

CITY OF MENOMINEE, MICHIGAN

Annual Financial Report

June 30, 2015

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, the discretely presented component unit, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Menominee Housing Commission which is presented as a component unit of the City and represents 100% of the assets, net position, and revenues of the discretely presented component unit. These statements were audited by other auditors, whose report thereon has been furnished to us and our opinion, insofar as it relates to amounts included for the Menominee Housing Commission, is based solely upon the report of the other auditors. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective

changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68, as of and for the year ended June 30, 2015. Adopting these standards resulted in significant changes to the defined benefit pension plan footnote disclosures and the required supplementary information. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison information, schedule of changes in the City's net pension liability and ratios – Police and Fire Retirement System, schedule of employer contributions – Police and Fire Retirement System, schedule of changes in the City's net pension liability and ratios – Municipal Employees Retirement System of Michigan, and schedule of employer contributions – Municipal Employees Retirement System of Michigan 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 61 through 81 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 22, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



UNGER & WALTERS, S.C.

Certified Public Accountants

December 22, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2015

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, 2015. 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, 2015 by \$49,462,729 (net position). Of this amount, \$23,058 was unrestricted net position. The net position for government activities were \$29,509,964, and for business-type activities \$19,952,765.
- The total net position increased by \$463,785 during the fiscal year.
- The general fund balance is \$2,636,522 with \$181,111 non-spendable, \$175,681 assigned, and \$2,279,730 unassigned.
- General obligation debt decreased by a net amount of \$861,000 during fiscal year 2015.
- Capital assets increased by \$468,635 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. The City's total unrestricted net position was \$23,058 at fiscal year end June 30, 2015, with a negative \$3,123,676 in the governmental activities and a positive \$3,146,734 in the business-type 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, 2015

CITY OF MENOMINEE NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
ASSETS:						
Current and Other Assets	\$ 11,178,986	\$ 12,312,251	\$ 4,506,002	\$ 4,730,791	\$ 15,684,988	\$ 17,043,042
Capital Assets	29,983,468	28,978,460	24,906,611	25,442,984	54,890,079	54,421,444
Total Assets	<u>41,162,454</u>	<u>41,290,711</u>	<u>29,412,613</u>	<u>30,173,775</u>	<u>70,575,067</u>	<u>71,464,486</u>
DEFERRED OUTFLOWS OF RESOURCES:						
	<u>694,783</u>	<u>-</u>	<u>5,528</u>	<u>-</u>	<u>700,311</u>	<u>-</u>
LIABILITIES:						
Long-Term Liabilities						
Outstanding	10,231,948	10,892,225	8,556,203	8,924,157	18,788,151	19,816,382
Current and Other Liabilities						
	<u>1,416,260</u>	<u>1,181,655</u>	<u>604,470</u>	<u>1,132,714</u>	<u>2,020,730</u>	<u>2,314,369</u>
Total Liabilities	<u>11,648,208</u>	<u>12,073,880</u>	<u>9,160,673</u>	<u>10,056,871</u>	<u>20,808,881</u>	<u>22,130,751</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>699,065</u>	<u>14,925</u>	<u>304,703</u>	<u>319,867</u>	<u>1,003,768</u>	<u>334,792</u>
NET POSITION:						
Net Investment						
in Capital Assets	25,382,487	23,879,943	16,359,587	16,567,503	41,578,345	40,239,530
Restricted	7,251,153	8,117,795	610,173	635,657	7,861,326	8,753,452
Unrestricted	<u>(3,123,676)</u>	<u>(2,795,832)</u>	<u>3,146,734</u>	<u>3,015,197</u>	<u>23,058</u>	<u>5,961</u>
Total Net Position	<u>\$ 29,509,964</u>	<u>\$ 29,201,906</u>	<u>\$ 19,797,037</u>	<u>\$ 20,218,357</u>	<u>\$ 49,462,729</u>	<u>\$ 48,998,943</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 \$463,785.

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, 2015

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
Revenues:						
Program Revenue	\$ 740,946	\$ 845,954	\$ 3,445,748	\$ 2,818,229	\$ 4,186,694	\$ 3,664,183
Operating Grants and Contributions	942,442	1,051,929	-	-	942,442	1,051,929
Capital Grants and Contributions	146,958	1,408,250	-	-	146,958	1,408,250
General Revenues:						
Property Taxes	4,747,330	4,673,519	-	-	4,747,330	4,673,519
State and Federal Aids Not Restricted to Specific Functions	976,440	950,310	-	-	976,440	950,310
Interest and Investment Earnings	85,569	119,512	4,653	6039	90,222	125,551
Other	640,744	927,789	-	-	640,744	927,789
Total Revenues	8,280,429	9,977,263	3,450,401	2,824,268	11,730,830	12,801,531
Expenses:						
Legislative						
General Government	911,756	925,982	-	-	911,756	925,982
Public Safety	3,067,435	2,941,763	-	-	3,067,435	2,941,763
Public Works	1,854,169	2,108,434	-	-	1,854,169	2,108,434
Sanitation	587,538	625,629	-	-	587,538	625,629
Culture and Recreation	1,028,377	1,029,816	-	-	1,028,377	1,029,816
Other	395,348	1,144,632	-	-	395,348	1,144,632
Interest and Fiscal Charges	127,748	154,699	-	-	127,748	154,699
Water Treatment	-	-	1,314,168	1,324,649	1,314,168	1,324,649
Wastewater Treatment	-	-	1,331,122	1,350,486	1,331,122	1,350,486
Marina	-	-	535,518	750,174	535,518	750,174
River Park	-	-	113,866	113,309	113,866	113,309
Total Expenses	7,972,371	8,930,955	3,294,674	3,538,618	11,267,045	12,469,573
Change in Net Position	308,058	1,046,308	155,727	(714,350)	463,785	331,958
Net Position – Beginning of Year - Restated	29,201,906	28,155,598	19,797,038	20,511,388	48,998,944	48,666,986
Net Position – End of Year	<u>\$ 29,509,964</u>	<u>\$ 29,201,906</u>	<u>\$ 19,952,765</u>	<u>\$ 19,797,038</u>	<u>\$ 49,462,729</u>	<u>\$ 48,998,944</u>

CITY OF MENOMINEE, MICHIGAN
 Managements Discussion and Analysis
 June 30, 2015

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, 2015 fiscal year. The unassigned funds are the funds that can be spent under management's discretion.

At fiscal year end June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$10,437,608.

The general fund is the chief operating fund of the City. At June 30, 2015, its unassigned fund balance was \$2,279,730. 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 \$449,546, for the Wastewater Utility unrestricted net position was \$1,534,196, for the Marina unrestricted net position was \$678,226, for the River Park unrestricted net position was \$441,828, 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>2014 - 2015 Actual</u>	<u>Variance</u>
General Fund:				
Revenues	\$ 5,394,073	\$ 5,564,491	\$ 5,611,907	\$ 47,416
Expenditures	5,556,720	5,943,120	5,605,409	337,711
Other Financing Sources (Uses)	162,647	378,629	(217,220)	(595,849)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (210,722)</u>	<u>\$ (210,722)</u>
Major Streets:				
Revenues	\$ 866,531	\$ 866,531	\$ 717,573	\$ (148,958)
Expenditures	1,850,295	1,850,295	1,337,989	512,306
Other Financing Sources (Uses)	983,764	983,764	916,452	(67,312)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,036</u>	<u>\$ 296,036</u>

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2015

General Fund Budgetary Highlights (continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2014 - 2015 Actual</u>	<u>Variance</u>
Local Streets:				
Revenues	\$ 282,808	\$ 282,808	\$ 297,112	\$ 14,304
Expenditures	792,476	792,476	604,540	187,936
Other Financing Sources (Uses)	509,668	509,668	392,462	(117,206)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,034</u>	<u>\$ 85,034</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, 2015 was \$54,890,079. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

At June 30, 2015, the City had total bonded debt outstanding of \$12,632,000. Of this amount, \$4,207,000 comprised debt backed by the full faith and credit of the government and \$8,425,000 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 \$4,207,000.

NEXT YEAR'S BUDGETS AND RATES

State shared revenue contributes approximately 17% of the general fund revenues for the City of Menominee. For the 2015–2016 fiscal year, the City budgeted this revenue to be approximately 17% of the general fund revenues.

Over 60% 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, 2015

	Governmental Fund Types			Component
	Governmental	Business	Total	Unit
	Activities	Type		Housing
		Activities		Commission
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 4,136,763	\$ 3,220,153	\$ 7,356,916	\$ 537,462
Receivables - Net	705,558	755,230	1,460,788	13,460
Due from Other Governments	252,874	-	252,874	-
Internal Balances	318,875	(248,288)	70,587	-
Inventories and Prepaid Items	345,897	168,734	514,631	30,339
Total Current Assets	<u>5,759,967</u>	<u>3,895,829</u>	<u>9,655,796</u>	<u>581,261</u>
Noncurrent Assets:				
Restricted Cash	3,862,546	610,173	4,472,719	-
Restricted Investments	1,556,473	-	1,556,473	-
Capital Assets, Net of Depreciation	29,983,468	24,906,611	54,890,079	1,288,810
	<u>35,402,487</u>	<u>25,516,784</u>	<u>60,919,271</u>	<u>1,288,810</u>
TOTAL ASSETS	<u>41,162,454</u>	<u>29,412,613</u>	<u>70,575,067</u>	<u>1,870,071</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>694,783</u>	<u>5,528</u>	<u>700,311</u>	<u>-</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	348,846	145,800	494,646	122,039
Due to Other Governments	164,603	-	164,603	-
Accrued Payroll	113,262	14,694	127,956	-
Accrued Interest	18,294	66,332	84,626	-
Current Portion of Long-Term Debt	771,255	389,856	1,161,111	13,703
	<u>1,416,260</u>	<u>616,682</u>	<u>2,032,942</u>	<u>135,742</u>
Noncurrent Liabilities:				
Long-Term Debt	4,028,084	8,320,897	12,348,981	13,742
Unamortized Bond Premium	67,239	-	67,239	-
Net Pension Liability	6,136,625	223,094	6,359,719	-
	<u>10,231,948</u>	<u>8,543,991</u>	<u>18,775,939</u>	<u>13,742</u>
TOTAL LIABILITIES	<u>11,648,208</u>	<u>9,160,673</u>	<u>20,808,881</u>	<u>149,484</u>
DEFERRED INFLOWS OF RESOURCES	<u>699,065</u>	<u>304,703</u>	<u>1,003,768</u>	<u>-</u>
NET POSITION:				
Net Investment in Capital Assets	25,382,487	16,195,858	41,578,345	1,288,810
Restricted	7,251,153	610,173	7,861,326	-
Unrestricted	(3,123,676)	3,146,734	23,058	431,777
TOTAL NET POSITION	<u>\$ 29,509,964</u>	<u>\$ 19,952,765</u>	<u>\$ 49,462,729</u>	<u>\$ 1,720,587</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 911,756	\$ 2,500	\$ -	\$ -
Public Safety	3,067,435	49,341	42,327	-
Public Works	1,854,169	312,280	810,315	-
Sanitation	587,538	274,117	-	-
Culture and Recreation	1,028,377	102,708	89,800	146,958
Other	395,348	-	-	-
Interest and Fiscal Charges	127,748	-	-	-
Total Governmental Activities	7,972,371	740,946	942,442	146,958
Business-Type Activities:				
Water Treatment	1,314,168	1,256,993	-	-
Wastewater Treatment	1,331,122	1,511,329	-	-
Marina	535,518	561,986	-	-
River Park	113,866	115,440	-	-
Total Business-Type Activities	3,294,674	3,445,748	-	-
TOTAL PRIMARY GOVERNMENT	\$ 11,267,045	\$ 4,186,694	\$ 942,442	\$ 146,958
Component Unit:				
Housing Commission	\$ 1,105,341	\$ 448,984	\$ 448,578	\$ 19,479

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
Gain on Sale of Capital Assets
Interest and Investment Earnings
Other

Total General Revenues

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR - AS RESTATED

NET POSITION - END OF YEAR

Net (Expense) Revenue And Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit Housing Commission
\$ (909,256)	\$ -	\$ (909,256)	\$ -
(2,975,767)	-	(2,975,767)	-
(731,574)	-	(731,574)	-
(313,421)	-	(313,421)	-
(688,911)	-	(688,911)	-
(395,348)	-	(395,348)	-
(127,748)	-	(127,748)	-
<u>(6,142,025)</u>	<u>-</u>	<u>(6,142,025)</u>	<u>-</u>
-	(57,175)	(57,175)	-
-	180,207	180,207	-
-	26,468	26,468	-
-	1,574	1,574	-
<u>-</u>	<u>151,074</u>	<u>151,074</u>	<u>-</u>
<u>(6,142,025)</u>	<u>151,074</u>	<u>(5,990,951)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (188,300)</u>
3,448,930	-	3,448,930	-
626,995	-	626,995	-
194,538	-	194,538	-
196,321	-	196,321	-
280,546	-	280,546	-
976,440	-	976,440	-
6,530	-	6,530	-
85,569	4,653	90,222	3,032
634,214	-	634,214	19,514
<u>6,450,083</u>	<u>4,653</u>	<u>6,454,736</u>	<u>22,546</u>
308,058	155,727	463,785	(165,754)
<u>29,201,906</u>	<u>19,797,038</u>	<u>48,998,944</u>	<u>1,886,341</u>
<u>\$ 29,509,964</u>	<u>\$ 19,952,765</u>	<u>\$ 49,462,729</u>	<u>\$ 1,720,587</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Balance Sheet
Governmental Funds
As of June 30, 2015

	General Fund	Special Revenue Funds	
		Major Street	Local Street
ASSETS:			
Cash and Cash Equivalents	\$ 2,124,769	\$ 889,041	\$ 609,199
Investments	-	-	-
Receivables - Net	158,698	-	-
Due from Other Governments	65,606	97,889	39,503
Due from Other Funds	487,772	22,913	-
Inventories and Prepaid Items	181,111	94,745	12,831
TOTAL ASSETS	\$ 3,017,956	\$ 1,104,588	\$ 661,533
LIABILITIES:			
Accounts Payable	\$ 115,963	\$ 120,177	\$ 741
Accrued Payroll	94,168	1,959	3,612
Due to Other Funds	60,455	-	23,086
Due to Other Governments	8,206	-	-
Total Liabilities	278,792	122,136	27,439
DEFERRED INFLOWS OF RESOURCES	102,642	-	-
FUND BALANCES:			
Non-Spendable	181,111	94,745	12,831
Restricted	-	887,707	621,263
Assigned	175,681	-	-
Unassigned	2,279,730	-	-
Total Fund Balances	2,636,522	982,452	634,094
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,017,956	\$ 1,104,588	\$ 661,533

See Accompanying Notes

Capital Projects Fund Street Construction	Other Governmental Funds	Total Governmental Funds
\$ 3,862,016	\$ 514,284	\$ 7,999,309
-	1,556,473	1,556,473
-	546,860	705,558
-	49,876	252,874
8,495	32,374	551,554
56,517	693	345,897
<u>\$ 3,927,028</u>	<u>\$ 2,700,560</u>	<u>\$ 11,411,665</u>
\$ 76,718	\$ 35,247	\$ 348,846
-	13,523	113,262
-	149,138	232,679
-	156,397	164,603
<u>76,718</u>	<u>354,305</u>	<u>859,390</u>
-	12,025	114,667
56,517	693	345,897
3,793,793	1,948,390	7,251,153
-	385,147	560,828
-	-	2,279,730
<u>3,850,310</u>	<u>2,334,230</u>	<u>10,437,608</u>
<u>\$ 3,927,028</u>	<u>\$ 2,700,560</u>	<u>\$ 11,411,665</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 As of June 30, 2015

Total Fund Balances - Governmental Funds	\$	10,437,608
<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	\$ 49,921,331	
Accumulated Depreciation	<u>(19,937,863)</u>	29,983,468
<p>Governmental funds defer revenue in connection with special assessments and other receivables not considered available to liquidate liabilities in the current period.</p>		
		102,642
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>		
General Obligation Debt	\$ (4,207,000)	
Capital Lease Obligation	(326,742)	
Unamortized Bond Premium	(67,239)	
Vested Compensated Absences	<u>(265,597)</u>	(4,866,578)
<p>Net pension liabilities and pension related deferred outflows and inflows are not due and payable in the current period and are not reported in the funds.</p>		
		(6,128,882)
<p>Accrued interest on long-term obligations is not due and payable in the current period and is not reported in the funds.</p>		
		<u>(18,294)</u>
Total Net Position - Governmental Activities	\$	<u>29,509,964</u>

CITY OF MENOMINEE, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Special Revenue Funds	
		Major Street	Local Street
REVENUES:			
Property Taxes	\$ 3,597,830	\$ 97,269	\$ 97,269
Federal Grants	38,997	-	-
State Grants	149,788	37,458	-
State Shared Revenue	976,440	574,988	197,869
Licenses and Permits	150,846	-	-
Fines and Forfeitures	33,254	-	-
Investment Income	8,690	1,858	1,974
Rentals	349,598	-	-
Charges for Services	2,500	-	-
Other Revenues	303,964	6,000	-
TOTAL REVENUES	5,611,907	717,573	297,112
EXPENDITURES:			
Current:			
General Government	838,893	-	-
Public Safety	2,964,818	-	-
Highways, Streets and Bridges	546,562	397,399	212,078
Sanitation	-	-	-
Culture and Recreation	350,147	-	-
Other	133,311	-	-
Capital Outlay	697,584	940,590	392,462
Debt Service:			
Principal Retirement	53,775	-	-
Interest and Fiscal Charges	20,319	-	-
TOTAL EXPENDITURES	5,605,409	1,337,989	604,540
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,498	(620,416)	(307,428)
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Capital Assets	11,025	-	-
Transfers In	9,859	916,452	392,462
Transfers Out	(238,104)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(217,220)	916,452	392,462
NET CHANGE IN FUND BALANCES	(210,722)	296,036	85,034
FUND BALANCES - BEGINNING OF YEAR	2,847,244	686,416	549,060
FUND BALANCES - END OF YEAR	\$ 2,636,522	\$ 982,452	\$ 634,094

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Street Construction		
\$ -	\$ 1,136,865	\$ 4,929,233
-	-	38,997
-	-	187,246
-	7,931	1,757,228
-	-	150,846
-	52,417	85,671
1,659	41,253	55,434
-	-	349,598
-	351,730	354,230
-	120,387	430,351
<u>1,659</u>	<u>1,710,583</u>	<u>8,338,834</u>
-	-	838,893
-	3,299	2,968,117
-	-	1,156,039
-	587,538	587,538
-	543,902	894,049
-	170,680	303,991
-	38,867	2,069,503
-	511,000	564,775
-	118,242	138,561
<u>-</u>	<u>1,973,528</u>	<u>9,521,466</u>
<u>1,659</u>	<u>(262,945)</u>	<u>(1,182,632)</u>
-	-	11,025
-	251,948	1,570,721
<u>(1,308,914)</u>	<u>(23,703)</u>	<u>(1,570,721)</u>
<u>(1,308,914)</u>	<u>228,245</u>	<u>11,025</u>
<u>(1,307,255)</u>	<u>(34,700)</u>	<u>(1,171,607)</u>
<u>5,157,565</u>	<u>2,368,930</u>	<u>11,609,215</u>
<u>\$ 3,850,310</u>	<u>\$ 2,334,230</u>	<u>\$ 10,437,608</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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,171,607)
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are capitalized and depreciation expense is recorded over their estimated useful lives.	1,009,503
The net effect of various miscellaneous transactions involving capital assets (i.e., trade-ins, and disposals) is to decrease net position.	(4,495)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(79,909)
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.	564,775
Net changes in vested compensated absences are recorded when obligations are earned in the statement of activities.	(4,214)
Unamortized bond premium is reported as a reduction of interest expense in the statement of activities but is not reported in the funds.	(8,404)
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.	2,409
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 308,058</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Net Position

Proprietary Funds

As of June 30, 2015

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 491,557	\$ 1,308,036	\$ 947,738
Receivables - Net	328,622	426,608	-
Due from Other Funds	7,986	112,739	-
Inventories	80,973	-	-
Prepaid Items	42,437	32,945	12,379
Total Current Assets	<u>951,575</u>	<u>1,880,328</u>	<u>960,117</u>
Noncurrent Assets:			
Restricted Cash and Investments	308,679	301,494	-
Capital Assets, Net of Depreciation	11,035,909	12,240,046	789,282
Total Noncurrent Assets	<u>11,344,588</u>	<u>12,541,540</u>	<u>789,282</u>
TOTAL ASSETS	<u>12,296,163</u>	<u>14,421,868</u>	<u>1,749,399</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,172</u>	<u>4,356</u>	<u>-</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	106,869	6,651	30,879
Accrued Expense	302	12,164	-
Accrued Interest	28,818	34,482	3,032
Due to Other Funds	196,974	187,612	-
Current Portion of Noncurrent Liabilities	90,942	166,702	120,000
Total Current Liabilities	<u>423,905</u>	<u>407,611</u>	<u>153,911</u>
Noncurrent Liabilities:			
Bonds, Notes, Loans, and Capital Leases	3,581,059	4,627,050	125,000
Net Pension Liability	142,653	80,441	-
TOTAL LIABILITIES	<u>4,147,617</u>	<u>5,115,102</u>	<u>278,911</u>
DEFERRED INFLOWS OF RESOURCES	<u>27,585</u>	<u>29,138</u>	<u>247,980</u>
NET POSITION:			
Net Investment in Capital Assets	7,363,908	7,446,294	544,282
Restricted	308,679	301,494	-
Unrestricted	449,546	1,534,196	678,226
TOTAL NET POSITION	<u>\$ 8,122,133</u>	<u>\$ 9,281,984</u>	<u>\$ 1,222,508</u>

See Accompanying Notes

Other Proprietary Funds	Total Proprietary Funds
\$ 472,822	\$ 3,220,153
-	755,230
42,938	163,663
-	80,973
-	87,761
<u>515,760</u>	<u>4,307,780</u>
-	610,173
841,374	24,906,611
<u>841,374</u>	<u>25,516,784</u>
1,357,134	29,824,564
-	5,528
1,401	145,800
2,228	14,694
-	66,332
27,365	411,951
-	377,644
<u>30,994</u>	<u>1,016,421</u>
-	8,333,109
-	223,094
<u>30,994</u>	<u>9,572,624</u>
-	304,703
841,374	16,195,858
-	610,173
484,766	3,146,734
<u>\$ 1,326,140</u>	<u>\$ 19,952,765</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, 2015

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
OPERATING REVENUES:			
Charges for Services	\$ 1,244,721	\$ 1,492,730	\$ 561,986
Other Revenues	12,272	18,599	-
Total Operating Revenues	<u>1,256,993</u>	<u>1,511,329</u>	<u>561,986</u>
OPERATING EXPENSES:			
Personal Services	77,579	180,359	94,937
Contractual Services	474,156	398,510	56,166
Utilities	69,118	108,269	37,543
Repairs and Maintenance	141,773	35,412	72,048
Other Supplies and Expenses	28,612	41,329	166,139
Depreciation	398,316	395,473	95,161
Total Operating Expenses	<u>1,189,554</u>	<u>1,159,352</u>	<u>521,994</u>
OPERATING INCOME (LOSS)	<u>67,439</u>	<u>351,977</u>	<u>39,992</u>
NON-OPERATING REVENUE (EXPENSES):			
Interest and Investment Revenue	722	2,592	1,227
Interest Expense	(124,614)	(171,770)	(13,524)
Total Non-operating Revenue (Expenses)	<u>(123,892)</u>	<u>(169,178)</u>	<u>(12,297)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(56,453)	182,799	27,695
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(56,453)	182,799	27,695
NET POSITION - BEGINNING OF YEAR - RESTATED	<u>8,178,586</u>	<u>9,099,185</u>	<u>1,194,813</u>
NET POSITION - END OF YEAR	<u>\$ 8,122,133</u>	<u>\$ 9,281,984</u>	<u>\$ 1,222,508</u>

See Accompanying Notes

Other Proprietary Funds	Total Proprietary Funds
\$ -	\$ 3,299,437
115,440	146,311
<u>115,440</u>	<u>3,445,748</u>
47,486	400,361
5,822	934,654
20,853	235,783
1,505	250,738
5,546	241,626
32,654	921,604
<u>113,866</u>	<u>2,984,766</u>
1,574	460,982
112	4,653
-	(309,908)
<u>112</u>	<u>(305,255)</u>
1,686	155,727
-	-
1,686	155,727
<u>1,324,454</u>	<u>19,797,038</u>
<u>\$ 1,326,140</u>	<u>\$ 19,952,765</u>

CITY OF MENOMINEE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	<u>Water Utility</u>	<u>Wastewater Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 1,143,144	\$ 1,405,738
Payments to Suppliers	(614,030)	(581,106)
Payment to Employees	(78,633)	(177,975)
Interfund Activity - Receipts (Payments) from (to) Other Funds	25,355	36,850
Net Cash From Operating Activities	<u>475,836</u>	<u>683,507</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal and Interest Paid on Capital Debt	(216,182)	(339,412)
Purchases of Capital Assets	(516,753)	(459,982)
Net Cash From Capital and Related Financing Activities	<u>(732,935)</u>	<u>(799,394)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	722	2,592
Net Cash From Investing Activities	<u>722</u>	<u>2,592</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(256,377)	(113,295)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,056,613	1,722,825
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 800,236</u>	<u>\$ 1,609,530</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 67,439	\$ 351,977
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	398,316	395,473
Changes in Non-Cash Components of Working Capital:		
Accounts Receivable	(114,249)	(96,749)
Due from Other Funds	(5,916)	(6,909)
Inventories	8,364	-
Prepaid Items	(5,254)	2,105
Accounts Payable	96,520	309
Net Pension Liability	2,051	7,639
Accrued Expenses	(1,934)	(899)
Due to Other Funds	31,271	43,759
Deferred Outflows of Resources	(1,172)	(4,356)
Deferred Inflows of Resources	400	(8,842)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 475,836</u>	<u>\$ 683,507</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Unrestricted Cash and Investments	\$ 491,557	\$ 1,308,036
Restricted Cash and Investments	308,679	301,494
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 800,236</u>	<u>\$ 1,609,530</u>

See Accompanying Notes

<u>Marina</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
\$ 555,264	\$ 115,440	\$ 3,219,586
(460,130)	(32,530)	(1,687,796)
-	(47,486)	(304,094)
(1,705)	15,498	75,998
<u>93,429</u>	<u>50,922</u>	<u>1,303,694</u>
(129,919)	-	(685,513)
-	-	(976,735)
<u>(129,919)</u>	<u>-</u>	<u>(1,662,248)</u>
1,227	113	4,654
<u>1,227</u>	<u>113</u>	<u>4,654</u>
(35,263)	51,035	(353,900)
<u>983,001</u>	<u>421,787</u>	<u>4,184,226</u>
<u>\$ 947,738</u>	<u>\$ 472,822</u>	<u>\$ 3,830,326</u>
\$ 39,992	\$ 1,574	\$ 460,982
95,161	32,654	921,604
-	-	(210,998)
-	-	(12,825)
-	-	8,364
583	91	(2,475)
(1,413)	1,105	96,521
-	-	9,690
(32,467)	-	(35,300)
(1,705)	15,498	88,823
-	-	(5,528)
(6,722)	-	(15,164)
<u>\$ 93,429</u>	<u>\$ 50,922</u>	<u>\$ 1,303,694</u>
\$ 947,738	\$ 472,822	\$ 3,220,153
-	-	610,173
<u>\$ 947,738</u>	<u>\$ 472,822</u>	<u>\$ 3,830,326</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Net Position

Fiduciary Funds

As of June 30, 2015

	Employee Trust Funds	Agency Funds	Total
ASSETS:			
Cash and Cash Equivalents	\$ 28,587	\$ 65,061	\$ 93,648
Investments at Fair Value	10,656,370	-	10,656,370
Taxes Receivable	-	39,307	39,307
TOTAL ASSETS	10,684,957	104,368	10,789,325
LIABILITIES:			
Due to Other Funds	5,519	65,068	70,587
Due to Other Governments	-	39,300	39,300
TOTAL LIABILITIES	5,519	104,368	109,887
NET POSITION:			
Held in Trust for Employees' Retirement System	10,676,472	-	10,676,472
Reserved for Employees' Benefits	2,966	-	2,966
TOTAL NET POSITION	\$ 10,679,438	\$ -	\$ 10,679,438

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2015

	<u>Employee Trust Funds</u>
ADDITIONS:	
Contributions:	
Employees	\$ 126,277
Employer	528,171
Interest and Dividends	<u>213,891</u>
Total Additions	<u>868,339</u>
DEDUCTIONS:	
Net Depreciation in Fair Value of Investments	275,513
Annuities	857,407
Benefits	15,044
Refunds	<u>38,408</u>
Total Deductions	<u>1,186,372</u>
CHANGE IN NET POSITION	(318,033)
NET POSITION - BEGINNING OF YEAR	<u>10,997,471</u>
NET POSITION - END OF YEAR	<u>\$ 10,679,438</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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 and a component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate distinct units of government apart from the City.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) is able to impose its will on that organization, or (b) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Included within the reporting entity is the following component unit:

DISCRETELY PRESENTED COMPONENT UNIT

The Menominee Housing Commission ("Commission") was formed by the City of Menominee, Michigan under Public Act 18 of the State of Michigan to provide safe and affordable housing for low income and elderly individuals. It is reported in a separate column in the City's financial statements to emphasize that the Commission is legally separate from the City. The Board of Commissioners is appointed by the Menominee City Council. As a component unit, the Commission's financial statements have been presented as a discretely presented column in the basic financial statements. The information presented is for the fiscal year ended March 31, 2015 which is other than the fiscal year of the City. Separate audited financial statements can be obtained from the Menominee Housing Commission at 1801 8th Avenue, Menominee, Michigan 49858.

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.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued):

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
- 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.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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

FUND FINANCIAL STATEMENTS (Continued):

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.

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.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued):

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.

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.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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

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.

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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Depreciable 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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future reporting periods and so will not be recognized as an inflow of resources until that time.

PENSIONS

The City offers defined benefit pension plans to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan’s fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems and

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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

PENSIONS (Continued):

additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2015, although payments for the accrued compensated absences will be made at rates in effect when the benefits are used.

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.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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

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.

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 “net investment in capital assets.”

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.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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

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).

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 22, 2015, the date the financial statements were available to be issued.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 2 - CASH AND INVESTMENTS:

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	\$ 7,356,916
Restricted Cash and Investments	6,029,192
Fiduciary Funds:	
Cash and Cash Equivalents	93,648
Investments	<u>10,656,370</u>
Total Cash and Investments	<u>\$ 24,136,126</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.

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.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued):

The following is a summary of cash deposits (bank balance) as of June 30, 2015:

Fully Insured Deposits	\$	1,131,738
Collateralized with Securities Held by Pledging Financial Institution in City's Name		11,409,819
Uninsured and Uncollateralized		<u>210,741</u>
Total	\$	<u><u>12,752,298</u></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	\$	912,995
Federal Agency Securities - Others		1,153,810
Corporate Bonds		1,053,837
Mutual Funds		2,666,636
Exchange-Traded Funds (ETF's)		2,439,670
Common Stocks		<u>3,346,921</u>
	\$	<u><u>11,573,869</u></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.

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	\$ 912,995	\$ 53,549	\$ 85,934	\$ 550,602	\$ 222,910
Federal Agency Securities	1,153,810	277,953	181,856	445,597	248,404
Corporate Bonds	<u>1,053,837</u>	<u>86,162</u>	<u>127,835</u>	<u>419,120</u>	<u>420,720</u>
	\$ <u><u>3,120,642</u></u>	\$ <u><u>417,664</u></u>	\$ <u><u>395,625</u></u>	\$ <u><u>1,415,319</u></u>	\$ <u><u>892,034</u></u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued):

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, 2015 for each investment type.

	<u>Total</u>	<u>Moody's Credit Rating</u>
Investment Type:		
U.S. Treasury Notes	\$ 912,995	N/A
Federal Agency Securities - Other	1,153,810	AAA
Corporate Bonds	<u>1,053,837</u>	A2 (Ave.)
	<u>\$ 3,120,642</u>	

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	\$ 457,582
Federal National Mortgage Association	Federal Agency Securities	331,810
Federal Home Loan Mortgage Corp.	Federal Agency Securities	150,660

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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 2014 taxable valuation of the City totaled \$199.3 million, on which ad valorem taxes levied consisted of 17.5087 mills for the City operating purposes, .9872 mills for City street and road repair, 3.1800 mills for debt service, 1.41 mills for solid waste disposal, and .9965 mills for the library.

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:

	Governmental Funds		
	General Fund	Aggregate Nonmajor Funds	Total
Taxes and Special Assessments	\$ 102,642	\$ -	\$ 102,642
Accounts	52,502	201,499	254,001
Loans	-	524,000	524,000
Other	3,554	-	3,554
Less: Allowance for Doubtful Accounts	-	(178,639)	(178,639)
Net Receivables	\$ 158,698	\$ 546,860	\$ 705,558
	Proprietary Funds		
	Water Utility	Wastewater Utility	Total
Taxes and Special Assessments	\$ 11,738	\$ 29,743	\$ 41,481
Accounts	332,022	406,029	738,051
Less: Allowance for Doubtful Accounts	(15,138)	(9,164)	(24,302)
Net Receivables	\$ 328,622	\$ 426,608	\$ 755,230
	Aggregate Fiduciary Funds		
Taxes and Special Assessments	\$ 39,307		

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 5 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	<u>Balance 7/01/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2015</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,873,395	\$ -	\$ -	\$ 1,873,395
Other Capital Assets:				
Buildings and Improvements	9,426,348	226,903	-	9,653,251
Infrastructure	30,524,930	1,333,052	-	31,857,982
Machinery, Equipment and Vehicles	4,870,365	509,548	175,879	5,204,034
Library Materials	1,332,669	-	-	1,332,669
Total Capital Assets being Depreciated	<u>46,154,312</u>	<u>2,069,503</u>	<u>175,879</u>	<u>48,047,936</u>
Less Accumulated Depreciation for:				
Building and Improvements	4,322,401	253,166	-	4,575,567
Infrastructure	10,878,058	655,108	-	11,533,166
Machinery, Equipment and Vehicles	3,848,788	151,726	171,384	3,829,130
Total Accumulated Depreciation	<u>19,049,247</u>	<u>1,060,000</u>	<u>171,384</u>	<u>19,937,863</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>27,105,065</u>	<u>1,009,503</u>	<u>4,495</u>	<u>28,110,073</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,978,460</u>	<u>\$ 1,009,503</u>	<u>\$ 4,495</u>	<u>\$ 29,983,468</u>

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

General Government	\$ 69,288
Public Safety	93,184
Public Works	705,005
Culture and Recreation	133,105
Other	59,418
Total Depreciation Expense – Governmental Activities	<u>\$ 1,060,000</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Balance 7/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/15</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 455,152	\$ -	\$ -	\$ 455,152
Construction in Progress	2,501,946	-	2,378,224	123,722
Total Capital Assets not being Depreciated	<u>2,957,098</u>	<u>-</u>	<u>2,378,224</u>	<u>578,874</u>
Capital Assets being Depreciated:				
Water	18,688,162	1,494,087	-	20,182,249
Wastewater	19,739,515	1,269,370	-	21,008,885
Marina	2,996,536	-	-	2,996,536
River park	1,149,005	-	-	1,149,005
Subtotal	<u>42,573,218</u>	<u>2,763,457</u>	<u>-</u>	<u>45,336,675</u>
Less Accumulated Depreciation	<u>20,087,334</u>	<u>921,604</u>	<u>-</u>	<u>21,008,938</u>
Total Capital Assets, being Depreciated, Net of Depreciation	<u>22,485,884</u>	<u>1,841,853</u>	<u>-</u>	<u>24,327,737</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 25,442,982</u>	<u>\$ 1,841,853</u>	<u>\$ 2,378,224</u>	<u>\$ 24,906,611</u>

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

Water Treatment	\$ 398,316
Wastewater Treatment	395,473
Marina	95,161
River Park	32,654
Total Depreciation Expense – Business-Type Activities	<u>\$ 921,604</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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, 2015:

	<u>Balance 7/1/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/15</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 4,718,000	\$ -	\$ 511,000	\$ 4,207,000	\$ 532,000
Other Liabilities:					
Capital Lease Obligation	380,517	-	53,775	326,742	39,255
Vested Compensated Absences	265,345	214,538	214,286	265,597	200,000
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,363,862</u>	<u>\$ 214,538</u>	<u>\$ 779,061</u>	<u>\$ 4,799,339</u>	<u>\$ 771,255</u>

Total interest expense during the year on governmental activities long-term debt totaled \$136,150.

Business-Type Activities:

General Obligation Debt:					
Bonds	\$ 8,775,000	\$ -	\$ 350,000	\$ 8,425,000	\$ 366,000
Other Liabilities:					
Capital Lease Obligation	308,397	-	22,644	285,753	23,856
Total Business-Type Activities Long-Term Liabilities	<u>\$ 9,083,397</u>	<u>\$ -</u>	<u>\$ 372,644</u>	<u>\$ 8,710,753</u>	<u>\$ 389,856</u>

Total interest expense during the year on business-type activities long-term debt totaled \$309,908.

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, 2015 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 06/30/15</u>
Governmental Activities:					
Unlimited Tax General Obligation Bond, Series 2013	06/26/13	05/01/23	1.00-3.00%	\$ 4,415,000	\$ 3,665,000
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	195,000
2007 Brownfield Redemption Authority Tax Investment Bonds (Limited Tax General Obligation)	06/15/07	06/15/18	6.34%	225,000	65,000
2012 Capital Improvement Bonds (Limited Tax General Obligation)	06/25/12	06/1/42	3.375%	300,000	282,000
Total Governmental Activities General Obligation Debt					<u>\$ 4,207,000</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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, 2015 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 06/30/15</u>
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	\$ 3,290,000
1999 Building Authority Bonds (Limited Tax General Obligation)	05/01/99	10/01/16	4.40 - 5.00%	1,250,000	245,000
2007 Capital Improvement Bonds (Limited Tax General Obligation)	07/01/07	06/15/28	4.60 - 4.75%	2,015,000	1,485,000
Water Supply System Junior Lien Revenue Bond, Series 2010	06/17/10	04/01/50	3.25%	2,370,000	2,130,000
Sewage Disposal System Junior Lien Revenue Bond, Series 2010	06/17/10	04/01/50	3.25%	1,410,000	<u>1,275,000</u>
Total Business Type Activities General Obligation Debt					<u>\$ 8,425,000</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:

	<u>General Long-Term Obligations</u>		<u>Business Type Long-Term Obligations</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	472,000	64,598	279,000	240,218	751,000	304,816
2021-2025	1,522,000	128,498	1,539,000	1,053,232	3,061,000	1,181,730
2026-2030	48,000	31,455	1,524,000	765,851	1,572,000	797,306
2031-2035	58,000	22,680	1,305,000	549,980	1,363,000	572,660
2036-2040	69,000	12,218	1,144,000	318,390	1,213,000	330,608
2041-2045	30,000	1,519	680,000	176,802	710,000	178,321
2046-2050	-	-	670,000	57,952	670,000	57,952
	<u>\$ 4,207,000</u>	<u>\$ 624,515</u>	<u>\$ 8,425,000</u>	<u>\$ 4,223,037</u>	<u>\$ 12,632,000</u>	<u>\$ 4,847,552</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

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:			
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	41,261	38,394	79,655
2021 - 2025	<u>185,672</u>	<u>172,773</u>	<u>358,445</u>
	412,986	364,743	777,729
Less: Amount Representing Interest	<u>86,244</u>	<u>78,990</u>	<u>165,234</u>
Present Value of Minimum Lease Payments	326,742	285,753	612,495
Less: Current Maturities	<u>39,255</u>	<u>23,856</u>	<u>63,111</u>
Long-Term Lease Obligation	<u>\$ 287,487</u>	<u>\$ 261,897</u>	<u>\$ 549,384</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	<u>-</u>	<u>386,894</u>	<u>386,894</u>
	613,208	386,894	1,000,102
Less: Accumulated Amortization	<u>172,772</u>	<u>97,409</u>	<u>270,181</u>
Net Value	<u>\$ 440,436</u>	<u>\$ 289,485</u>	<u>\$ 729,921</u>

Amortization expense is included in depreciation expense.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 8 – DEFERRED INFLOWS AN OUTFLOWS OF RESOURCES:

	Governmental Funds			
	Statement of Net Position		Balance Sheet	
	Outflows	Inflows	Outflows	Inflows
Related to Pensions	\$ 694,783	\$ 687,040	\$ 694,783	\$ 687,040
Unavailable Revenue	-	12,025	-	12,025
	<u>\$ 694,783</u>	<u>\$ 699,065</u>	<u>\$ 694,783</u>	<u>\$ 699,065</u>

	Proprietary Funds	
	Outflows	Inflows
Related to Pensions	\$ 5,528	\$ -
Unavailable Revenue	-	304,703
	<u>\$ 5,528</u>	<u>\$ 304,703</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN – POLICE AND FIRE RETIREMENT SYSTEM:

Plan Description - The Police and Fire 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 established by contractual agreements between the City and the various employee union representation. The financial statements for the plan are included in the City's basic financial statements as a separate pension trust fund (a fiduciary fund). The plan issues a publicly available report that includes financial statements and required supplementary information. 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.

Employees Covered by Benefit Terms – At the June 30, 2014 valuation date,, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	33
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3
Active Plan Members	<u>27</u>
Total Plan Members	<u>63</u>

Benefits Provided – The plan provides benefits as follows:

	<u>Eligibility</u>	<u>Amount</u>
Service Retirement:	Police: Any age with 20 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.
	Fire: Age 50 with 25 or more years of service or age 60 regardless 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.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN – POLICE AND FIRE RETIREMENT SYSTEM (Continued):

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.

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the plan members during the year with additional amount to finance any unfunded accrued liability. Contribution requirements of the plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2014, the contribution rate was 8.44% and 5.00% of pensionable annual pay for police employees and fire employees, respectively.

The City's Contribution as a percent-of-annual pensionable payroll was 34.64% and 31.59% for police employees and fire employees, respectively.

Payable to the Pension Plan – The City reported no outstanding amount of contributions to the Plan required for the year ended June 30, 2014.

Pension Plan Investments – Policy and Rate of Return

Investment Policy – The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Police and Fire Retirement Board by a majority vote of its members. It is the policy of the Police and Fire Retirement Board to pursue an investment strategy that meets or exceeds the assumed actuarial rate of return and to maximize the long-term total return of financial assets consistent with the fiduciary standards of a prudent investor. The following was the Police and Retirement Board's asset association policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	2.40%
Domestic Equity – Large Cap	33.02%
Domestic Equity – Small Cap	33.02%
International	11.66%
Domestic Corporate Fixed Income	12.20%
Domestic Government Fixed Income	7.70%

Rate of Return – For the year ended June 30, 2014, the rate of return on pension plan investments, net of pension plan investment expense, was 7.75 percent. The rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN – POLICE AND FIRE RETIREMENT SYSTEM (Continued):

Pension Plan Reserves – In accordance with plan provisions, the following reserves are required to be set aside with the pension plan:

The *retiree reserve* is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amount reserved may be used solely to pay monthly retiree benefit payments.

The *employee reserve* is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2 percent. For employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, the balance is transferred into the *retiree reserve*.

The *employer reserve* account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2014 were as follows:

Retiree Reserve	\$ 4,806,337
Employee Reserve	1,430,224
Employer Reserve	4,758,740

Net Pension Liability – The City has chosen to use June 30, 2014 as its measurement date for the net pension liability. The June 30, 2014 total pension liability was determined by an actuarial valuation performed as of June 30, 2014. The components of the net pension liability of the City at June 30, 2014 were as follows:

Total Pension Liability	\$ 15,861,779
Plan Fiduciary Net Position	10,995,302
City's Net Pension Liability	<u>\$ 4,866,477</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 69.32%

Covered Employee Payroll \$ 1,486,509

Net Pension Liability as a Percentage of Covered Payroll 327.38%

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN – POLICE AND FIRE RETIREMENT SYSTEM (Continued):

Changes in the net pension liability during the measurement year July 1, 2013 to June 30, 2014 were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013	\$ 15,344,664	\$ 9,831,748	\$ 5,512,916
Service Cost	368,760	\$ -	368,760
Interest on Total Pension Liability	1,172,148	-	1,172,148
Difference Between Expected and Actual Experience	(118,134)	-	(118,134)
Changes in Assumptions	(96,557)		(96,557)
Employer Contributions	-	465,919	(465,919)
Employee Contributions	-	103,520	(103,520)
Net Investments Income	-	1,494,810	(1,494,810)
Benefit Payments, Including Employee Refunds	(809,102)	(809,102)	-
Administrative Expenses	-	(91,593)	91,593
Net Changes	517,115	1,163,554	(646,439)
Balance at June 30, 2014	\$ 15,861,779	\$ 10,995,302	\$ 4,866,477

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

For the plan year ended June 30, 2014, the City recognized pension expense of \$506,518. At June 30, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 91,674
Changes in Assumptions	-	74,930
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	520,434
Employer Contributions Subsequent to the Measurement Date	528,171	-
Total	\$ 528,171	\$ 687,038

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN – POLICE AND FIRE RETIREMENT SYSTEM (Continued):

The \$528,171 reported as deferred outflows related to pension resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan year ended June 30, 2014. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Plan Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2015	\$ -	\$ 178,196
2016	-	178,196
2017	-	178,196
2018	-	152,450
2019	-	-
Thereafter	-	-

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

Wage Inflation	4.50%	
Salary Increases	4.60% - 7.6%	Average, Including Inflation
Investment Rate of Return	7.75%	Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set forward 0 for men and 0 years for women.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rate.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN – POLICE AND FIRE RETIREMENT SYSTEM (Continued):

Projected Cash Flows – Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan’s target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Cash	-0.10%
Domestic Equity – Large Cap	5.68%
Domestic Equity – Small Cap	6.50%
International Equity	6.46%
Emerging Markets	8.67%
Domestic Corporate Fixed Income	1.49%
Domestic Government Fixed Income	0.94%
Treasury Inflation Protected Securities	1.02%
High Yield Bonds	2.84%
Real Estate	4.45%
Private Equity	8.75%
Hedge Funds	3.77%
Other Alternatives	4.11%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City, calculated using a single discount rate of 7.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1- percentage- point lower or 1- percentage- point higher than the current rate:

	1% Decrease to Discount Rate (6.75%)	Current Discount Rate (7.75%)	1% Increase To Discount Rate (8.75%)
Net Pension Liability of the City	\$ 6,909,734	\$ 4,866,477	\$ 3,185,369

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 10 – MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM :

Plan Description - The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries, except for police and fire employees who are covered exclusively under the Police and Fire Retirement System. City employees and the employees of the Menominee Housing Commission, its discretely presented component unit, are provided benefits through the same pension plan administered by the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained accessing the MERS website at www.mersofmich.com.

Benefit Provisions - All full-time and certain part-time City employees, except for police and fire employees, who are covered exclusively under the City of Menominee Police and Retirement System, are eligible to participate in MERS. Benefits vest after 6 years of service. Normal retirement provisions of MERS apply to participants who retire at or after age 60. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years of credited service may retire at or after age 50 with reduced benefits. Early retirement before age 60 requires approval of the City Council. All full-time employees, except police and fire employees, have a benefit equal to 2.5% 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.

Employees Covered by Benefit Terms - At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	47
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	16
Active Plan Members	34
Total Plan Members	<u>97</u>

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

Employer contributions range from 12.34% - 20.12% based on annual covered payroll for open divisions. The pension plan is not closed to new employees.

Net Pension Liability - The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date. The Menominee Housing Commission, the City's discretely presented component unit, was not required to implement GASB Statement No. 68. Therefore, the net pension liability for the component unit is not recorded in the City's government-wide financial statements.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 10 – MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (Continued):

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

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

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

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

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

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

Changes in Net Pension Liability

Total Pension Liability	\$ 9,202,764
Plan Fiduciary Net Position	7,543,180
City's Net Pension Liability	<u>\$ 1,659,584</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 81.97%
 Covered Employee Payroll	 \$ 1,436,835
 Net Pension Liability as a Percentage of Covered Payroll	 115.50%

The City has chosen to use December 31, 2014 as its measurement date for the net pension liability. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 10 – MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM Continued):

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 8,834,841	\$ 7,364,110	\$ 1,470,731
Service Cost	138,597	-	138,597
Interest on Total Pension Liability	714,575	-	714,575
Changes in Benefits	-	-	-
Difference Between Expected and Actual Experience	-	-	-
Changes in Assumptions	-	-	-
Employer Contributions	-	219,791	(219,791)
Employee Contributions	-	-	-
Net Investments Income	-	461,432	(461,432)
Benefit Payments, Including Employee Refunds	(485,249)	(485,249)	-
Administrative Expenses	-	(16,904)	16,904
Other Changes	-	-	-
Net Changes	367,923	179,070	188,853
Balance at December 31, 2014	\$ 9,202,764	\$ 7,543,180	\$ 1,659,584

The net pension liability is the amount combined for the City and the Menominee Housing Commission, its discretely presented component unit. The City's allocated share of the net pension liability is \$1,493,244 and the Housing Commission's share is \$166,340.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease to Discount Rate (7.25%)	Current Discount Rate (8.25%)	1% Increase To Discount Rate (9.25%)
Net Pension Liability of the City	\$ 2,586,462	\$ 1,659,584	\$ 854,469

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 10 – MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (Continued):

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

For the plan year ended December 31, 2014, the City recognized pension expense of \$301,076. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	107,568	-
Employer Contributions Subsequent to the Measurement Date	<u>101,954</u>	<u>-</u>
Total	<u>\$ 209,522</u>	<u>\$ -</u>

The \$101,954 reported as deferred outflows related to pension resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Plan Year ended December 31,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2015	\$ 26,892	\$ -
2016	26,892	-
2017	26,892	-
2018	26,892	-
2019	-	-
Thereafter	-	-

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Local Street	\$ 10,009	Cash Flow Timing
	Cemetery Operations	50,387	Cash Flow Timing
	Waterfront Festival	2,330	Cash Flow Timing
	Solid Waste Disposal	5,946	Cash Flow Timing
	Brownfield	34,409	Cash Flow Timing
	Economic Development-GL		
	P&F	500	Cash Flow Timing
	Spies Public Library Debt	18,801	Cash Flow Timing
	River Park	27,365	Cash Flow Timing
	Wastewater	184,338	Cash Flow Timing
	Water	94,540	Cash Flow Timing
	Tax Collection	53,114	Cash Flow Timing
	ACH Fund	514	Cash Flow Timing
Flex Benefit Fund	5,519	Cash Flow Timing	
Major Street	General Fund	9,836	Cash Flow Timing
	Local Street	13,077	Cash Flow Timing
Brownfield	Tax Collection	1,840	Cash Flow Timing
DDA #2 - TIF	General Fund	3,543	Cash Flow Timing
DDA	General Fund	191	Cash Flow Timing
Spies Public Library	General Fund	3,947	Cash Flow Timing
Solid Waste Disposal	ACH Fund	1,156	Cash Flow Timing
Cemetery Operations	Cemetery Perpetual Care	21,697	Cash Flow Timing
Street Construction	Wastewater	3,274	Cash Flow Timing
	Water	5,221	Cash Flow Timing
Wastewater	Water	97,213	Cash Flow Timing
	Solid Waste Disposal	11,147	Cash Flow Timing
	ACH Fund	4,379	Cash Flow Timing
Water	Solid Waste Disposal	3,921	Cash Flow Timing
	ACH Fund	4,065	Cash Flow Timing
Industrial Aid	General Fund	42,938	Cash Flow Timing

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 12 - INTERFUND TRANSFERS:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
Spies Public Library	General Fund	\$ 137,574	Transfer for Operational Expense
Major Street	Street Construction	916,452	Transfer for Operational Expense
Local Streets	Street Construction	392,462	Transfer for Operational Expense
Cemetery Operations	General Fund	100,530	Transfer for Operational Expense
General Fund	Public Improvement	9,859	Transfer for Operational Expense
Cemetery Operations	Cemetery Perpetual Care	13,844	Transfer for Operational Expense

NOTE 13 - NET POSITION / FUND BALANCES:

Net position of the governmental activities reported on the government-wide statement of net position at June 30, 2015 consists of the following:

Net Investment in Capital Assets	<u>\$ 25,382,487</u>
Restricted for:	
Major Streets	887,707
Local Streets	621,263
Street Construction	3,793,793
Cemetery Perpetual Care	1,212,935
Revolving Loan Fund	367,971
Community Development	8,027
Spies Field Improvement	40,151
Spies Library Construction	29,455
Debt Service – Street Construction	161,698
Debt Service – Spies Public Library	<u>128,153</u>
	<u>7,251,153</u>
Unrestricted Deficit	<u>(3,123,676)</u>
Total Governmental Activities Net Position	<u><u>\$ 29,509,964</u></u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 13 - 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	\$ 62,805	\$ -	\$ -	\$ -	\$ -
Prepaid Items	118,306	94,745	12,831	56,517	693
Cemetery Perpetual Care					1,212,935
Restricted For:					
Major Street	-	887,707	-	-	-
Local Street	-	-	621,263	-	-
Street Construction	-	-	-	3,793,793	-
Revolving Loan	-	-	-	-	367,971
Community Development	-	-	-	-	8,027
Spies Field Improvement	-	-	-	-	40,151
Spies Library Construct.	-	-	-	-	29,455
Street Construction Debt	-	-	-	-	161,698
Spies Public Library Debt	-	-	-	-	128,153
Assigned:					
Boat Launch	44,514	-	-	-	-
Circle Lane	23,733	-	-	-	-
Fuel Pump	37,498	-	-	-	-
Henes Park Pavillion	39,447	-	-	-	-
Recreation	22,180	-	-	-	-
D.A.R.E.	5,357	-	-	-	-
Mi Justice/Police Training	2,952	-	-	-	-
Cemetery Operations	-	-	-	-	15,662
Waterfront Festival	-	-	-	-	630
North Pier Light	-	-	-	-	15,438
Solid Waste Disposal	-	-	-	-	149,862
Brownfield TIF	-	-	-	-	9,869
Downtown Development	-	-	-	-	24,439
DDA #2 TIF	-	-	-	-	43,803
Drug Law Enforcement	-	-	-	-	26,392
Spies Public Library	-	-	-	-	98,552
Economic Development	-	-	-	-	500
Unassigned	2,279,730	-	-	-	-
TOTAL FUND BALANCES	\$ 2,636,522	\$ 982,452	\$ 634,094	\$ 3,850,310	\$ 2,334,230

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, 2015

NOTE 14 – LITIGATION AND CONTINGENCIES:

Litigation

The City is party to general legal actions and legal proceedings in the normal course of its governmental operations and the ultimate exposure with respect to these potential matters cannot be ascertained. In addition, the City is currently the defendant in an employment practice liability lawsuit filed by a former employee for gender discrimination, unlawful retaliation, wrongful discharge and includes a claim for unpaid compensation. The City's management and its attorney intend to vigorously defend any such potential claims which have been asserted combined with consideration of potential contribution from other defendants, settlement possibilities and chances for a successful defense if the case were tried. The City believes the final outcome of any potential claims or settlements 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, 2015, the City is unable to estimate what liabilities, if any, may result from such audits.

NOTE 15 - NEW ACCOUNTING STANDARDS

In the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

As a result of implementing the standard, the beginning of year net position of governmental activities was restated. The Menominee Housing Commission, a discretely presented component unit of the City, was not required to implement GASB Statement No. 68 for its financial statements ended March 31, 2015 and, therefore, its beginning net position remains unchanged from previously reported.

In addition, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, to remove debt issuance costs previously reported as an asset in the governmental activities statements.

	Governmental Activities	Business- Type Activities
Net Position – June 30, 2014 – As Previously Reported	\$ 35,295,044	\$ 20,218,357
Adjustment for Implementation of GASB 68	(6,093,138)	(213,404)
Adjustment for Implementation of GASB 65	-	(207,915)
Net Position – June 30, 2014 - Restated	<u>\$ 29,201,906</u>	<u>\$ 19,797,038</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2015

NOTE 16 – OTHER INFORMATION

Component Unit

This report contains the Menominee Housing Commission (“Commission”) which is included as a component unit. Financial information for the fiscal year ended March 31, 2015 is presented as a discrete column in the statement of net position and the statement of activities. Additional disclosures related to amounts reported by the Commission follows:

- a. Cash and Investments – As of March 31, 2015, the carrying amount of the Commission’s deposits and investments was \$537,462. The commission held investments in excess of FDIC insurance of \$52,060 which were unsecured and uncollateralized.
- b. A summary of changes in capital assets for the fiscal year ended March 31, 2015 is as follows:

	<u>Balance 4/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 3/31/15</u>
Menominee Housing Commission:				
Capital Assets not being Depreciated:				
Land	\$ 77,371	\$ -	\$ -	\$ 77,371
Construction in Progress	-	19,479	-	19,479
Total Capital Assets not being Depreciated	<u>77,371</u>	<u>19,479</u>	<u>-</u>	<u>96,850</u>
Capital Assets being Depreciated:				
Building and Improvements	8,950,994	2,100	206,010	8,747,084
Equipment	295,860	7,664	4,455	299,069
Subtotal	9,246,854	9,764	210,465	9,046,153
Less Accumulated Depreciation	<u>7,797,679</u>	<u>266,979</u>	<u>210,465</u>	<u>7,854,193</u>
Total Capital Assets, being Depreciated, Net of Depreciation	<u>1,449,175</u>	<u>(257,215)</u>	<u>-</u>	<u>1,191,960</u>
Net Capital Assets	<u>\$ 1,526,546</u>	<u>\$ (237,736)</u>	<u>\$ -</u>	<u>\$ 1,288,810</u>

- c. Changes in Long-Term Obligations:

	<u>Balance 3/31/14</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 3/31/15</u>	<u>Due Within One Year</u>
Menominee Housing Commission:					
Compensated Absences	<u>\$ 35,191</u>	<u>\$ -</u>	<u>\$ 7,746</u>	<u>\$ 27,445</u>	<u>\$ 13,703</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENOMINEE, MICHIGAN
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Property Taxes	\$ 3,582,419	\$ 3,582,419	\$ 3,597,830	\$ 15,411
Federal Grants	-	21,800	38,997	17,197
State Grants	2,000	124,500	149,788	25,288
State Shared Revenue	983,029	983,029	976,440	(6,589)
Licenses and Permits	171,175	171,175	150,846	(20,329)
Fines and Forfeitures	22,000	29,000	33,254	4,254
Investment Income	10,300	10,300	8,690	(1,610)
Rentals	336,000	336,000	349,598	13,598
Charges for Services	2,500	2,500	2,500	-
Other Revenues	284,650	303,768	303,964	196
Total Revenues	<u>5,394,073</u>	<u>5,564,491</u>	<u>5,611,907</u>	<u>47,416</u>
EXPENDITURES:				
Current:				
General Government	947,980	951,980	838,893	113,087
Public Safety	3,016,280	3,024,380	2,964,818	59,562
Highways, Streets and Bridges	494,001	579,198	546,562	32,636
Culture and Recreation	373,659	373,659	350,147	23,512
Other	143,500	170,200	133,311	36,889
Capital Outlay	504,800	767,203	697,584	69,619
Debt Service	76,500	76,500	74,094	2,406
Total Expenditures	<u>5,556,720</u>	<u>5,943,120</u>	<u>5,605,409</u>	<u>337,711</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(162,647)</u>	<u>(378,629)</u>	<u>6,498</u>	<u>385,127</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Assets	2,500	2,500	11,025	8,525
Transfers In	388,251	614,233	9,859	(604,374)
Transfers Out	(228,104)	(238,104)	(238,104)	-
Total Other Financing Sources (Uses)	<u>162,647</u>	<u>378,629</u>	<u>(217,220)</u>	<u>(595,849)</u>
NET CHANGE IN FUND BALANCE	-	-	(210,722)	(210,722)
FUND BALANCE - BEGINNING	<u>2,847,244</u>	<u>2,847,244</u>	<u>2,847,244</u>	-
FUND BALANCE - ENDING	<u>\$ 2,847,244</u>	<u>\$ 2,847,244</u>	<u>\$ 2,636,522</u>	<u>\$ (210,722)</u>

CITY OF MENOMINEE, MICHIGAN
 Budgetary Comparison Schedule - Major Streets Fund
 For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Property Taxes	\$ 96,983	\$ 96,983	\$ 97,269	\$ 286
Federal Grants	243,037	243,037	-	(243,037)
State Grants	35,000	35,000	37,458	2,458
State Shared Revenue	490,311	490,311	574,988	84,677
Investment Income	1,200	1,200	1,858	658
Other Revenues	-	-	6,000	6,000
Total Revenues	<u>866,531</u>	<u>866,531</u>	<u>717,573</u>	<u>(148,958)</u>
EXPENDITURES:				
Highways, Street and Bridges	543,642	543,642	397,399	146,243
Capital Outlay	1,306,653	1,306,653	940,590	366,063
Total Expenditures	<u>1,850,295</u>	<u>1,850,295</u>	<u>1,337,989</u>	<u>512,306</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(983,764)</u>	<u>(983,764)</u>	<u>(620,416)</u>	<u>363,348</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	983,764	983,764	916,452	(67,312)
Total Other Financing Sources (Uses)	<u>983,764</u>	<u>983,764</u>	<u>916,452</u>	<u>(67,312)</u>
NET CHANGE IN FUND BALANCE	-	-	296,036	296,036
FUND BALANCE - BEGINNING	<u>686,416</u>	<u>686,416</u>	<u>686,416</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 686,416</u>	<u>\$ 686,416</u>	<u>\$ 982,452</u>	<u>\$ 296,036</u>

CITY OF MENOMINEE, MICHIGAN
 Budgetary Comparison Schedule - Local Streets Fund
 For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Property Taxes	\$ 96,808	\$ 96,808	\$ 97,269	\$ 461
State Shared Revenue	185,000	185,000	197,869	12,869
Investment Income	1,000	1,000	1,974	974
Total Revenues	<u>282,808</u>	<u>282,808</u>	<u>297,112</u>	<u>14,304</u>
EXPENDITURES:				
Highways, Street and Bridges	380,176	380,176	212,078	168,098
Capital Outlay	412,300	412,300	392,462	19,838
Total Expenditures	<u>792,476</u>	<u>792,476</u>	<u>604,540</u>	<u>187,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(509,668)</u>	<u>(509,668)</u>	<u>(307,428)</u>	<u>202,240</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	509,668	509,668	392,462	(117,206)
Total Other Financing Sources (Uses)	<u>509,668</u>	<u>509,668</u>	<u>392,462</u>	<u>(117,206)</u>
NET CHANGE IN FUND BALANCE	-	-	85,034	85,034
FUND BALANCE - BEGINNING	<u>549,060</u>	<u>549,060</u>	<u>549,060</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 549,060</u>	<u>\$ 549,060</u>	<u>\$ 634,094</u>	<u>\$ 85,034</u>

CITY OF MENOMINEE, MICHIGAN
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2015

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:

There were no funds with an excess of actual expenditures over budget for the year ended June 30, 2015.

CITY OF MENOMINEE, MICHIGAN
 Required Supplementary Information
 Schedule of Changes in the City's Net Pension Liability and Ratios
 Police and Fire Retirement System

	Year Ended June 30, 2014
Total Pension Liability	
Service Cost	\$ 368,760
Interest	1,172,148
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	(118,134)
Changes of Assumptions	(96,557)
Benefit Payments Including Employee Refunds	(809,102)
Other	-
Net Change in Total Pension Liability	517,115
Total Pension Liability - Beginning	15,344,664
Total Pension Liability - Ending	\$ 15,861,779
 Plan Fiduciary Net Position	
Contributions-Employer	\$ 465,919
Contributions-Employee	103,520
Net Investment Income	1,494,810
Benefit Payments Including Employee Refunds	(809,102)
Administrative Expense	(91,593)
Net Change in Plan Fiduciary Net Position	1,163,554
Plan Fiduciary Net Position - Beginning	9,831,748
Plan Fiduciary Net Position - Ending	\$ 10,995,302
Employer Net Pension Liability - Ending	\$ 4,866,477
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.32%
Covered Employee Payroll	\$ 1,486,509
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	327.38%

Notes to Schedule:

Above dates are based on a measurement date of June 30, 2014, which is different than the City's fiscal year-end of June 30, 2015.

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History"

Changes in assumptions: There were no changes in actuarial assumptions or methods affecting the 2014 valuation. (This information can be found in the actuarial valuation section titled: "Plan Provision, Actuarial Assumptions and Actuarial Funding Method; and also in the Appendix link of the actuarial valuation.

CITY OF MENOMINEE, MICHIGAN

Required Supplementary Information
Schedule of Employer Contributions
Police and Fire Retirement System

Actuarial Valuation Date Ended June 30	Annual Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2005	\$ 116,115	\$ 89,230	\$ 26,885	\$ 1,484,043	6.01%
2006	166,347	104,152	62,195	1,505,352	6.92%
2007	225,137	156,119	69,018	1,415,352	11.03%
2008	296,113	189,490	106,623	1,408,129	13.46%
2009	303,580	303,580	-	1,329,400	22.84%
2010	397,401	513,674	(116,273)	1,318,410	38.96%
2011	431,570	438,533	(6,963)	1,267,628	34.59%
2012	456,047	417,279	38,768	1,353,493	30.83%
2013	438,830	462,004	(23,174)	1,429,776	32.31%
2014	488,196	465,919	22,277	1,486,509	31.34%

Notes to Schedule:

Actuarial Cost Method	Individual Entry-Age
Amortization Method	30-Year Closed
Asset Valuation Method	5-Year Smoothed Market
Salary Increases (Including Wage Inflation at 4.5%)	4.60%-7.60%
Cost-of-Living Adjustments	2% COLA for Police Members Retired After June 30, 1999
Investment Rate of Return	7.75%
Retirement Age	Varies Depending on Plan Adoption
Mortality	RP-2014 Healthy Annuitant Mortality Table Set Forward 0 Years for Men and 0 Years for Women

CITY OF MENOMINEE, MICHIGAN
 Required Supplementary Information
 Schedule of Changes in the City's Net Pension Liability and Ratios
 Municipal Employees Retirement System of Michigan

	Year Ended December 31, 2014
Total Pension Liability	
Service Cost	\$ 138,597
Interest	714,575
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments Including Employee Refunds	(485,249)
Other	-
Net Change in Total Pension Liability	367,923
Total Pension Liability - Beginning	8,834,841
Total Pension Liability - Ending	\$ 9,202,764
 Plan Fiduciary Net Position	
Contributions-Employer	\$ 219,791
Contributions-Employee	-
Net Investment Income	461,432
Benefit Payments Including Employee Refunds	(485,249)
Administrative Expense	(16,904)
Net Change in Plan Fiduciary Net Position	179,070
Plan Fiduciary Net Position - Beginning	7,364,110
Plan Fiduciary Net Position - Ending	\$ 7,543,180
 Employer Net Pension Liability - Ending	\$ 1,659,584
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.97%
 Covered Employee Payroll	\$ 1,436,835
 Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	115.50%

Notes to Schedule:

Above dates are based on a measurement date December 31, 2014 which is different than the City's fiscal year-end of June 30, 2015.

There were no changes of benefit terms in 2014.

There were no changes in the assumptions in 2014.

CITY OF MENOMINEE, MICHIGAN
 Required Supplementary Information
 Schedule of Employer Contributions
 Municipal Employees Retirement System of Michigan

Year Ended December 31	Annual Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 219,791	\$ 219,791	\$ -	\$ 1,436,835	15.30%
2013	194,666	194,666	-	1,354,529	14.37%
2012	174,610	174,610	-	1,306,434	13.37%
2011	185,103	185,103	-	1,322,527	14.00%
2010	192,053	192,053	-	1,203,514	15.96%
2009	211,011	211,011	-	1,514,774	13.93%
2008	232,894	232,894	-	1,573,712	14.80%
2007	256,965	256,965	-	1,733,635	14.82%
2006	184,760	184,760	-	1,703,677	10.84%
2005	149,557	149,557	-	1,676,086	8.92%

Notes to Schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed
Inflation	3.50%
Salary Increases	4.50%
Investment Rate of Return	8.25%
Retirement Age	Varies Depending on Plan Adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

SUPPLEMENTARY INFORMATION

CITY OF MENOMINEE, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2015

	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	\$ -	\$ 37,661	\$ 14,985	\$ 15,438	\$ 201,469	\$ 42,438	\$ -
Investments	1,234,632	13,189	-	-	-	-	-
Receivables-Net	-	-	-	-	2,039	-	-
Due from Other Governments	-	-	-	-	-	-	-
Due from Other Funds	-	21,697	-	-	1,156	1,840	-
Inventories and Prepaid Items	-	-	409	-	284	-	-
TOTAL ASSETS	\$ 1,234,632	\$ 72,547	\$ 15,394	\$ 15,438	\$ 204,948	\$ 44,278	\$ -
LIABILITIES:							
Accounts Payable	\$ -	\$ 1,092	\$ -	\$ -	\$ 33,380	\$ -	\$ -
Accrued Payroll	-	5,406	-	-	408	-	-
Due to Other Funds	21,697	50,387	2,330	-	21,014	34,409	-
Due to Other Governments	-	-	-	-	-	-	-
TOTAL LIABILITIES	21,697	56,885	2,330	-	54,802	34,409	-
DEFERRED INFLOWS OF RESOURCES	-	-	12,025	-	-	-	-
FUND BALANCES:							
Non-Spendable	-	-	409	-	284	-	-
Restricted	1,212,935	-	-	-	-	-	-
Assigned	-	15,662	630	15,438	149,862	9,869	-
TOTAL FUND BALANCES	1,212,935	15,662	1,039	15,438	150,146	9,869	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,234,632	\$ 72,547	\$ 15,394	\$ 15,438	\$ 204,948	\$ 44,278	\$ -

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 MSHDA	
\$ 24,248	\$ 40,260	\$ 26,392	\$ 52,794	\$ 20,168	\$ -	\$ -	\$ 8,446	
-	-	-	-	-	-	-	-	-
-	-	-	-	347,803	70,058	1,000	86,339	
191	3,543	-	49,876	-	-	-	-	
-	-	-	3,947	-	-	-	-	
\$ 24,439	\$ 43,803	\$ 26,392	\$ 106,617	\$ 367,971	\$ 70,058	\$ 1,000	\$ 94,785	
\$ -	\$ -	\$ -	\$ 356	\$ -	\$ -	\$ -	\$ 419	
-	-	-	7,709	-	-	-	-	
-	-	-	-	-	-	500	-	
-	-	-	-	-	70,058	-	86,339	
-	-	-	8,065	-	70,058	500	86,758	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	367,971	-	-	8,027	
24,439	43,803	26,392	98,552	-	-	500	-	
24,439	43,803	26,392	98,552	367,971	-	500	8,027	
\$ 24,439	\$ 43,803	\$ 26,392	\$ 106,617	\$ 367,971	\$ 70,058	\$ 1,000	\$ 94,785	

CITY OF MENOMINEE, MICHIGAN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
As of June 30, 2015

	Capital Projects Funds		Debt Service Funds		Total
	Spies Field Improvement Project	Spies Library Construction	Street Construction Debt	Spies Public Library Debt	
ASSETS:					
Cash and Cash Equivalents	\$ 530	\$ 29,455	\$ -	\$ -	\$ 514,284
Investments	-	-	161,698	146,954	1,556,473
Receivables-Net	39,621	-	-	-	546,860
Due from Other Governments	-	-	-	-	49,876
Due from Other Funds	-	-	-	-	32,374
Inventories and Prepaid Items	-	-	-	-	693
TOTAL ASSETS	\$ 40,151	\$ 29,455	\$ 161,698	\$ 146,954	\$ 2,700,560
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 35,247
Accrued Payroll	-	-	-	-	13,523
Due to Other Funds	-	-	-	18,801	149,138
Due to Other Governments	-	-	-	-	156,397
TOTAL LIABILITIES	-	-	-	18,801	354,305
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	12,025
FUND BALANCES:					
Non-Spendable	-	-	-	-	693
Restricted	40,151	29,455	161,698	128,153	1,948,390
Assigned	-	-	-	-	385,147
TOTAL FUND BALANCES	40,151	29,455	161,698	128,153	2,334,230
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 40,151	\$ 29,455	\$ 161,698	\$ 146,954	\$ 2,700,560

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Permanent		Special Revenue				
	Cemetery Perpetual Care	Cemetery Operations	Waterfront Festival	North Pier Light	Solid Waste Disposal	Brownfield TIF	Public Improvement
REVENUES:							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 280,546	\$ 25,762	\$ -
State Shared Revenue	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-
Investment Income	27,195	19	7	15	7,170	115	3
Charges for Services	797	69,967	-	-	274,117	-	-
Other	-	570	101,734	500	-	-	-
Total Revenues	27,992	70,556	101,741	515	561,833	25,877	3
EXPENDITURES:							
Public Safety	-	-	-	-	-	-	-
Culture and Recreation	-	-	111,159	-	-	-	-
Sanitation	-	-	-	-	587,538	-	-
Other	8,108	154,586	-	-	-	-	-
Capital Outlay	-	17,891	-	-	-	-	-
Debt Service:							
Principal Retirement	-	-	-	-	-	20,000	-
Interest and Fiscal Charges	-	-	-	-	-	5,389	-
Total Expenditures	8,108	172,477	111,159	-	587,538	25,389	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,884	(101,921)	(9,418)	515	(25,705)	488	3
OTHER FINANCING SOURCES (USES):							
Transfers In	-	114,374	-	-	-	-	-
Transfers Out	(13,844)	-	-	-	-	-	(9,859)
Total Other Financial Sources (Uses)	(13,844)	114,374	-	-	-	-	(9,859)
NET CHANGE IN FUND BALANCES	6,040	12,453	(9,418)	515	(25,705)	488	(9,856)
FUND BALANCES - BEGINNING	1,206,895	3,209	10,457	14,923	175,851	9,381	9,856
FUND BALANCES - ENDING	\$ 1,212,935	\$ 15,662	\$ 1,039	\$ 15,438	\$ 150,146	\$ 9,869	\$ -

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
\$ 7,191	\$ -	\$ -	\$ 196,371	\$ -	\$ -	\$ -	\$ -
-	-	-	7,931	-	-	-	-
-	-	-	52,417	-	-	-	-
-	109	6	27	5,847	-	-	-
-	-	-	6,849	-	-	-	-
653	-	9,411	7,519	-	-	-	-
<u>7,844</u>	<u>109</u>	<u>9,417</u>	<u>271,114</u>	<u>5,847</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	3,299	-	-	-	-	-
-	-	-	432,743	-	-	-	-
-	-	-	-	-	-	-	-
4,703	-	-	-	-	-	-	-
-	-	-	20,976	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,703</u>	<u>-</u>	<u>3,299</u>	<u>453,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,141</u>	<u>109</u>	<u>6,118</u>	<u>(182,605)</u>	<u>5,847</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	137,574	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	<u>137,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,141	109	6,118	(45,031)	5,847	-	-	-
<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>\$ 24,439</u>	<u>\$ 43,803</u>	<u>\$ 26,392</u>	<u>\$ 98,552</u>	<u>\$ 367,971</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, 2015

	Capital Projects Funds		Debt Service		Totals
	Spies Field Improvement Project	Spies Library Construction	Street Construction Debt	Spies Public Library Debt	
REVENUES:					
Property Taxes	\$ -	\$ -	\$ 510,167	\$ 116,828	\$ 1,136,865
State Shared Revenue	-	-	-	-	7,931
Fines and Forfeits	-	-	-	-	52,417
Investment Income	590	-	108	42	41,253
Charges for Services	-	-	-	-	351,730
Other	-	-	-	-	120,387
Total Revenues	<u>590</u>	<u>-</u>	<u>510,275</u>	<u>116,870</u>	<u>1,710,583</u>
EXPENDITURES:					
Public Safety	-	-	-	-	3,299
Culture and Recreation	-	-	-	-	543,902
Sanitation	-	-	-	-	587,538
Other	736	-	2,197	350	170,680
Capital Outlay	-	-	-	-	38,867
Debt Service:					
Principal Retirement	-	-	395,000	96,000	511,000
Interest and Fiscal Charges	-	-	92,325	20,528	118,242
Total Expenditures	<u>736</u>	<u>-</u>	<u>489,522</u>	<u>116,878</u>	<u>1,973,528</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(146)</u>	<u>-</u>	<u>20,753</u>	<u>(8)</u>	<u>(262,945)</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	-	-	-	251,948
Operating Transfers Out	-	-	-	-	(23,703)
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,245</u>
NET CHANGE IN FUND BALANCES	<u>(146)</u>	<u>-</u>	<u>20,753</u>	<u>(8)</u>	<u>(34,700)</u>
FUND BALANCES - BEGINNING	<u>40,297</u>	<u>29,455</u>	<u>140,945</u>	<u>128,161</u>	<u>2,368,930</u>
FUND BALANCES - ENDING	<u>\$ 40,151</u>	<u>\$ 29,455</u>	<u>\$ 161,698</u>	<u>\$ 128,153</u>	<u>\$ 2,334,230</u>

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Net Position

Nonmajor Proprietary Funds

As of June 30, 2015

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 472,822	\$ -	\$ 472,822
Due from Other Funds	-	42,938	42,938
Total Current Assets	<u>472,822</u>	<u>42,938</u>	<u>515,760</u>
Noncurrent Assets			
Capital Assets - Net of Depreciation	480,100	361,274	841,374
Total Noncurrent Assets	<u>480,100</u>	<u>361,274</u>	<u>841,374</u>
TOTAL ASSETS	<u>952,922</u>	<u>404,212</u>	<u>1,357,134</u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	1,401	-	1,401
Accrued Expense	2,228	-	2,228
Due to Other Funds	27,365	-	27,365
Total Current Liabilities	<u>30,994</u>	<u>-</u>	<u>30,994</u>
TOTAL LIABILITIES	<u>30,994</u>	<u>-</u>	<u>30,994</u>
NET POSITION			
Net Investment in Capital Assets	480,100	361,274	841,374
Unrestricted	441,828	42,938	484,766
TOTAL NET POSITION	<u>\$ 921,928</u>	<u>\$ 404,212</u>	<u>\$ 1,326,140</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2015

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
OPERATING REVENUES:			
Other Revenues	\$ 115,440	\$ -	\$ 115,440
Total Operating Revenues	<u>115,440</u>	<u>-</u>	<u>115,440</u>
OPERATING EXPENSES:			
Personal Services	47,486	-	47,486
Contractual Services	5,822	-	5,822
Utilities	20,853	-	20,853
Repairs and Maintenance	1,505	-	1,505
Other Supplies and Expenses	5,546	-	5,546
Depreciation	32,654	-	32,654
Total Operating Expenses	<u>113,866</u>	<u>-</u>	<u>113,866</u>
Operating Income	<u>1,574</u>	<u>-</u>	<u>1,574</u>
NON-OPERATING REVENUE:			
Interest and Investment Revenue	112	-	112
Total Non-Operating Revenue	<u>112</u>	<u>-</u>	<u>112</u>
CHANGE IN NET POSITION	1,686	-	1,686
NET POSITION - BEGINNING	<u>920,242</u>	<u>404,212</u>	<u>1,324,454</u>
NET POSITION - ENDING	<u>\$ 921,928</u>	<u>\$ 404,212</u>	<u>\$ 1,326,140</u>

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

For the Year Ended June 30, 2015

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 115,440	\$ -	\$ 115,440
Payments to Suppliers	(32,530)	-	(32,530)
Payments to Employees	(47,486)	-	(47,486)
Internal Activity - Payments from Other Funds	15,498	-	15,498
Net Cash From Operating Activities	<u>50,922</u>	<u>-</u>	<u>50,922</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income	113	-	113
NET CHANGE IN CASH AND CASH EQUIVALENTS	51,035	-	51,035
CASH AND CASH EQUIVALENTS - BEGINNING	<u>421,787</u>	<u>-</u>	<u>421,787</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 472,822</u>	<u>\$ -</u>	<u>\$ 472,822</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income	\$ 1,574	\$ -	\$ 1,574
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation	32,654	-	32,654
Changes in Non-Cash Components of Working Capital:			
Prepaid Items	91	-	91
Accounts Payable	1,105	-	1,105
Due to Other Funds	15,498	-	15,498
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 50,922</u>	<u>\$ -</u>	<u>\$ 50,922</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Unrestricted Cash and Investments	<u>\$ 472,822</u>	<u>\$ -</u>	<u>\$ 472,822</u>

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Net Position

Employee Trust Funds

As of June 30, 2015

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
ASSETS:			
Cash and Cash Equivalents	\$ 20,102	\$ 8,485	\$ 28,587
Investments at Fair Value	10,656,370	-	10,656,370
TOTAL ASSETS	<u>10,676,472</u>	<u>8,485</u>	<u>10,684,957</u>
LIABILITIES:			
Due to Other Funds	-	5,519	5,519
NET POSITION:			
Held in Trust for Employees' Retirement System	10,676,472	-	10,676,472
Reserved for Employees' Benefits	-	2,966	2,966
TOTAL NET POSITION	<u>\$ 10,676,472</u>	<u>\$ 2,966</u>	<u>\$ 10,679,438</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Changes in Net Position
Employee Trust Funds
For the Year Ended June 30, 2015

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Employees	\$ 110,436	\$ 15,841	\$ 126,277
Employer	528,171	-	528,171
Interest and Dividends	213,891	-	213,891
Total Additions	<u>852,498</u>	<u>15,841</u>	<u>868,339</u>
DEDUCTIONS:			
Net Depreciation in Fair Value of Investments	275,513	-	275,513
Annuities	857,407	-	857,407
Benefits	-	15,044	15,044
Refunds	38,408	-	38,408
Total Deductions	<u>1,171,328</u>	<u>15,044</u>	<u>1,186,372</u>
CHANGE IN NET POSITION	(318,830)	797	(318,033)
NET POSITION - BEGINNING	<u>10,995,302</u>	<u>2,169</u>	<u>10,997,471</u>
NET POSITION - ENDING	<u>\$ 10,676,472</u>	<u>\$ 2,966</u>	<u>\$ 10,679,438</u>

CITY OF MENOMINEE, MICHIGAN

Schedule of Bonded Indebtedness

June 30, 2015

<u>Debt Description</u>		<u>Date of Issue</u>	<u>Amount of Issue</u>	
1999 Building Authority Bonds (Limited Tax General Obligation) (Marina Fund)		5/1/99	\$	1,250,000
<u>Interest Rate</u>	<u>Date</u>	<u>Principal</u>	<u>Interest</u>	
4.90%	10/01/15	\$ 120,000	\$	9,190
5.00%	10/01/16	125,000		3,125
		<u>\$ 245,000</u>	<u>\$</u>	<u>12,315</u>

<u>Debt Description</u>		<u>Date of Issue</u>	<u>Amount of Issue</u>	
Unlimited Tax General Obligation Bonds, Series 2003 (Refunding of Callable 1995 Library Bonds)		9/4/03	\$	965,000
<u>Interest Rate</u>	<u>Date</u>	<u>Principal</u>	<u>Interest</u>	
4.55%	10/01/15	\$ 95,000	\$	6,711
4.55%	10/01/16	100,000		2,275
		<u>\$ 195,000</u>	<u>\$</u>	<u>8,986</u>

<u>Debt Description</u>		<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>
2007 Brownfield Redemption Authority Tax Investment Bonds (Limited Tax General Obligation)		6/5/07	\$ 225,000	6.34%
<u>Date</u>	<u>Principal</u>	<u>Interest</u>		
06/15/16	\$ 20,000	\$ 4,121		
06/15/17	20,000	2,853		
06/15/18	25,000	1,585		
	<u>\$ 65,000</u>	<u>\$ 8,559</u>		

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness (Continued)
June 30, 2015

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
4.700%	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%	11/1/19	105,000	49,618
4.700% - 4.750%	11/1/20 - 11/1/24	590,000	167,562
4.700% - 4.750%	11/1/25 - 11/1/27	405,000	29,331
		\$ 1,485,000	\$ 492,334

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		
04/01/16	\$ 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	37,000	64,772		
04/01/21 - 04/01/25	209,000	304,752		
04/01/26 - 04/01/30	249,000	268,288		
04/01/31 - 04/01/35	297,000	224,870		
04/01/36 - 04/01/40	356,000	172,836		
04/01/41 - 04/01/45	425,000	110,664		
04/01/46 - 04/01/50	420,000	36,500		
		\$ 2,130,000	\$ 1,453,116	

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness (Continued)
June 30, 2015

<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>	
04/01/16	\$ 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	22,000	38,772	
04/01/21 - 04/01/25	125,000	182,488	
04/01/26 - 04/01/30	125,000	160,552	
04/01/31 - 04/01/35	150,000	134,452	
04/01/36 - 04/01/40	178,000	103,320	
04/01/41 - 04/01/45	255,000	66,138	
04/01/46 - 04/01/50	250,000	21,452	
	<u>\$ 1,275,000</u>	<u>\$ 869,090</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>	
04/01/16	\$ 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	7,000	8,573	
04/01/21 - 04/01/25	42,000	38,948	
04/01/26 - 04/01/30	48,000	31,455	
04/01/31 - 04/01/35	58,000	22,680	
04/01/36 - 04/01/40	69,000	12,218	
04/01/41 - 04/01/42	30,000	1,519	
	<u>\$ 282,000</u>	<u>\$ 152,045</u>	

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness (Continued)
June 30, 2015

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%	04/01/16	\$ 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
2.000%	04/01/20	115,000	87,056
2.000% - 3.000%	04/01/21 – 04/01/25	615,000	398,430
3.000%	04/01/26 – 04/01/30	720,000	307,680
3.000% - 3.500%	04/01/31 – 04/01/35	830,000	190,658
3.625%	04/01/36 – 04/01/38	575,000	42,234
		\$ 3,290,000	\$ 1,396,182

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
1.500%	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
2.500%	05/01/20	465,000	56,025
3.000%	05/01/21 – 05/01/23	1,480,000	89,550
		\$ 3,665,000	\$ 454,925

CITY OF MENOMINEE, MICHIGAN

Schedule of Bond Reserve Requirements

June 30, 2015

	<u>Required Balance</u>	<u>Actual Balance</u>
<u>Water Fund</u>		
<u>2010 Junior Lien Bonds</u>		
Senior Lien Bond and Interest Redemption Fund:		
Junior Lien Bond and Interest Redemption Account	\$ 26,946	\$ 26,986
Junior Lien Bond Reserve Account	56,500	56,538
Repair, Replacement and Improvement Fund	225,000	225,155
		<u>\$ 308,679</u>
 <u>Sewer/Wastewater Fund</u>		
<u>2010 Junior Lien Bonds</u>		
Senior Lien Bond and Interest Redemption Fund:		
Junior Lien Bond and Interest Redemption Account	\$ 15,948	\$ 16,112
Junior Lien Bond Reserve Account	33,500	33,521
Repair, Replacement and Improvement Fund	225,000	225,154
M-35 Construction	26,707	26,707
		<u>\$ 301,494</u>

**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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Menominee, Michigan ("City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2015.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of finding and response, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of finding and response as finding #2015-001 to be a significant deficiency.

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*.

Management's Response to the Finding

Management's response to the finding identified in our audit is described in the accompanying schedule of findings. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 22, 2015

CITY OF MENOMINEE
Schedule of Finding and Response
For the Year Ended June 30, 2015

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?	Yes
3. Noncompliance material to financial statements noted?	No

B. Financial Statement Findings

#2015-001 Preparation of Annual Financial Report

Criteria:	Management is responsible for the preparation and fair presentation of financial statements and notes in accordance with generally accepted accounting principles (GAAP).
Condition:	Management has not prepared the financial statements and related notes. City staff maintains accounting records which reflect the City's financial transactions. However, preparing the City's annual financial report and note disclosures involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with the auditors for this nonaudit service to assist in the preparation of the financial statements in a cost efficient manner.
Cause:	Management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without the auditors involvement in this nonaudit service, the City may not be able to completely prepare the annual financial report and notes in accordance with GAAP.
Recommendation:	We recommend that management continue reviewing the annual financial report to make this decision on a cost/benefit basis.
Management's Response:	Management will continue to have the auditors assist in the preparation of the financial statements. Management will assign an individual with proper skill, knowledge, or experience to review and take responsibility for the completeness and accuracy of the financial statements.

C. Compliance Findings

There were no compliance findings.