u>	<u>\$ 285,753</u>	<u>\$ 612,495</u>

Capital purchases and related accumulated amortization under capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cost:			
Buildings and Improvements	\$ 415,910	\$ -	\$ 415,910
Equipment	197,298	-	197,298
Wastewater	-	386,894	386,894
	<u>613,208</u>	<u>386,894</u>	<u>1,000,102</u>
Less: Accumulated Amortization	<u>134,778</u>	<u>97,408</u>	<u>232,186</u>
Net Value	<u>\$ 478,430</u>	<u>\$ 289,486</u>	<u>\$ 767,916</u>

Amortization expense is included in depreciation expense.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 8 – DEFERRED INFLOWS OF RESOURCES:

Governmental funds defer revenue in connection with receivables for revenues 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 are not yet recognizable. Governmental activities defer recognition of only those amounts that have not been earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Governmental Funds	
	Statement of Net Position	Balance Sheet
Taxes and Special Assessments	\$ -	\$ 91,934
Waterfront Festival	14,925	14,925
	<u>\$ 14,925</u>	<u>\$ 106,859</u>

Proprietary funds defer refer recognition of only those amounts that have not been earned. At the end of the current fiscal year, amount of deferred inflows of resources reported in the proprietary funds were as follows:

	Proprietary Funds
Special Assessments	\$ 65,165
Marina	254,702
Total	<u>\$ 319,867</u>

NOTE 9 - RETIREMENT COMMITMENTS:

City employees are covered by either the Policemen and Firemen Retirement System (PFRS) or the Municipal Employees' Retirement System (MERS).

Police and Firemen Retirement System (PFRS)

Police and Firemen Retirement System (PFRS) is a single-employer defined benefit pension plan established and administered by the City to provide pension benefits exclusively for all of its police and fire employees. The plan is accounted for as a separate pension trust fund in the City's financial statements. The PFRS is authorized and operated under state law, Act 345 of the Public Acts of 1937, as amended.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 9 - RETIREMENT COMMITMENTS (Continued):

	<u>Eligibility</u>	<u>Amount</u>
Service Retirement:	Police: Any age with 20 or more years of service or age 60 regardless of service. Fire: Age 50 with 25 or more years of service or age 60 regardless of service	Straight life pension equals 2.75% of 3 year average final compensation (AFC) times years of service. Straight life pension equals 3.0% of 3 year AFC times years of service - Lump sum payments for unused vacation are included in AFC for Firefighters.
Deferred Retirement:	10 or more years of service.	Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.
Death After Retirement Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.
Non-Duty Death-In-Service Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a member with 20 or more years of service.	Accrued straight life pension actuarially reduced in accordance with an Option I election.
Duty Death-In-Service Survivor's Pension:	Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by worker's compensation.
Non-Duty Disability:	Payable upon the total and permanent disability of a member with 5 or more years of service.	To Age 55: 1.5% of AFC times years of service. At age 55: Same as Service Retirement Pension.
Duty Disability:	Payable upon the total and permanent disability of a member in the line of duty.	To Age 55: 50% of AFC. At age 55: Same as Service Retirement Pension with service credit from date of disability to Age 55.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 9 - RETIREMENT COMMITMENTS (Continued):

Member Contribution as Percent-of-Payroll

8.44% Police

5.0% Fire

Upon retirement, a fire member may withdraw their accumulated contributions with interest and receive correspondingly reduced lifetime benefit.

City's Contribution as Percent-of-Payroll

34.64% Police

31.59% Fire

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2013, the most recent actuarial valuation. Significant actuarial assumptions used in determining the actuarial accrued liability included a) a rate of return on the investment of present and future assets of 7.75%, b) projected salary increases of 4.50% per year compounded annually, attributable to inflation and c) additional salary increases of 4.6% to 7.6% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2013 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

GASB 25 and GASB 27 Information (As of 6/30/13)

Actuarial Accrued Liability:	
To Retirees and Beneficiaries	\$ 8,780,246
To Present Active Members:	
Member Contributions	790,269
Employer Financed Portion	4,755,734
Total Actuarial Accrued Liability	<u>14,326,249</u>
 Actuarial Value of Assets	 <u>10,086,505</u>
 Unfunded Actuarial Accrued Liability	 <u>\$ 4,239,744</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 9 - RETIREMENT COMMITMENTS (Continued):

Contributions required and made – The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2013 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for the three most recent actuarial valuations.

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2011	\$ 431,570	102%
2012	456,047	91%
2013	438,830	105%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2014 was \$465,919.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percent- age of Covered Payroll</u>
06/30/11	\$ 9,825,389	\$ 13,248,149	\$ 3,422,760	74%	\$ 1,267,628	270%
06/30/12	9,811,421	13,774,761	3,963,340	71%	1,353,493	293%
06/30/13	10,086,505	14,326,249	4,239,744	70%	1,429,776	297%

Membership of the plan consists of the following at June 30, 2013, the most recent actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	35
Terminated Plan Members Entitled to but not yet Receiving Benefits	3
Active Plan Members	<u>27</u>
Total	<u>65</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 9 - RETIREMENT COMMITMENTS (Continued):

Michigan Municipal Employees Retirement System (MERS)

The City contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

All full-time and certain part-time City employees, except for Police and Fire employees, who are covered exclusively under the Police and Fire Retirement System, are eligible to participate in the MERS. Benefits vest after 6 years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. Employees with 30 years of credited service may retire at or after age 55 with full benefits. Early retirement before age 60 requires approval of the City Council. All full-time employees, except police and fire, have a benefit equal to 2.5 percent of average annual compensation for the last five years of employment multiplied by years of credited service with a maximum benefit of 80% of final average compensation.

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2013. Significant actuarial assumptions used in determining the actuarial accrued liability include a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and c) additional salary increases of 0.00% to 12.90% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2013 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

GASB 25 and GASB 27 Information (As Of 12/31/13)

Actuarial Accrued Liability:	
Retirees and Beneficiaries	\$ 3,472,406
Vested Former Members	1,359,259
Active Members	4,578,113
Total Actuarial Accrued Liability	<u>9,409,778</u>
Actuarial Value of Assets	<u>7,819,508</u>
Unfunded Actuarial Accrued Liability	<u>\$ 1,590,270</u>
Fiscal Year Beginning	09/01/15
Annual Required Contribution (ARC)	\$ 228,048

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2013

NOTE 9 - RETIREMENT COMMITMENTS (Continued):

Contributions required and made - The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentages for the three most recent actuarial valuations.

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2011	\$ 190,428	100%
2012	208,704	100%
2013	228,048	100%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2014 was \$203,055.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a/c)] UAL as a Percen- tage of Covered Payroll</u>
12/31/11	\$ 7,538,439	\$ 8,627,306	\$ 1,088,867	87%	\$ 1,940,943	56%
12/31/12	7,620,010	8,955,513	1,335,503	85%	1,939,256	69%
12/31/13	7,819,508	9,409,778	1,590,270	83%	1,995,271	80%

Membership of the plan consists of the following at December 31, 2013, the date of the most recent actuarial valuation:

Active Member	35
Vested Former Members	17
Retirees and Beneficiaries	<u>46</u>
Total	<u>98</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Major Street	\$ 77,087	Cash Flow Timing
	Local Street	205,233	Cash Flow Timing
	Cemetery Operations	67,484	Cash Flow Timing
	Waterfront Festival	1,603	Cash Flow Timing
	Solid Waste Disposal	22,027	Cash Flow Timing
	Brownfield	32,942	Cash Flow Timing
	Economic Development-GL P&F	500	Cash Flow Timing
	Spies Public Library	63,319	Cash Flow Timing
	Spies Public Library Debt	18,451	Cash Flow Timing
	Marina	1,705	Cash Flow Timing
	River Park	11,867	Cash Flow Timing
	Wastewater	143,853	Cash Flow Timing
	Water	73,003	Cash Flow Timing
	Tax Collection	53,110	Cash Flow Timing
	ACH Fund	507	Cash Flow Timing
	Flex Benefit Fund	6,890	Cash Flow Timing
DDA #2	General Fund	3,543	Cash Flow Timing
Solid Waste Disposal	ACH Fund	661	Cash Flow Timing
Cemetery Operations	Cemetery Perpetual Care	57,853	Cash Flow Timing
Street Construction Debt Reduction	General Fund	357	Cash Flow Timing
Wastewater	Water	92,700	Cash Flow Timing
	Solid Waste Disposal	11,180	Cash Flow Timing
	ACH Fund	1,950	Cash Flow Timing
Water	Solid Waste Disposal	440	Cash Flow Timing
	ACH Fund	1,630	Cash Flow Timing
Industrial Aid	General Fund	42,938	Cash Flow Timing

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 11 - INTERFUND TRANSFERS:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
Spies Public Library	General Fund	\$ 137,431	Transfer for Operational Expense
Waterfront Festival	General Fund	10,000	Transfer for Operational Expense
Brownfield TIF	General Fund	3,274	Transfer for Operational Expense
General Fund	Marina Fund	218,243	Transfer for Additional Expenses Related to the Dredging Project
Cemetery Operations	Cemetery Perpetual Care	19,947	Transfer for Operational Expense

NOTE 12 - NET POSITION / FUND BALANCES:

Net position of the governmental activities reported on the government-wide statement of net position at June 30, 2014 consists of the following:

Net Investment in Capital Assets	\$ 23,879,943
Restricted for:	
Major Streets	495,266
Local Streets	549,060
Street Construction	5,157,565
Cemetery Perpetual Care	1,206,895
Revolving Loan Fund	362,124
Community Development	8,027
Spies Field Improvement	40,297
Spies Library Construction	29,455
Debt Service – Street Construction	140,945
Debt Service – Spies Public Library	128,161
Unrestricted	<u>3,297,306</u>
Total Governmental Activities Net Position	<u>\$ 35,295,044</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2014

NOTE 12 - NET POSITION/ FUND BALANCES (Continued):

For the classification of fund balances in the governmental funds balance sheet, the City considers committed, assigned, or unassigned amounts to be available for expenditures to be incurred for purposes for which amounts, if any, of those unrestricted fund balance classifications could be used. Fund balance reported on the governmental funds balance sheet consists of the following:

	General Fund	Major Street	Local Street	Street Construction	Nonmajor Funds
Nonspendable:					
Inventories	\$ 77,075	\$ -	\$ -	\$ -	\$ -
Prepaid Items	115,449	191,150	-	-	1,384
Cemetery Perpetual Care					1,206,895
Restricted For:					
Major Street	-	495,266	-	-	-
Local Street	-	-	549,060	-	-
Street Construction	-	-	-	5,157,565	-
Revolving Loan	-	-	-	-	362,124
Community Development	-	-	-	-	8,027
Spies Field Improvement	-	-	-	-	40,297
Spies Library Construct.	-	-	-	-	29,455
Street Construction Debt	-	-	-	-	140,945
Spies Public Library Debt	-	-	-	-	128,161
Assigned:					
Boat Launch	45,273	-	-	-	-
Circle Lane	23,733	-	-	-	-
Fuel Pump	43,338	-	-	-	-
Henes Park Pavillion	34,668	-	-	-	-
Recreation	21,023	-	-	-	-
D.A.R.E.	4,857	-	-	-	-
Cemetery Operations	-	-	-	-	3,209
Waterfront Festival	-	-	-	-	10,012
North Pier Light	-	-	-	-	14,923
Solid Waste Disposal	-	-	-	-	174,912
Brownfield TIF	-	-	-	-	9,381
Public Improvement	-	-	-	-	9,856
Downtown Development	-	-	-	-	21,298
DDA #2 TIF	-	-	-	-	43,694
Drug Law Enforcement	-	-	-	-	20,274
Spies Public Library	-	-	-	-	143,583
Economic Development	-	-	-	-	500
Unassigned	<u>2,481,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u><u>\$ 2,847,244</u></u>	<u><u>\$ 686,416</u></u>	<u><u>\$ 549,060</u></u>	<u><u>\$ 5,157,565</u></u>	<u><u>\$ 2,368,930</u></u>

The City, unless otherwise required by law or agreement, spends funds in the following order: restricted, committed, assigned, and lastly, unassigned.

CITY OF MENOMINEE, MICHIGAN
Notes to the Financial Statements
June 30, 2014

NOTE 13 – LITIGATION AND CONTINGENCIES:

Litigation

The City is party to general legal actions and legal proceedings in the normal course of its governmental operations and ultimate exposure with respect to these potential matters cannot be ascertained. The City's management intends to vigorously defend any such potential claims which may be asserted and also believes the final outcome of any potential claims will not have an adverse effect on the City's financial position.

Grants

The City receives financial assistance from the federal and state governments in the forms of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal and state regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the granting agencies. Any disallowance as a result of these audits could become a liability of the City. As of June 30, 2014, the City is unable to estimate what liabilities, if any, may result from such audits.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENOMINEE, MICHIGAN

Schedule of Funding Progress
For the Year Ended June 30, 2014

Police and Fire Retirement System (PFRS)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
06/30/11	\$ 9,825,389	\$ 13,248,149	\$ 3,422,760	74%	\$ 1,267,628	270%
06/30/12	9,811,421	13,774,761	3,963,340	71%	1,353,493	293%
06/30/13	10,086,505	14,326,249	4,239,744	70%	1,429,776	297%

Municipal Employees Retirement System (MERS)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
12/31/11	\$ 7,538,439	\$ 8,627,306	\$ 1,088,867	87%	\$ 1,940,943	56%
12/31/12	7,620,010	8,955,513	1,335,503	85%	1,939,256	69%
12/31/13	7,819,508	9,409,778	1,590,270	83%	1,995,271	80%

CITY OF MENOMINEE, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Property Taxes	\$ 3,504,831	\$ 3,504,831	\$ 3,524,031	\$ 19,200
Federal Grants	-	54,363	120,901	66,538
State Grants	4,000	1,248,577	1,100,201	(148,376)
State Shared Revenue	945,386	945,386	950,310	4,924
Licenses and Permits	166,225	166,225	160,101	(6,124)
Fines and Forfeitures	22,000	22,000	33,043	11,043
Investment Income	15,300	15,300	9,528	(5,772)
Rentals	312,775	312,775	429,346	116,571
Charges for Services	2,500	2,500	2,500	-
Other Revenues	314,520	355,993	255,314	(100,679)
Total Revenues	<u>5,287,537</u>	<u>6,627,950</u>	<u>6,585,275</u>	<u>(42,675)</u>
EXPENDITURES:				
Current:				
General Government	921,470	908,970	851,680	57,290
Public Safety	2,875,740	2,875,740	2,830,632	45,108
Highways, Streets and Bridges	617,011	617,011	548,556	68,455
Culture and Recreation	353,379	355,879	349,389	6,490
Other	137,650	224,123	200,474	23,649
Capital Outlay	535,700	2,078,583	1,607,109	471,474
Debt Service	42,000	42,000	74,094	(32,094)
Total Expenditures	<u>5,482,950</u>	<u>7,102,306</u>	<u>6,461,934</u>	<u>640,372</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(195,413)</u>	<u>(474,356)</u>	<u>123,341</u>	<u>597,697</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers In	336,118	625,061	218,243	(406,818)
Transfers Out	(140,705)	(150,705)	(150,705)	-
Total Other Financing Sources (Uses)	<u>195,413</u>	<u>474,356</u>	<u>67,538</u>	<u>(406,818)</u>
NET CHANGE IN FUND BALANCE	-	-	190,879	190,879
FUND BALANCE - BEGINNING	<u>2,656,365</u>	<u>2,656,365</u>	<u>2,656,365</u>	-
FUND BALANCE - ENDING	<u>\$ 2,656,365</u>	<u>\$ 2,656,365</u>	<u>\$ 2,847,244</u>	<u>\$ 190,879</u>

CITY OF MENOMINEE, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Major Streets Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Property Taxes	\$ 96,692	\$ 96,692	\$ 96,996	\$ 304
Federal Grants	-	-	310,631	310,631
State Grants	35,000	35,000	46,470	11,470
State Shared Revenue	450,000	450,000	558,952	108,952
Other Revenues	1,500	1,500	2,235	735
Total Revenues	<u>583,192</u>	<u>583,192</u>	<u>1,015,284</u>	<u>432,092</u>
EXPENDITURES:				
Highways, Street and Bridges	458,192	458,192	564,108	(105,916)
Capital Outlay	125,000	125,000	430,802	(305,802)
Total Expenditures	<u>583,192</u>	<u>583,192</u>	<u>994,910</u>	<u>(411,718)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>20,374</u>	<u>20,374</u>
NET CHANGE IN FUND BALANCE	-	-	20,374	20,374
FUND BALANCE - BEGINNING	<u>666,042</u>	<u>666,042</u>	<u>666,042</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 666,042</u>	<u>\$ 666,042</u>	<u>\$ 686,416</u>	<u>\$ 20,374</u>

CITY OF MENOMINEE, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Local Streets Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Property Taxes	\$ 96,692	\$ 96,692	\$ 96,995	\$ 303
State Grants	-	-	3,740	3,740
State Shared Revenue	175,000	175,000	195,114	20,114
Other Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,805</u>	<u>(195)</u>
Total Revenues	<u>273,692</u>	<u>273,692</u>	<u>297,654</u>	<u>23,962</u>
EXPENDITURES:				
Highways, Street and Bridges	<u>308,366</u>	<u>308,366</u>	<u>243,761</u>	<u>64,605</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(34,674)</u>	<u>(34,674)</u>	<u>53,893</u>	<u>88,567</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>34,674</u>	<u>34,674</u>	<u>-</u>	<u>(34,674)</u>
Total Other Financing Sources (Uses)	<u>34,674</u>	<u>34,674</u>	<u>-</u>	<u>(34,674)</u>
NET CHANGE IN FUND BALANCE	-	-	53,893	53,893
FUND BALANCE - BEGINNING	<u>495,167</u>	<u>495,167</u>	<u>495,167</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 495,167</u>	<u>\$ 495,167</u>	<u>\$ 549,060</u>	<u>\$ 53,893</u>

CITY OF MENOMINEE, MICHIGAN
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2014

BUDGETS AND BUDGETARY ACCOUNTING:

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

- Prior to the first Monday of March, every department submits to the city manager an itemized estimate of its expected income and expenditures during the next fiscal year for the department or activities under its control. The city manager then prepares a proposed budget. A public hearing is then held regarding the proposed budget.
- Not later than sixty days prior to July 1, a recommended budget within the tax limit and other revenue sources of the City is presented to the city council. The annual appropriations bill must then be passed no later than thirty days prior to July 1.
- The city manager may transfer budget amounts between departments within any fund and shall report such transfers to the council in writing in a timely manner. However, any revisions that alter the total expenditures of any fund must be approved by the city council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds and Proprietary Funds.

BASIS OF ACCOUNTING:

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:

The following funds have an excess of actual expenditures over budget for the year ended June 30, 2014:

<u>Individual Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Debt Service	\$ 32,094
Major Street Fund:	
Highways, Streets and Bridges	105,916
Capital Outlay	305,802

SUPPLEMENTARY INFORMATION

CITY OF MENOMINEE, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2014

	Permanent		Special Revenue Funds				
	Cemetery Perpetual Care	Cemetery Operations	Waterfront Festival	North Pier Light	Solid Waste Disposal	Brownfield TIF	Public Improvement
ASSETS:							
Cash and Cash Equivalents	\$ -	\$ 6,522	\$ 26,540	\$ 14,923	\$ 242,094	\$ 42,323	\$ 9,856
Investments	1,264,748	13,183	-	-	-	-	-
Receivables-Net	-	-	-	-	7,932	-	-
Due from Other Governments	-	-	-	-	-	-	-
Due from Other Funds	-	57,853	-	-	661	-	-
Inventories and Prepaid Items	-	-	445	-	939	-	-
TOTAL ASSETS	\$ 1,264,748	\$ 77,558	\$ 26,985	\$ 14,923	\$ 251,626	\$ 42,323	\$ 9,856
LIABILITIES:							
Accounts Payable	\$ -	\$ 546	\$ -	\$ -	\$ 41,234	\$ -	\$ -
Accrued Payroll	-	6,319	-	-	894	-	-
Due to Other Funds	57,853	67,484	1,603	-	33,647	32,942	-
Due to Other Governments	-	-	-	-	-	-	-
TOTAL LIABILITIES	57,853	74,349	1,603	-	75,775	32,942	-
DEFERRED INFLOWS OF RESOURCES	-	-	14,925	-	-	-	-
FUND BALANCES:							
Non-Spendable	1,206,895	-	445	-	939	-	-
Restricted	-	-	-	-	-	-	-
Assigned	-	3,209	10,012	14,923	174,912	9,381	9,856
TOTAL FUND BALANCES	1,206,895	3,209	10,457	14,923	175,851	9,381	9,856
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,264,748	\$ 77,558	\$ 26,985	\$ 14,923	\$ 251,626	\$ 42,323	\$ 9,856

Special Revenue Funds							
Downtown Development Authority	DDA #2 TIF	Drug Law Enforcement	Spies Public Library	Revolving Loan	Neighborhood Preservation Project	Economic Development Fibrek	Community Development MSHA
\$ 21,298	\$ 40,151	\$ 20,274	\$ 160,453	\$ 4,564	\$ -	\$ -	\$ 8,446
-	-	-	-	-	-	-	-
-	-	-	-	357,560	70,058	1,000	86,339
-	3,543	-	53,779	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 21,298</u>	<u>\$ 43,694</u>	<u>\$ 20,274</u>	<u>\$ 214,232</u>	<u>\$ 362,124</u>	<u>\$ 70,058</u>	<u>\$ 1,000</u>	<u>\$ 94,785</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 419
-	-	-	7,330	-	-	-	-
-	-	-	63,319	-	-	500	-
-	-	-	-	-	70,058	-	86,339
-	-	-	70,649	-	70,058	500	86,758
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	362,124	-	-	8,027
21,298	43,694	20,274	143,583	-	-	500	-
<u>21,298</u>	<u>43,694</u>	<u>20,274</u>	<u>143,583</u>	<u>362,124</u>	<u>-</u>	<u>500</u>	<u>8,027</u>
<u>\$ 21,298</u>	<u>\$ 43,694</u>	<u>\$ 20,274</u>	<u>\$ 214,232</u>	<u>\$ 362,124</u>	<u>\$ 70,058</u>	<u>\$ 1,000</u>	<u>\$ 94,785</u>

CITY OF MENOMINEE, MICHIGAN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
As of June 30, 2014

	<u>Capital Projects Funds</u>		<u>Debt Service Funds</u>		<u>Total</u>
	<u>Spies Field Improvement Project</u>	<u>Spies Library Construction</u>	<u>Street Construction Debt</u>	<u>Spies Public Library Debt</u>	
ASSETS:					
Cash and Cash Equivalents	\$ 2,329	\$ 29,455	\$ -	\$ -	\$ 629,228
Investments	-	-	140,588	146,612	1,565,131
Receivables-Net	39,768	-	-	-	562,657
Due from Other Governments	-	-	-	-	53,779
Due from Other Funds	-	-	357	-	62,414
Inventories and Prepaid Items	-	-	-	-	1,384
TOTAL ASSETS	<u>\$ 42,097</u>	<u>\$ 29,455</u>	<u>\$ 140,945</u>	<u>\$ 146,612</u>	<u>\$ 2,874,593</u>
LIABILITIES:					
Accounts Payable	\$ 1,800	\$ -	\$ -	\$ -	\$ 43,999
Accrued Payroll	-	-	-	-	14,543
Due to Other Funds	-	-	-	18,451	275,799
Due to Other Governments	-	-	-	-	156,397
TOTAL LIABILITIES	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>18,451</u>	<u>490,738</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,925</u>
FUND BALANCES:					
Non-Spendable	-	-	-	-	1,208,279
Restricted	40,297	29,455	140,945	128,161	709,009
Assigned	-	-	-	-	451,642
TOTAL FUND BALANCES	<u>40,297</u>	<u>29,455</u>	<u>140,945</u>	<u>128,161</u>	<u>2,368,930</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 42,097</u>	<u>\$ 29,455</u>	<u>\$ 140,945</u>	<u>\$ 146,612</u>	<u>\$ 2,874,593</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Permanent	Special Revenue					
	Cemetery Perpetual Care	Cemetery Operations	Waterfront Festival	North Pier Light	Solid Waste Disposal	Brownfield TIF	
REVENUES:							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 279,575	\$ 25,198	\$ -
State Shared Revenue	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-
Investment Income	50,558	21	7	9	7,165	105	3
Charges for Services	3,383	67,267	-	-	280,092	-	-
Other	-	152	121,268	19,125	-	-	-
Total Revenues	53,941	67,440	121,275	19,134	566,832	25,303	3
EXPENDITURES:							
Public Safety	-	-	-	-	-	-	-
Culture and Recreation	-	-	124,274	4,211	-	-	-
Sanitation	-	-	-	-	625,629	-	-
Other	7,505	178,752	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service:							
Principal Retirement	-	-	-	-	-	20,000	-
Interest and Fiscal Charges	-	-	-	-	-	6,657	-
Total Expenditures	7,505	178,752	124,274	4,211	625,629	26,657	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	46,436	(111,312)	(2,999)	14,923	(58,797)	(1,354)	3
OTHER FINANCING SOURCES (USES):							
Transfers In	-	19,947	10,000	-	-	3,274	-
Transfers Out	(19,947)	-	-	-	-	-	-
Total Other Financial Sources (Uses)	(19,947)	19,947	10,000	-	-	3,274	-
NET CHANGE IN FUND BALANCES	26,489	(91,365)	7,001	14,923	(58,797)	1,920	3
FUND BALANCES - BEGINNING	1,180,406	94,574	3,456	-	234,648	7,461	9,853
FUND BALANCES - ENDING	\$ 1,206,895	\$ 3,209	\$ 10,457	\$ 14,923	\$ 175,851	\$ 9,381	\$ 9,856

Special Revenue							
Downtown Development Authority	DDA #2 TIF	Drug Law Enforcement	Spies Public Library	Revolving Loan	Neighborhood Preservation Project	Economic Development FibreK	Community Development MSHDA
\$ 7,247	\$ 3,817	\$ -	\$ 195,818	\$ -	\$ -	\$ -	\$ -
-	-	-	5,226	-	-	-	-
-	-	-	56,400	-	-	-	-
-	108	6	-	13,326	-	-	-
-	-	-	6,290	-	-	-	-
775	-	1,684	7,390	-	-	-	-
<u>8,022</u>	<u>3,925</u>	<u>1,690</u>	<u>271,124</u>	<u>13,326</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	1,500	-	-	-	-	-
-	-	-	415,432	-	-	-	-
-	-	-	-	-	-	-	-
1,386	-	-	-	689,313	-	-	-
-	-	-	23,646	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,386</u>	<u>-</u>	<u>1,500</u>	<u>439,078</u>	<u>689,313</u>	<u>-</u>	<u>-</u>	<u>-</u>
6,636	3,925	190	(167,954)	(675,987)	-	-	-
-	-	-	137,431	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	<u>137,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6,636	3,925	190	(30,523)	(675,987)	-	-	-
14,662	39,769	20,084	174,106	1,038,111	-	500	8,027
<u>\$ 21,298</u>	<u>\$ 43,694</u>	<u>\$ 20,274</u>	<u>\$ 143,583</u>	<u>\$ 362,124</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 8,027</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Capital Projects Funds		Debt Service		Totals
	Spies Field Improvement Project	Spies Library Construction	Street Construction Debt	Spies Public Library Debt	
REVENUES:					
Property Taxes	\$ -	\$ -	\$ 509,283	\$ 115,795	\$ 1,136,733
State Shared Revenue	-	-	-	-	5,226
Fines and Forfeits	-	-	-	-	56,400
Investment Income	949	-	89	42	72,388
Charges for Services	-	-	-	-	357,032
Other	-	-	-	-	150,394
Total Revenues	<u>949</u>	<u>-</u>	<u>509,372</u>	<u>115,837</u>	<u>1,778,173</u>
EXPENDITURES:					
Public Safety	-	-	-	-	1,500
Culture and Recreation	-	-	-	-	543,917
Sanitation	-	-	-	-	625,629
Other	2,391	-	250	300	879,897
Capital Outlay	-	5,200	-	-	28,846
Debt Service:					
Principal Retirement	-	-	355,000	91,000	466,000
Interest and Fiscal Charges	-	-	81,227	24,403	112,287
Total Expenditures	<u>2,391</u>	<u>5,200</u>	<u>436,477</u>	<u>115,703</u>	<u>2,658,076</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,442)</u>	<u>(5,200)</u>	<u>72,895</u>	<u>134</u>	<u>(879,903)</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	-	-	-	170,652
Operating Transfers Out	-	-	-	-	(19,947)
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,705</u>
NET CHANGE IN FUND BALANCES	<u>(1,442)</u>	<u>(5,200)</u>	<u>72,895</u>	<u>134</u>	<u>(729,198)</u>
FUND BALANCES - BEGINNING	<u>41,739</u>	<u>34,655</u>	<u>68,050</u>	<u>128,027</u>	<u>3,098,128</u>
FUND BALANCES - ENDING	<u>\$ 40,297</u>	<u>\$ 29,455</u>	<u>\$ 140,945</u>	<u>\$ 128,161</u>	<u>\$ 2,368,930</u>

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Net Position

Nonmajor Proprietary Funds

As of June 30, 2014

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 421,787	\$ -	\$ 421,787
Prepaid Expenses	91	-	91
Due from Other Funds	-	42,938	42,938
Total Current Assets	<u>421,878</u>	<u>42,938</u>	<u>464,816</u>
Noncurrent Assets			
Capital Assets - Net of Depreciation	512,755	361,274	874,029
Total Noncurrent Assets	<u>512,755</u>	<u>361,274</u>	<u>874,029</u>
TOTAL ASSETS	<u>934,633</u>	<u>404,212</u>	<u>1,338,845</u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	296	-	296
Accrued Expense	2,228	-	2,228
Due to Other Funds	11,867	-	11,867
Total Current Liabilities	<u>14,391</u>	<u>-</u>	<u>14,391</u>
TOTAL LIABILITIES	<u>14,391</u>	<u>-</u>	<u>14,391</u>
NET POSITION			
Net Investment in Capital Assets	512,755	361,274	874,029
Unrestricted	407,487	42,938	450,425
TOTAL NET POSITION	<u>\$ 920,242</u>	<u>\$ 404,212</u>	<u>\$ 1,324,454</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
OPERATING REVENUES:			
Other Revenues	\$ 114,405	\$ -	\$ 114,405
Total Operating Revenues	<u>114,405</u>	<u>-</u>	<u>114,405</u>
OPERATING EXPENSES:			
Personal Services	46,354	-	46,354
Contractual Services	5,629	-	5,629
Utilities	23,224	-	23,224
Repairs and Maintenance	2,428	-	2,428
Other Supplies and Expenses	3,254	-	3,254
Depreciation	32,420	-	32,420
Total Operating Expenses	<u>113,309</u>	<u>-</u>	<u>113,309</u>
Operating Income	<u>1,096</u>	<u>-</u>	<u>1,096</u>
NON-OPERATING REVENUE:			
Interest and Investment Revenue	110	-	110
Total Non-Operating Revenue	<u>110</u>	<u>-</u>	<u>110</u>
CHANGE IN NET POSITION	1,206	-	1,206
NET POSITION - BEGINNING	<u>919,036</u>	<u>404,212</u>	<u>1,323,248</u>
NET POSITION - ENDING	<u>\$ 920,242</u>	<u>\$ 404,212</u>	<u>\$ 1,324,454</u>

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

For the Year Ended June 30, 2014

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 114,405	\$ -	\$ 114,405
Payments to Suppliers	(34,992)	-	(34,992)
Payments to Employees	(46,530)	-	(46,530)
Internal Activity - Payments to Other Funds	(14,149)	-	(14,149)
Net Cash From Operating Activities	<u>18,734</u>	<u>-</u>	<u>18,734</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(14,550)	-	(14,550)
Net Cash From Capital and Related Financing Activities	<u>(14,550)</u>	<u>-</u>	<u>(14,550)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income	110	-	110
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,294	-	4,294
CASH AND CASH EQUIVALENTS - BEGINNING	<u>417,493</u>	<u>-</u>	<u>417,493</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 421,787</u>	<u>\$ -</u>	<u>\$ 421,787</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income	\$ 1,096	\$ -	\$ 1,096
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:			
Depreciation	32,420	-	32,420
Changes in Non-Cash Components of Working Capital:			
Accounts Receivable	-	-	-
Due From Other Funds	-	-	-
Inventories	-	-	-
Prepaid Items	(92)	-	(92)
Accounts Payable	(365)	-	(365)
Accrued Expenses	(176)	-	(176)
Due to Other Funds	(14,149)	-	(14,149)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 18,734</u>	<u>\$ -</u>	<u>\$ 18,734</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Unrestricted Cash and Investments	<u>\$ 421,787</u>	<u>\$ -</u>	<u>\$ 421,787</u>

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Net Position

Employee Trust Funds

As of June 30, 2014

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
ASSETS:			
Cash and Cash Equivalents	\$ 74,417	\$ 9,059	\$ 83,476
Investments at Fair Value	10,920,885	-	10,920,885
TOTAL ASSETS	<u>10,995,302</u>	<u>9,059</u>	<u>11,004,361</u>
LIABILITIES:			
Due to Other Funds	-	6,890	6,890
NET POSITION:			
Held in Trust for Employees' Retirement System	10,995,302	-	10,995,302
Reserved for Employees' Benefits	-	2,169	2,169
TOTAL NET POSITION	<u>\$ 10,995,302</u>	<u>\$ 2,169</u>	<u>\$ 10,997,471</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Changes in Net Position
Employee Trust Funds
For the Year Ended June 30, 2014

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Employees	\$ 103,520	\$ 12,756	\$ 116,276
Employer	465,919	-	465,919
Interest and Dividends	1,420,867	-	1,420,867
Total Additions	<u>1,990,306</u>	<u>12,756</u>	<u>2,003,062</u>
DEDUCTIONS:			
Net Depreciation in Fair Value of Investments	17,649	-	17,649
Annuities	809,103	-	809,103
Benefits	-	11,156	11,156
Refunds	-	-	-
Total Deductions	<u>826,752</u>	<u>11,156</u>	<u>837,908</u>
CHANGE IN NET POSITION	1,163,554	1,600	1,165,154
NET POSITION - BEGINNING	<u>9,831,748</u>	<u>569</u>	<u>9,832,317</u>
NET POSITION - ENDING	<u>\$ 10,995,302</u>	<u>\$ 2,169</u>	<u>\$ 10,997,471</u>

CITY OF MENOMINEE, MICHIGAN

Schedule of Bonded Indebtedness

June 30, 2014

Debt Description		Date of Issue	Amount of Issue
1999 Building Authority Bonds (Limited Tax General Obligation) (Marina Fund)		5/1/99	\$ 1,250,000
Interest Rate	Date	Principal	Interest
4.85%	10/01/14	\$ 115,000	\$ 14,919
4.90%	10/01/15	120,000	9,190
5.00%	10/01/16	125,000	3,125
		\$ 360,000	\$ 27,234

Debt Description		Date of Issue	Amount of Issue
Unlimited Tax General Obligation Bonds, Series 2003 (Refunding of Callable 1995 Library Bonds)		9/4/03	\$ 965,000
Interest Rate	Date	Principal	Interest
4.30%	10/01/14	\$ 90,000	\$ 10,808
4.55%	10/01/15	95,000	6,711
4.55%	10/01/16	100,000	2,275
		\$ 285,000	\$ 19,794

Debt Description		Date of Issue	Amount of Issue	Interest Rate
2007 Brownfield Redemption Authority Tax Investment Bonds (Limited Tax General Obligation)		6/5/07	\$ 225,000	6.34%
Date	Principal	Interest		
06/15/15	\$ 20,000	\$ 5,389		
06/15/16	20,000	4,121		
06/15/17	20,000	2,853		
06/15/18	25,000	1,585		
		\$ 85,000	\$ 13,948	

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness (Continued)
June 30, 2014

Debt Description		Date of Issue	Amount of Issue
2007 Capital Improvement Bonds (Limited Tax General Obligation)		7/1/07	\$ 2,015,000
Interest Rate	Date	Principal	Interest
4.650%	11/1/14	\$ 85,000	\$ 72,156
4.700%	11/1/15	90,000	68,065
4.700%	11/1/16	90,000	63,835
4.700%	11/1/17	100,000	59,370
4.700%	11/1/18	105,000	54,553
4.700% - 4.750%	11/1/19 - 11/1/23	575,000	195,092
4.700% - 4.750%	11/1/24 - 11/1/27	525,000	51,419
		\$ 1,570,000	\$ 564,490

Debt Description		Date of Issue	Amount of Issue	Interest Rate
Water Supply System Junior Lien Revenue Bond, Series 2010		6/17/2010	\$ 2,370,000	3.25%
Date	Principal	Interest		
04/01/15	\$ 31,000	\$ 70,232		
04/01/16	32,000	69,226		
04/01/17	34,000	68,186		
04/01/18	35,000	67,080		
04/01/19	36,000	65,942		
04/01/20 - 04/01/24	201,000	311,284		
04/01/25 - 04/01/29	241,000	276,120		
04/01/30 - 04/01/34	286,000	234,166		
04/01/35 - 04/01/39	344,000	184,016		
04/01/40 - 04/01/44	410,000	123,988		
04/01/45 - 04/01/49	489,000	52,392		
04/01/50	22,000	716		
		\$ 2,161,000	\$ 1,523,348	

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness (Continued)
June 30, 2014

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>
Sewage Disposal System Junior Lien Revenue Bond, Series 2010	6/17/2010	\$ 1,410,000	3.25%
<u>Date</u>	<u>Principal</u>	<u>Interest</u>	
04/01/15	\$ 19,000	\$ 42,056	
04/01/16	19,000	41,438	
04/01/17	20,000	40,820	
04/01/18	21,000	40,170	
04/01/19	22,000	39,488	
04/01/20 - 04/01/24	120,000	186,388	
04/01/25 - 04/01/29	145,000	165,264	
04/01/30 - 04/01/34	172,000	140,042	
04/01/35 - 04/01/39	205,000	109,982	
04/01/40 - 04/01/44	246,000	74,134	
04/01/45 - 04/01/49	295,000	31,038	
04/01/50	10,000	326	
	<u>\$ 1,294,000</u>	<u>\$ 911,146</u>	

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>
2012 Capital Improvement Bonds (Limited Tax General Obligation)	6/25/2012	\$ 300,000	3.375%
<u>Date</u>	<u>Principal</u>	<u>Interest</u>	
04/01/15	\$ 6,000	\$ 9,720	
04/01/16	7,000	9,517	
04/01/17	7,000	9,281	
04/01/18	7,000	9,045	
04/01/19	7,000	8,809	
04/01/20 - 04/01/25	40,000	40,298	
04/01/25 - 04/01/29	47,000	33,042	
04/01/30 - 04/01/34	56,000	24,570	
04/01/35 - 04/01/39	66,000	14,445	
04/01/40 - 04/01/42	45,000	3,038	
	<u>\$ 288,000</u>	<u>\$ 161,765</u>	

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness (Continued)
June 30, 2014

Debt Description		Date of Issue	Amount of Issue
2013 Capital Improvement and Refunding Bonds (Limited Tax General Obligation)		5/15/13	\$ 3,480,000
Interest Rate	Date	Principal	Interest
2.000%	04/01/15	\$ 100,000	\$ 97,756
2.000%	04/01/16	105,000	95,756
2.000%	04/01/17	110,000	93,656
2.000%	04/01/18	110,000	91,456
2.000%	04/01/19	110,000	89,256
3.000% - 3.000%	04/01/20 – 04/01/24	600,000	411,680
3.000%	04/01/25 – 04/01/29	695,000	328,530
3.000% - 3.500%	04/01/30 – 04/01/34	805,000	216,470
3.500% - 3.625%	04/01/35 – 04/01/38	755,000	69,378
		<u>\$ 3,390,000</u>	<u>\$ 1,493,938</u>

Debt Description		Date of Issue	Amount of Issue
Unlimited Tax General Obligation Bonds, Series 2013		6/26/13	\$ 4,415,000
Interest Rate	Date	Principal	Interest
1.000%	05/01/15	\$ 395,000	\$ 92,325
1.500%	05/01/16	410,000	88,375
2.000%	05/01/17	425,000	82,225
2.000%	05/01/18	435,000	73,725
2.000%	05/01/19	450,000	65,025
2.000% - 3.000%	05/01/19 – 05/01/23	1,945,000	145,575
		<u>\$ 4,060,000</u>	<u>\$ 547,250</u>

CITY OF MENOMINEE, MICHIGAN
 Schedule of Bond Reserve Requirements
 June 30, 2014

	Required Balance	Actual Balance
<u>Water Fund</u>		
<u>2010 Junior Lien Bonds</u>		
Senior Lien Bond and Interest Redemption Fund:		
Junior Lien Bond and Interest Redemption Account	\$ 26,080	\$ 26,977
Junior Lien Bond Reserve Account	45,200	45,222
Repair, Replacement and Improvement Fund	180,000	180,091
		\$ 252,290

Sewer/Wastewater Fund

<u>2010 Junior Lien Bonds</u>		
Senior Lien Bond and Interest Redemption Fund:		
Junior Lien Bond and Interest Redemption Account	\$ 15,998	\$ 16,107
Junior Lien Bond Reserve Account	26,800	26,812
Repair, Replacement and Improvement Fund	180,000	180,090
		\$ 223,009

**OTHER REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**



UNGER & WALTERS, S.C.

Certified Public Accountants

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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

Honorable Mayor and Members of the Common Council
City of Menominee
Menominee, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Menominee, Michigan ("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 8, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 over financial reporting 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



UNGER & WALTERS, S.C.

Certified Public Accountants

December 8, 2014

CITY OF MENOMINEE
Schedule of Findings and Responses
For the Year Ended June 30, 2014

A. Summary of Auditor's Results
Financial Statements

- | | |
|----------------------------------------------------------|-------------|
| 1. Type of auditor's report issued? | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | No |
| 3. Noncompliance material to financial statements noted? | No |

B. Financial Statement Findings

There were no financial statement findings.

C. Compliance Findings

There were no compliance findings.

CITY OF MENOMINEE
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2014

#13-1 and #13-2 Segregation of Duties

The June 30, 2013 findings indicated that because of the limited staff at the City, there was a lack of segregation of duties. Management was aware of this deficiency and enhanced segregation of duties wherever possible and the Common Council and Finance Committee continued to assume an active roll of monitoring by review of monthly receipt and disbursement transactions and monthly financial statements.