

Village of Mackinaw City, Michigan

BASIC FINANCIAL STATEMENTS

February 28, 2017

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 4 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 11 |
| Statement of Activities | 12 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 14 |
| Reconciliation of Governmental Funds: | |
| Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 15 |
| Proprietary Funds: | |
| Statement of Net Position | 16 |
| Statement of Revenues, Expenses, and Changes in Net Position | 17 |
| Statement of Cash Flows | 18 |
| Fiduciary Funds: | |
| Statement of Fiduciary Net Position | 19 |
| Statement of Changes in Fiduciary Net Position | 20 |
| NOTES TO FINANCIAL STATEMENTS | 21 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Employees Retirement and Benefit Systems: | |
| Schedule of Funding Progress | 39 |
| Major Funds: | |
| Budgetary Comparison Schedule – General Fund | 41 |
| Budgetary Comparison Schedule – Major Street Fund | 43 |
| Budgetary Comparison Schedule – Local Street Fund | 44 |
| Budgetary Comparison Schedule – Municipal Street Fund | 45 |

TABLE OF CONTENTS (Continued)

| | <u>Page</u> |
|--|--------------------|
| OTHER INFORMATION: | |
| Combining Balance Sheet –General Fund..... | 46 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund | 47 |
| Combining Balance Sheet – Nonmajor Governmental Funds..... | 48 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds..... | 49 |
| REPORTS ON COMPLIANCE: | |
| 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 <i>Government Auditing Standards</i> | 50 |
| Independent Auditor’s Report on Compliance with Michigan Public Act 51 of 1951, as Amended..... | 52 |
| Schedule of Findings and Responses..... | 53 |



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Mackinaw City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Mackinaw City, Michigan, as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise the Village of Mackinaw City, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Michigan Public Act 51 of 1951 as amended*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Mackinaw City, Michigan, as of February 28, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison schedules on pages 4 through 10, pages 39 through 40 and pages 41 through 45 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Village of Mackinaw City, Michigan's basic financial statements. The combining major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining major and nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining major and nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Village Council
Village of Mackinaw City, Michigan

Other Reporting Required by Government Auditing Standards and Michigan Public Act 51 of 1951, as amended

In accordance with *Government Auditing Standards and Michigan Public Act 51 of 1951, as amended*, we have also issued our report dated August 31, 2017, on our consideration of the Village of Mackinaw 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and Michigan Public Act 51 of 1951, as amended* in considering the Village of Mackinaw City's internal control over financial reporting and compliance.



**Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan**

August 31, 2017

Management's Discussion and Analysis

As management of the Village of Mackinaw City, Michigan (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2017.

The assets of the Villages governmental activities exceeded its liabilities the close of the most recent fiscal year by \$5,987,817 (net position). Of this amount, \$718,743 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizens and creditors.

The Village's total net position decreased by \$576,483, primarily due to an increase in public works expenditures during the current fiscal year.

The Village repaid \$250,530 of long term debt during the current fiscal year.

At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$861,498 or 52% of fiscal 2017 total General Fund expenditures and transfers.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) other information.

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

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

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., bonds and notes payable and compensated absences).

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

The government-wide financial statements include not only the Village itself (known as the primary government), but also the Downtown Development Authority component unit, which is a legally separate entity for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

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

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

The Village maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets, Local Streets, and the Municipal Street Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriated budget for its General Fund and each special revenue fund. Budgetary comparison statements have been provided herein to demonstrate compliance with the General Fund and all major special revenue funds' budgets.

Proprietary Funds. The Village maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer, water, and marina operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions.

The Village uses an internal service fund to account for its equipment operations. Because these services predominantly benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements.

Enterprise funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the Sewer Fund, Water Fund and Marina Fund, which are considered to be major funds of the Village.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI). RSI includes this management discussion and analysis, along with the schedules of funding progress and employer contributions for the Village's defined benefit pension plan.

Other Information. The combining and individual fund statements and schedules referred to earlier in connection with the general fund and nonmajor governmental funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities of the governmental activities by \$5,987,817 at the close of fiscal 2017.

A significant portion of the Village's net position (11,283,350) is invested in capital assets (e.g., land, buildings, equipment, water, sewer, marina, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position represents the resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Village's ongoing obligations to citizens and creditors.

Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current Assets | \$ 2,257,243 | \$ 2,926,605 | \$ 1,454,209 | \$ 1,323,629 | \$ 3,711,452 | \$ 4,250,234 |
| Capital and Other Assets | 5,939,625 | 6,221,675 | 7,152,218 | 7,031,697 | 13,091,843 | 13,253,372 |
| Total Assets | 8,196,868 | 9,148,280 | 8,606,427 | 8,355,326 | 16,803,295 | 17,503,606 |
| Deferred Outflows of Resources | 130,579 | 119,787 | - | - | 130,579 | 119,787 |
| Current Liabilities | 345,261 | 339,298 | 105,117 | 8,284 | 450,378 | 347,582 |
| Noncurrent Liabilities | 1,869,039 | 2,145,735 | - | - | 1,869,039 | 2,145,735 |
| Total Liabilities | 2,214,300 | 2,485,033 | 105,117 | 8,284 | 2,319,417 | 2,493,317 |
| Deferred Inflows of Resources | 125,330 | 64,466 | - | - | 125,330 | 64,466 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 4,131,132 | 4,162,652 | 7,152,218 | 7,031,697 | 11,283,350 | 11,194,349 |
| Restricted | 1,137,942 | 1,845,135 | - | - | 1,137,942 | 1,845,135 |
| Unrestricted | 718,743 | 710,781 | 1,349,092 | 1,315,345 | 2,067,835 | 2,026,126 |
| Total Net Position | \$ 5,987,817 | \$ 6,718,568 | \$ 8,501,310 | \$ 8,347,042 | \$ 14,489,127 | \$ 15,065,610 |

At the end of fiscal 2016, the Village is able to report positive balances in all three categories of net position, both for the government as a whole, and for its separate governmental and business-type activities. The same situation held true for the prior year.

The Village's net position decreased by \$576,483 during fiscal 2017. This decrease is mainly attributable to an increase in public works expenditures during the current fiscal year.

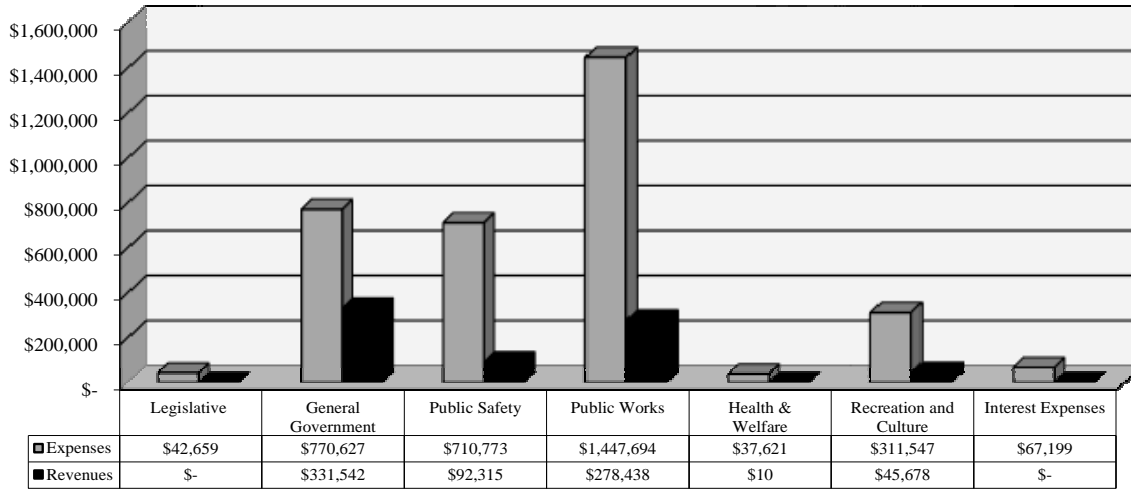
The following table shows the activities of the Village.

Statement of Activities

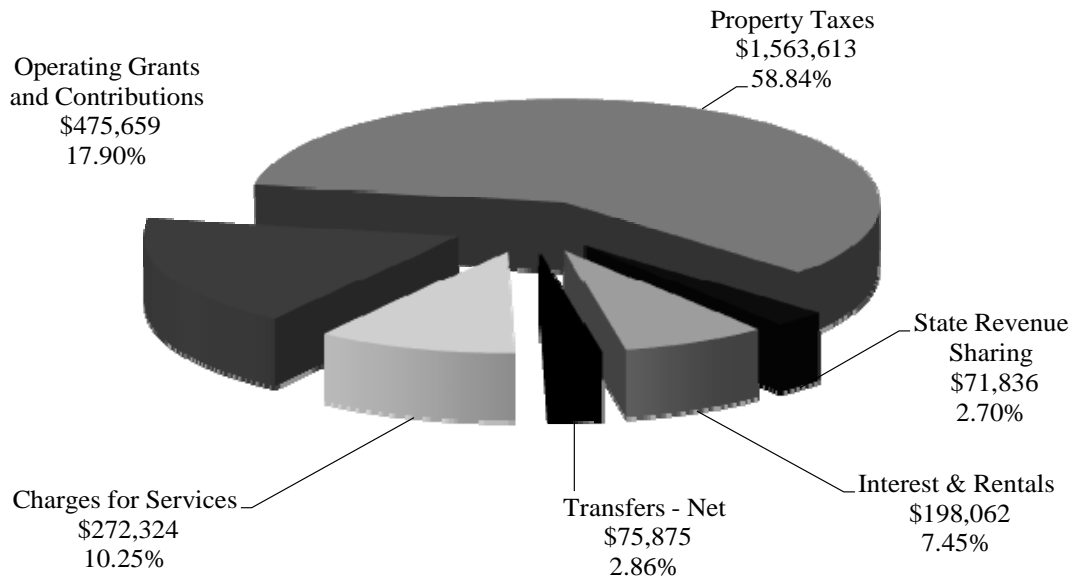
| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Program Revenues | | | | | | |
| Charges for Services | \$ 272,324 | \$ 203,353 | \$ 1,329,176 | \$ 1,280,549 | \$ 1,601,500 | \$ 1,483,902 |
| Operating Grants and Contributions | 475,659 | 443,500 | 44,240 | 9,656 | 519,899 | 453,156 |
| General Revenues and Transfers | | | | | | |
| Property Taxes | 1,563,613 | 1,531,281 | - | - | 1,563,613 | 1,531,281 |
| Grants and Contributions | - | - | 189,140 | 93,483 | 189,140 | 93,483 |
| Special Assessments | - | (30,235) | - | - | - | (30,235) |
| State Revenue Sharing | 71,836 | 75,135 | - | - | 71,836 | 75,135 |
| Interest and Rentals | 198,062 | 215,390 | 84,135 | 82,623 | 282,197 | 298,013 |
| Total Revenues | 2,581,494 | 2,438,424 | 1,646,691 | 1,466,311 | 4,228,185 | 3,904,735 |
| Program Expenses | | | | | | |
| Legislative | 42,659 | 71,734 | - | - | 42,659 | 71,734 |
| General Government | 770,627 | 858,606 | - | - | 770,627 | 858,606 |
| Public Safety | 710,773 | 713,268 | - | - | 710,773 | 713,268 |
| Public Works | 1,447,694 | 588,304 | - | - | 1,447,694 | 588,304 |
| Health and Welfare | 37,621 | 18,125 | - | - | 37,621 | 18,125 |
| Recreation and Culture | 311,547 | 201,925 | - | - | 311,547 | 201,925 |
| Interest on Long-term Debt | 67,199 | 64,369 | - | - | 67,199 | 64,369 |
| Other Expenses | - | 371 | - | - | - | 371 |
| Sewer | - | - | 592,045 | 681,658 | 592,045 | 681,658 |
| Water | - | - | 443,011 | 408,918 | 443,011 | 408,918 |
| Marina | - | - | 381,492 | 289,960 | 381,492 | 289,960 |
| Total Expenses | 3,388,120 | 2,516,702 | 1,416,548 | 1,380,536 | 4,804,668 | 3,897,238 |
| Changes in Net Position Before Transfers | (806,626) | (78,278) | 230,143 | 85,775 | (576,483) | 7,497 |
| Transfers | 75,875 | 75,017 | (75,875) | (75,017) | - | - |
| Changes in Net Position | (730,751) | (3,261) | 154,268 | 10,758 | (576,483) | 7,497 |
| Net Position - Beginning | 6,718,568 | 6,721,829 | 8,347,042 | 8,336,284 | 15,065,610 | 15,058,113 |
| Net Position - Ending | \$ 5,987,817 | \$ 6,718,568 | \$ 8,501,310 | \$ 8,347,042 | \$ 14,489,127 | \$ 15,065,610 |

Governmental Activities. Governmental activities decreased the Village's net position by \$730,751 from the prior year, primarily due to an increase in public works expenditures during the 2017 fiscal year.

Expenses and Program Revenues – Governmental Activities

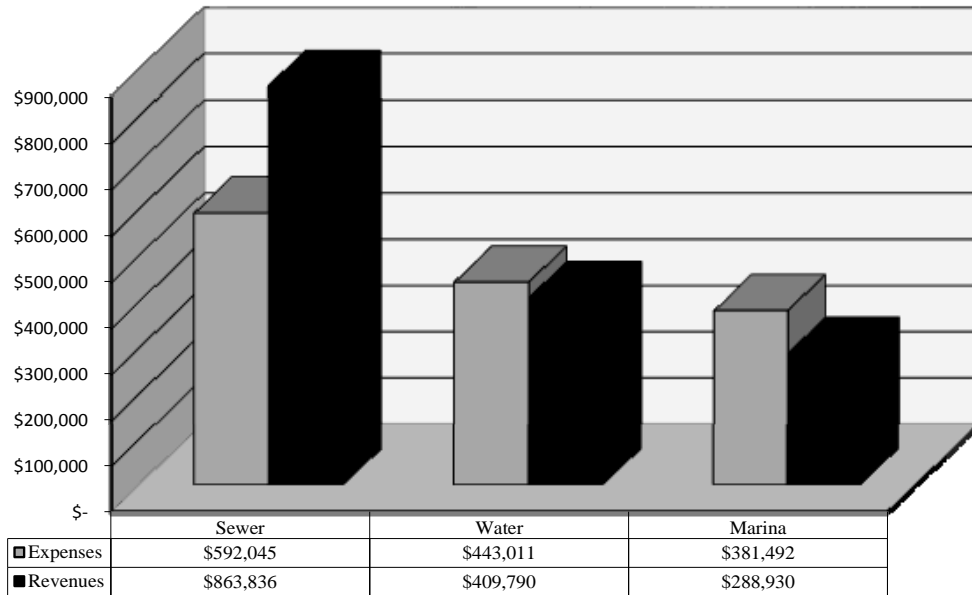


Revenues by Source – Governmental Activities



Business-type Activities. Business-type activities increased the Village's net position by \$154,268. This increase was primarily due to an increase in grants and charges for service. There was also a decrease in the expenses of the sewer fund.

Expenses and Program Revenue – Business-type Activities



Substantially, all revenues for the business-type activities resulted from charges for services and grants.

Financial Analysis of the Government’s Funds.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the 2016 fiscal year, the Village's governmental funds reported combined ending fund balances of \$2,045,973 a decrease of \$596,682. Unassigned fund balance of \$908,031 is available for spending at the Village's discretion. The remaining fund balance is restricted, committed, or assigned to be spent for specific purposes and not available for new spending.

The fund balance of the Village's General Fund increased by \$94,989 during the current fiscal year, which was mainly attributable to cuts in spending.

The fund balance of the Village's Municipal Street Fund decreased by \$600,810 during the current fiscal year, which was mainly an increase in transfer out.

The fund balance of the Village's Major Street Fund decreased by \$122,350 during the current fiscal year, which was mainly attributable to an increase in expenditure.

The fund balance of the Village's Local Street Fund increased by \$47,618 during the current fiscal year, which was mainly attributable to an decrease in expenditures.

Proprietary Funds. The Village's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning the finances of the enterprise funds have already been discussed in the discussion of the Village's business-type activities.

General Fund Budgetary Highlights

The budgeted net change in fund balance for the General Fund was \$9,116 lower than the actual for the year ended February 28, 2017. The primary reason for the overall budget variance was revenues were \$1,110,686 lower than the final amended budget, and expenditures were \$1,112,802 less than final amended budget.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2017, amounted to \$13,091,843 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, infrastructure, machinery, water, sewer, marina, vehicles and equipment.

Additional information on the Village's capital assets can be found on pages 31 and 32 in the notes to the financial statements.

Long-Term Debt. At February 28, 2017, the Village had total debt (less accrued compensated absences) outstanding of \$1,808,493.

Additional information on the City's long-term debt can be found on page 33 in the notes to the financial statements.

Economic Factors and Next Year's Budgets

The following factors were considered in preparing the Village's budget for the 2017-2018 fiscal year:

- Identify ways to cut expenses at the same time look for ways to generate new revenue.
- Updating of Village Recreation plan to better address the Marina, the updated plan will allow the Village to be eligible for State and Federal grants to fund capital improvements.
- Identify ways to increase Revenue and Usage of Village of Mackinaw Recreation Center.
- Ongoing Village Parks and Beach maintenance and infrastructure repair or replacement.
- Maintain and Increase Capital Reserves for street repair and reconstruction and Capital equipment.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Village Manager, P.O. Box 580, Mackinaw City, Michigan 49701.

Basic Financial Statements

Village of Mackinaw City, Michigan

Statement of Net Position February 28, 2017

| | Primary Government | | Total | Component |
|--|----------------------------|-----------------------------|----------------------|-------------------|
| | Governmental Activities | Business-type Activities | | Unit DDA |
| ASSETS: | | | | |
| Cash and Equivalents - Unrestricted | \$ 1,852,668 | \$ 1,092,857 | \$ 2,945,525 | \$ 109,299 |
| Cash and Equivalents - Restricted | - | 212,769 | 212,769 | - |
| Receivables: | | | | |
| Accounts | 126,488 | 250,401 | 376,889 | - |
| Special Assessments | 22,907 | - | 22,907 | - |
| Taxes | 51,663 | - | 51,663 | 1,416 |
| Due from Other Governmental Units | 69,733 | - | 69,733 | - |
| Internal Balances | 118,860 | (118,860) | - | - |
| Inventory | - | 17,042 | 17,042 | - |
| Other Assets | 14,925 | - | 14,925 | - |
| Capital Assets (Not Depreciated) | 1,196,311 | 222,547 | 1,418,858 | - |
| Capital Assets (Net of Depreciation) | 4,743,314 | 6,929,671 | 11,672,985 | - |
| TOTAL ASSETS | 8,196,869 | 8,606,427 | 16,803,296 | 110,715 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Pension Investment and Contributions | 130,579 | - | 130,579 | - |
| LIABILITIES: | | | | |
| Accounts Payable | 16,408 | 96,213 | 112,621 | 3,127 |
| Accrued Liabilities | 37,453 | 8,904 | 46,357 | - |
| Accrued Interest Payable | 29,265 | - | 29,265 | - |
| Installment Payable - Due within one year | 26,135 | - | 26,135 | - |
| Installment Payable - Due in more than one year | 40,358 | - | 40,358 | - |
| Bonds Payable - Due within one year | 236,000 | - | 236,000 | - |
| Bonds Payable - Due in more than one year | 1,506,000 | - | 1,506,000 | - |
| Vested Employee Benefits - Due in more than one year | 122,091 | - | 122,091 | - |
| Net Pension Obligation - Due in more than one year | 200,590 | - | 200,590 | - |
| TOTAL LIABILITIES | 2,214,300 | 105,117 | 2,319,417 | 3,127 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Pension investment experience | 125,330 | - | 125,330 | - |
| NET POSITION: | | | | |
| Net Investment in Capital Assets | 4,131,132 | 7,152,218 | 11,283,350 | - |
| Restricted | 653,217 | - | 653,217 | - |
| Unrestricted | 1,203,469 | 1,349,092 | 2,552,561 | 107,588 |
| TOTAL NET POSITION | \$ 5,987,818 | \$ 8,501,310 | \$ 14,489,128 | \$ 107,588 |

Village of Mackinaw City, Michigan

Statement of Activities For the Year Ended February 28, 2017

| Functions / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit DDA |
|--|--------------|-------------------------|--|--|--|-----------------------------|---------------|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Legislative | \$ 42,659 | \$ - | \$ - | \$ - | \$ (42,659) | \$ - | \$ (42,659) | \$ - |
| General Government | 770,627 | 254,926 | 76,616 | - | (439,085) | - | (439,085) | - |
| Public Safety | 710,772 | 8,208 | 84,107 | - | (618,457) | - | (618,457) | - |
| Public Works | 1,447,694 | - | 278,438 | - | (1,169,256) | - | (1,169,256) | - |
| Health and Welfare | 37,621 | - | 10 | - | (37,611) | - | (37,611) | - |
| Recreation and Culture | 311,547 | 9,190 | 36,488 | - | (265,869) | - | (265,869) | - |
| Interest Expenses | 67,199 | - | - | - | (67,199) | - | (67,199) | - |
| Total Governmental Activities | 3,388,119 | 272,324 | 475,659 | - | (2,640,136) | - | (2,640,136) | - |
| Business-type Activities: | | | | | | | | |
| Sewer | 592,045 | 672,758 | 1,938 | 189,140 | - | 271,791 | 271,791 | - |
| Water | 443,011 | 375,968 | 33,822 | - | - | (33,221) | (33,221) | - |
| Marina | 381,492 | 280,450 | 8,480 | - | - | (92,562) | (92,562) | - |
| Total Business-type Activities | 1,416,548 | 1,329,176 | 44,240 | 189,140 | - | 146,008 | 146,008 | - |
| Total Primary Government | \$ 4,804,667 | \$ 1,601,500 | \$ 519,899 | \$ 189,140 | (2,640,136) | 146,008 | (2,494,128) | - |
| Component Unit: | | | | | | | | |
| DDA | \$ 27,043 | \$ - | \$ - | | | | | (27,043) |
| General Revenues and Transfers: | | | | | | | | |
| Property Taxes | | | | | 1,563,613 | - | 1,563,613 | 31,086 |
| State Revenue Sharing | | | | | 71,836 | - | 71,836 | - |
| Interest and Rentals | | | | | 198,062 | 84,135 | 282,197 | - |
| Transfers - Net | | | | | 75,875 | (75,875) | - | - |
| Total General Revenues and Transfers | | | | | 1,909,386 | 8,260 | 1,917,646 | 31,086 |
| Change in Net Position | | | | | (730,750) | 154,268 | (576,482) | 4,043 |
| Net Position - Beginning as Restated (Footnote 10) | | | | | 6,718,568 | 8,347,042 | 15,065,610 | 103,545 |
| Net Position - Ending | | | | | \$ 5,987,818 | \$ 8,501,310 | \$ 14,489,128 | \$ 107,588 |

Village of Mackinaw City, Michigan

Balance Sheet Governmental Funds February 28, 2017

| | General Fund | Major Street Fund | Local Street Fund | Municipal Street Fund | Nonmajor Governmental Funds | Total |
|---|---------------------|----------------------|----------------------|--------------------------|-----------------------------------|---------------------|
| ASSETS: | | | | | | |
| Cash and Equivalents - Unrestricted | \$ 830,986 | \$ 304,907 | \$ 85,085 | \$ 105,022 | \$ 377,588 | \$ 1,703,588 |
| Taxes Receivable | 34,348 | - | - | 13,738 | 3,577 | 51,663 |
| Accounts Receivable | 115,759 | - | - | 4,774 | 5,954 | 126,487 |
| Due from Other Governmental Units | - | 43,032 | 26,701 | - | - | 69,733 |
| Special Assessments Receivable | - | - | - | 22,907 | - | 22,907 |
| Due From Other Funds | 286,047 | 5,719 | 2,281 | 23,523 | 54,490 | 372,060 |
| Other Assets | - | - | - | - | 14,925 | 14,925 |
| TOTAL ASSETS | \$ 1,267,140 | \$ 353,658 | \$ 114,067 | \$ 169,964 | \$ 456,534 | \$ 2,361,363 |
| LIABILITIES: | | | | | | |
| Accounts Payable | \$ 12,481 | \$ 1,541 | \$ - | \$ - | \$ 1,168 | \$ 15,190 |
| Accrued Liabilities | 27,421 | 2,362 | 1,477 | - | 4,241 | 35,501 |
| Due to Other Funds | 144,361 | 19,986 | 7,567 | 3,409 | 66,469 | 241,792 |
| TOTAL LIABILITIES | 184,263 | 23,889 | 9,044 | 3,409 | 71,878 | 292,483 |
| DEFERRED INFLOW OF RESOURCES: | | | | | | |
| Unavailable Revenue | - | - | - | 22,907 | - | 22,907 |
| FUND BALANCES: | | | | | | |
| Restricted | - | 329,769 | 105,023 | 143,648 | 74,777 | 653,217 |
| Committed | 75,989 | - | - | - | - | 75,989 |
| Assigned | 145,390 | - | - | - | 309,879 | 455,269 |
| Unassigned | 861,498 | - | - | - | - | 861,498 |
| TOTAL FUND BALANCES | 1,082,877 | 329,769 | 105,023 | 143,648 | 384,656 | 2,045,973 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES | \$ 1,267,140 | \$ 353,658 | \$ 114,067 | \$ 169,964 | \$ 456,534 | |
| Reconciliation to amounts reported for governmental activities in the statement of net position: | | | | | | |
| Capital assets used by governmental activities | | | | | | 5,518,766 |
| Net Pension Obligation and related deferred inflows/outflows | | | | | | (195,341) |
| Installments and bonds payable for governmental activities | | | | | | (1,742,000) |
| Unavailable revenue | | | | | | 22,907 |
| Vested employee benefits | | | | | | (122,091) |
| Internal service funds included in governmental activities | | | | | | 488,869 |
| Accrued interest payable | | | | | | (29,265) |
| Net position of governmental activities | | | | | | \$ 5,987,818 |

See accompanying notes to financial statements.

Village of Mackinaw City, Michigan

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended February 28, 2017**

| | General Fund | Major Street Fund | Local Street Fund | Municipal Street Fund | Nonmajor Governmental Funds | Total |
|---|---------------------|----------------------|----------------------|--------------------------|-----------------------------------|---------------------|
| REVENUES: | | | | | | |
| Taxes | \$ 1,073,178 | \$ - | \$ - | \$ 408,389 | \$ 82,046 | \$ 1,563,613 |
| Special Assessments | - | - | - | 12,670 | - | 12,670 |
| Licenses and Permits | 37,239 | - | - | - | - | 37,239 |
| State Sources | 103,869 | 140,864 | 61,416 | - | - | 306,149 |
| Contributions | 53,822 | - | - | - | 15,697 | 69,519 |
| Charges for Services | 242,099 | - | - | - | 30,225 | 272,324 |
| Interest and Rentals | 188,530 | - | - | 1,948 | 7,584 | 198,062 |
| Other Revenues | 49,437 | 17,305 | 706 | 58,147 | 8,993 | 134,588 |
| TOTAL REVENUES | 1,748,174 | 158,169 | 62,122 | 481,154 | 144,545 | 2,594,164 |
| EXPENDITURES: | | | | | | |
| Legislative | 42,659 | - | - | - | - | 42,659 |
| General Government | 716,666 | - | - | - | 59,755 | 776,421 |
| Public Safety | 659,567 | - | - | - | - | 659,567 |
| Public Works | 18,994 | 995,816 | 183,005 | 27,520 | - | 1,225,335 |
| Health and Welfare | - | - | - | - | 31,241 | 31,241 |
| Recreation and Culture | 76,631 | - | - | - | 159,329 | 235,960 |
| Debt Service | - | - | - | - | 295,538 | 295,538 |
| TOTAL EXPENDITURES | 1,514,517 | 995,816 | 183,005 | 27,520 | 545,863 | 3,266,721 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 233,657 | (837,647) | (120,883) | 453,634 | (401,318) | (672,557) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers In | - | 715,297 | 168,501 | - | 385,189 | 1,268,987 |
| Transfers (Out) | (138,668) | - | - | (1,054,444) | - | (1,193,112) |
| TOTAL OTHER FINANCING SOURCES (USES) | (138,668) | 715,297 | 168,501 | (1,054,444) | 385,189 | 75,875 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) | 94,989 | (122,350) | 47,618 | (600,810) | (16,129) | (596,682) |
| FUND BALANCES, BEGINNING OF YEAR | 987,888 | 452,119 | 57,405 | 744,458 | 400,785 | 2,642,655 |
| FUND BALANCES, END OF YEAR | \$ 1,082,877 | \$ 329,769 | \$ 105,023 | \$ 143,648 | \$ 384,656 | \$ 2,045,973 |

Village of Mackinaw City, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended February 28, 2017

Net changes in fund balances – total governmental funds \$ (596,682)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$457,906) exceeded capital outlay of \$90,337. (367,569)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. 225,000

Unearned revenue in fund statement recorded as revenue in GASB statement. (12,670)

An internal service fund is used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 53,343

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

| | | |
|---------------------------|-----------------|-----------------|
| Vested employee benefits | \$ (8,484) | |
| Accrued interest on bonds | 3,339 | |
| Pension Items | <u>(27,028)</u> | <u>(32,173)</u> |

Changes in net position of governmental activities \$ (730,751)

Village of Mackinaw City, Michigan

Statement of Net Position Proprietary Funds February 28, 2017

| | Enterprise Funds | | | | Internal Service |
|---|---------------------|---------------------|-------------------|---------------------|-------------------|
| | Sewer | Water | Marina | Total | Fund |
| | | | | | Equipment |
| ASSETS: | | | | | |
| Cash and Equivalents - Unrestricted | \$ 582,998 | \$ 305,768 | \$ 204,091 | \$ 1,092,857 | \$ 149,080 |
| Cash and Equivalents - Restricted | 112,769 | 100,000 | - | 212,769 | - |
| Accounts Receivable | 196,135 | 54,266 | - | 250,401 | 1 |
| Due from Other Funds | 74,111 | 4,012 | 3,732 | 81,855 | 2,806 |
| Inventories | - | - | 17,042 | 17,042 | - |
| Capital Assets (Not Depreciated) | 52,635 | 148,412 | 21,500 | 222,547 | - |
| Capital Assets (Net of Depreciation) | 4,975,089 | 1,411,878 | 542,704 | 6,929,671 | 420,859 |
| TOTAL ASSETS | <u>\$ 5,993,737</u> | <u>\$ 2,024,336</u> | <u>\$ 789,069</u> | <u>\$ 8,807,142</u> | <u>\$ 572,746</u> |
| LIABILITIES: | | | | | |
| Due to Other Funds | \$ 33,350 | \$ 149,429 | \$ 17,936 | \$ 200,715 | \$ 14,214 |
| Accounts Payable | 2,446 | 783 | 92,984 | 96,213 | 1,218 |
| Accrued Liabilities | 4,943 | 3,691 | 270 | 8,904 | 1,952 |
| Bonds Payable - Due within one year | - | - | - | - | 26,135 |
| Bonds Payable - Due in more than one year | - | - | - | - | 40,358 |
| TOTAL LIABILITIES | <u>40,739</u> | <u>153,903</u> | <u>111,190</u> | <u>305,832</u> | <u>83,877</u> |
| NET POSITION: | | | | | |
| Net Investment in Capital Assets | 5,027,724 | 1,560,290 | 564,204 | 7,152,218 | 354,366 |
| Unrestricted | 925,274 | 310,143 | 113,675 | 1,349,092 | 134,503 |
| TOTAL NET POSITION | <u>\$ 5,952,998</u> | <u>\$ 1,870,433</u> | <u>\$ 677,879</u> | <u>\$ 8,501,310</u> | <u>\$ 488,869</u> |

Village of Mackinaw City, Michigan

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended February 28, 2017

| | Enterprise Funds | | | Total | Internal Service |
|---|---------------------|---------------------|-------------------|---------------------|-------------------|
| | Sewer | Water | Marina | | Fund Equipment |
| OPERATING REVENUES: | | | | | |
| Charges for Services | \$ 672,758 | \$ 375,968 | \$ 280,450 | \$ 1,329,176 | \$ 227,702 |
| Other Income | 191,078 | 33,822 | 8,480 | 233,380 | 5,052 |
| TOTAL OPERATING REVENUES | 863,836 | 409,790 | 288,930 | 1,562,556 | 232,754 |
| OPERATING EXPENSES: | | | | | |
| Employee Wages and Benefits | 165,842 | 139,293 | 78,857 | 383,992 | 49,578 |
| Supplies | 48,766 | 17,908 | 5,463 | 72,137 | 2,320 |
| Gasoline and Oil | 3,175 | 2,117 | 71,456 | 76,748 | 20,281 |
| Repairs and Maintenance | 41,420 | 66,778 | 16,023 | 124,221 | 24,395 |
| Contracted Services | 570 | 66,251 | 104,150 | 170,971 | 757 |
| Insurance | 4,500 | 4,000 | 6,551 | 15,051 | 5,720 |
| Depreciation | 148,860 | 51,304 | 38,879 | 239,043 | 67,564 |
| Utilities | 116,418 | 18,874 | 29,456 | 164,748 | - |
| Other Expenses | 62,494 | 76,486 | 30,657 | 169,637 | 6,792 |
| TOTAL OPERATING EXPENSES | 592,045 | 443,011 | 381,492 | 1,416,548 | 177,407 |
| OPERATING INCOME (LOSS) | 271,791 | (33,221) | (92,562) | 146,008 | 55,347 |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Interest Expense | - | - | - | - | (2,004) |
| Interest and Rentals | 82 | 83,987 | 66 | 84,135 | - |
| Total Nonoperating Revenues (Expenses) | 82 | 83,987 | 66 | 84,135 | (2,004) |
| INCOME BEFORE OPERATING TRANSFERS | 271,873 | 50,766 | (92,496) | 230,143 | 53,343 |
| Operating Transfers Out | (75,875) | - | - | (75,875) | - |
| CHANGES IN NET POSITION | 195,998 | 50,766 | (92,496) | 154,268 | 53,343 |
| NET POSITION, MARCH 1 | 5,757,000 | 1,819,667 | 770,375 | 8,347,042 | 435,526 |
| NET POSITION, FEBRUARY 28 | \$ 5,952,998 | \$ 1,870,433 | \$ 677,879 | \$ 8,501,310 | \$ 488,869 |

**Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2017**

| | Enterprise Funds | | | | Internal Service |
|---|-------------------|-------------------|-------------------|---------------------|-------------------|
| | Sewer | Water | Marina | Total | Fund Equipment |
| Cash Flows from Operating Activities: | | | | | |
| Cash Received from Customers or Users | \$ 850,582 | \$ 403,705 | \$ 288,924 | \$ 1,543,211 | \$ 232,666 |
| Cash Payments to Employees | (165,239) | (138,539) | (78,949) | (382,727) | (48,842) |
| Cash Payments to Vendors | (274,897) | (138,933) | (170,771) | (584,601) | (64,783) |
| Net Cash Provided (Used) by Operating Activities | <u>410,446</u> | <u>126,233</u> | <u>39,204</u> | <u>575,883</u> | <u>119,041</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Principal Expense | - | - | - | - | (25,530) |
| Interest Expense | - | - | - | - | (2,004) |
| Purchase/(Adjustments) of Capital Assets | (225,877) | (133,687) | - | (359,564) | (153,086) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(225,877)</u> | <u>(133,687)</u> | <u>-</u> | <u>(359,564)</u> | <u>(180,620)</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Transfers to Other Funds | (75,875) | - | - | (75,875) | - |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>(75,875)</u> | <u>-</u> | <u>-</u> | <u>(75,875)</u> | <u>-</u> |
| Cash Flows from Investing Activities: | | | | | |
| Interest and Rentals Received | 82 | 83,987 | 66 | 84,135 | - |
| Net Cash Provided by Investing Activities | <u>82</u> | <u>83,987</u> | <u>66</u> | <u>84,135</u> | <u>-</u> |
| Net Increase (Decrease) in Cash | 108,776 | 76,533 | 39,270 | 224,579 | (61,579) |
| Cash and Equivalents, Beginning of Year | 586,991 | 329,235 | 164,821 | 1,081,047 | 210,659 |
| Cash and Equivalents, End of Year | <u>\$ 695,767</u> | <u>\$ 405,768</u> | <u>\$ 204,091</u> | <u>\$ 1,305,626</u> | <u>\$ 149,080</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | |
| Operating Income (Loss) | \$ 271,791 | \$ (33,221) | \$ (92,562) | \$ 146,008 | \$ 55,347 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Depreciation Expense | 148,860 | 51,304 | 38,879 | 239,043 | 67,564 |
| (Increase) Decrease in Assets: | | | | | |
| Receivables | (13,254) | (6,085) | (6) | (19,345) | (88) |
| Increase (Decrease) in Liabilities: | | | | | |
| Accounts Payable | 2,446 | 113,481 | 92,985 | 208,912 | (4,518) |
| Accrued Liabilities | 603 | 754 | (92) | 1,265 | 736 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 410,446</u> | <u>\$ 126,233</u> | <u>\$ 39,204</u> | <u>\$ 575,883</u> | <u>\$ 119,041</u> |

**Statement of Fiduciary Net Position
Fiduciary Funds
February 28, 2017**

| | <u>Pension Trust Fund</u> | <u>Agency Funds</u> |
|---|---|----------------------|
| | <u>Employee Retirement System</u> | |
| ASSETS: | | |
| Cash and Equivalents - Unrestricted | \$ - | \$ 78,214 |
| Investments | <u>528,018</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 528,018</u> | <u>\$ 78,214</u> |
| LIABILITIES: | | |
| Other Liabilities | <u>\$ -</u> | <u>\$ 78,214</u> |
| NET POSITION: | | |
| Held in Trust for Pension Benefits and Other Purposes | <u>\$ 528,018</u> | |

Village of Mackinaw City, Michigan

Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended February 28, 2017

| | Pension Trust Fund Employee Retirement System <u>As of 6/30/2016</u> |
|--|---|
| ADDITIONS: | |
| Contributions | \$ 94,847 |
| Investment gain (loss) | <u>(29,179)</u> |
| Total Additions | <u>65,668</u> |
| DEDUCTIONS: | |
| Benefit payments/Withdrawals | <u>169,540</u> |
| Change in Net Position | (103,872) |
| Net Position Held in Trust for Benefits, Beginning of Year | <u>631,890</u> |
| Net Position Held in Trust for Benefits, End of Year | <u><u>\$ 528,018</u></u> |

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**Reporting Entity**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the *Village of Mackinaw City, Michigan* (the “Village”) and its component unit. The component unit discussed below is included in the Village’s reporting entity because of the significance of its operational or financial relationship with the Village.

Discretely Presented Component Unit

Downtown Development Authority (“DDA”) – The amounts reported as the component unit in the basic financial statements include the financial data of the Village’s DDA to emphasize that it is legally separate from the Village. The members of the governing board of the DDA are appointed by the Village Council. The budgets and expenditures of the DDA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the DDA. Separate financial statements of the DDA have not been prepared.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Village). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Village and for each function of the Village’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of 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: The fund financial statements provide information about the Village’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Taxes Receivable

The Village's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 14, as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Cheboygan and Emmet Counties. Assessed values, as established annually by the Village and subject to acceptance by the Counties, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the Village for the 2016 levy was \$94,580,876. The Village's general operating tax rate for fiscal 2015/2016 was 10.5269 mills with an additional 4.2106 mills for streets, .8419 mills for the cemetery, .5225 mills for advertising, .8415 mills for library, and 1.7629 mills are captured for DDA. Property taxes are recognized in the fiscal year in which they are levied.

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

The Village reports the following major governmental funds:

General Fund. This is the Village'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 and Local Streets. The Streets Funds account for the operation of the street departments. Primary financing is provided by the Village's share of state gasoline taxes. State law requires these gasoline taxes be used to maintain streets.

Municipal Street Fund. This Fund accounts for the use of a tax levy, which is used to supplement the Major and Local Street funds.

The Village reports the following major enterprise funds:

Sewer. This fund accounts for the activities of the Village's sewage disposal and sewage treatment systems.

Water. This fund accounts for the activities of the Village's water distribution and water treatment systems.

Marina. This fund accounts for the operations of the Village-owned marina.

The Village reports the following fund types:

Special Revenue Funds. These funds are used to account for and report proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to expenditures for specified purposes.

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

Debt Service Funds. These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Internal Service Fund. This fund accounts for operations that provide machinery and equipment to other departments of the Village on a cost-reimbursement basis.

Enterprise Funds. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Pension Trust Fund. This fund accounts for the activities of the Village's employees retirement system, which accumulates resources for retirement benefit payments to qualified employees.

Agency Funds. These funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets held for other governments and employees in an agency capacity.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Financial Statements. The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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 flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds 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 Village considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

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

Cash and Equivalents

The Village considers cash and equivalents to be cash on hand and demand deposits and investments with a maturity of 90 days or less. Pooled investment income from all funds is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of proprietary fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Interfund Receivables and Payables

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to January 1, 2003 consist of the road network assets, bridges, sidewalks, and storm sewers that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. All assets with a cost of \$500 or more and useful life of one (1) year or more are capitalized.

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

| | |
|----------------------------|-------------|
| Infrastructure | 40-50 years |
| Buildings and Improvements | 20-50 years |
| Vehicles and Equipment | 5-15 years |

Pensions

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

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has pension items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has unavailable revenues and pension items that qualify for reporting in this category.

Long-Term Obligations

In the government-wide financial statements and the 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, business-type activities, or proprietary fund type statement of net position.

Vested Employee Benefits

The liability for vested employee benefits reported in the government-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Budgetary Data

Annual budgets are adopted on the same basis as the accounting method used to reflect actual results. The General Fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. All annual appropriations lapse at fiscal year end.

On or before the third Thursday in February of each year, the Village Manager must present the proposed budget to the Village Council for review. The Council holds public hearings and a final budget must be prepared and adopted by resolution no later than the first day in March.

The budget document presents information by fund, function, department, and line item. The legal level of budgetary control adopted by the Village Council is the function level which is the level at which expenditures may not exceed appropriations. The Village Manager may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Village Council.

Interfund Transfers

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. The internal service fund is used to record charges for services to all village departments as operating revenue.

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

Use of Estimates

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

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Village has no items classified as being Nonspendable.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Village has \$653,217 of restricted fund balance.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Village. These amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Village's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Village through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Village would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

NOTE 2 - CASH AND EQUIVALENTS:

At year end, the Village’s cash and equivalents were reported in the basic financial statements in the following categories:

| | Governmental Activities | Business-type Activities | Total Primary Government | Fiduciary Funds | Component Unit |
|----------------------|----------------------------|-----------------------------|-----------------------------|--------------------|-------------------|
| Cash and Equivalents | | | | | |
| -Unrestricted | \$ 1,852,668 | \$ 1,092,857 | \$ 2,945,525 | \$ 78,214 | \$ 109,299 |
| -Restricted | - | 212,769 | 212,769 | - | - |
| Investments | - | - | - | 528,018 | - |
| Total | \$ 1,852,668 | \$ 1,305,626 | \$ 3,158,294 | \$ 606,232 | \$ 109,299 |

The categories of cash and equivalents are as follows:

| | Primary Government | Fiduciary Funds | Component Unit |
|--|-----------------------|--------------------|-------------------|
| Bank Deposits (checking and savings accounts, certificates of deposit) | \$ 3,158,294 | \$ 78,214 | \$ 109,299 |
| Investments: Securities, mutual funds, and similar vehicles | - | 528,018 | - |
| Total | \$ 3,158,294 | \$ 606,232 | \$ 109,299 |

Cash and equivalents are restricted in the amount of \$212,769 for replacement and repairs in the water and sewer funds.

| | Fair Value | Less than 1 | 1-5 | 6-10 | AP Rating | % |
|----------------------------|------------|-------------|------|------|-----------|------|
| Investments | | | | | | |
| Mutual Funds (level 1*) | \$ 528,018 | \$ 528,018 | \$ - | \$ - | N/A | 100% |

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Village’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Village’s investment policy does not have specific limits in excess of state law on investment credit risk. The Village has no investments for which ratings are required.

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end, \$1,977,457 of the Village's bank balance of \$3,438,658 was exposed to credit risk because it was uninsured and uncollateralized.

In accordance with the villages investment policy and State law, all deposits are uncollateralized, held in the Village's name, and evidenced by a safekeeping receipt. Also, due to the dollar amount of the cash deposits and the limits of FDIC insurance, the Village believes it impractical to insure all bank deposits. As a result, the Village evaluates each financial institution and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's in a single issuer. The Village's investment policy does not have specific limits or requirements related to concentration of credit risk.

Custodial Credit Risk. The Village has not adopted a policy that indicates how the Villages will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments of collateral securities that are in possession on an outside party.

Custodial investment credit risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or securities that are in the possession of an outside party. As of February 28, none of the Village's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the Village's name by the counter party.

**Fair value measurement.* The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The villages assessment of the significance of particular inputs to these fair value measurements required judgement and considers factors specific to each asset of liability.

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

Statutory Authority:

An act (PA 152) to amend 1943 PA 20, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

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

Interfund balances at February 28, 2017 consisted of the following:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|-----------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 286,047 | \$ 144,361 |
| Major Street Fund | 5,719 | 19,986 |
| Local Street Fund | 2,281 | 7,567 |
| Municipal Street Fund | 23,523 | 3,409 |
| Nonmajor Governmental Funds | 54,490 | 66,469 |
| Sewer | 74,111 | 33,350 |
| Water | 4,012 | 149,429 |
| Marina | 3,732 | 17,936 |
| Internal Service Fund | <u>2,806</u> | <u>14,214</u> |
| Total | <u>\$ 456,721</u> | <u>\$ 456,721</u> |

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|-------------------------|--------------------------|
| General Fund | \$ - | \$ 138,668 |
| Major Street Fund | 715,297 | - |
| Local Street Fund | 168,501 | - |
| Municipal Street Fund | - | 1,054,444 |
| Nonmajor Governmental Funds | 385,189 | - |
| Sewer | <u>-</u> | <u>75,875</u> |
| Total | <u>\$ 1,268,987</u> | <u>\$ 1,268,987</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended February 28, 2017, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|---------------------|--------------------|----------------------------|
| Governmental Activities: | | | | |
| <i>Capital assets not depreciated:</i> | | | | |
| Land | \$ 1,196,311 | \$ - | \$ - | \$ 1,196,311 |
| Construction in Progress | <u>11,030</u> | <u>-</u> | <u>(11,030)</u> | <u>-</u> |
| Subtotal | <u>1,207,341</u> | <u>-</u> | <u>(11,030)</u> | <u>1,196,311</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Land Improvements | 956,830 | 11,030 | - | 967,860 |
| Buildings and Improvements | 2,517,928 | - | - | 2,517,928 |
| Equipment | 3,480,475 | 191,156 | - | 3,671,631 |
| Infrastructure | <u>5,004,637</u> | <u>52,267</u> | <u>-</u> | <u>5,056,904</u> |
| Subtotal | <u>11,959,870</u> | <u>254,453</u> | <u>-</u> | <u>12,214,323</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land Improvements | (804,474) | (18,853) | - | (823,327) |
| Buildings and Improvements | (1,026,022) | (64,419) | - | (1,090,441) |
| Equipment | (2,468,560) | (192,788) | - | (2,661,348) |
| Infrastructure | <u>(2,646,480)</u> | <u>(249,413)</u> | <u>-</u> | <u>(2,895,893)</u> |
| Subtotal | <u>(6,945,536)</u> | <u>(525,473)</u> | <u>-</u> | <u>(7,471,009)</u> |
| Net Capital Assets Being Depreciated | <u>5,014,334</u> | <u>(271,020)</u> | <u>-</u> | <u>4,743,314</u> |
| Capital Assets – Net | <u>\$ 6,221,675</u> | <u>\$ (271,020)</u> | <u>\$ (11,030)</u> | <u>\$ 5,939,625</u> |

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

| | |
|-------------------------------|-------------------|
| Governmental Activities: | |
| General Government | \$ 106,632 |
| Public Safety | 62,248 |
| Public Works | 274,626 |
| Health and Welfare | 6,380 |
| Recreation and Culture | <u>75,587</u> |
| Total Governmental Activities | <u>\$ 525,473</u> |

NOTE 4 - CAPITAL ASSETS: (Continued)

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|-------------------|------------------|----------------------------|
| Business-type activities: | | | | |
| <i>Capital assets not depreciated:</i> | | | | |
| Land | \$ 73,140 | \$ - | \$ - | \$ 73,140 |
| Construction in Process | <u>-</u> | <u>149,407</u> | <u>-</u> | <u>149,407</u> |
| Subtotal | <u>\$ 73,140</u> | <u>\$ 149,407</u> | <u>\$ -</u> | <u>\$ 222,547</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and Improvements | 263,539 | - | - | 263,539 |
| Water | 2,403,347 | - | - | 2,403,347 |
| Sewer | 7,417,570 | 210,157 | - | 7,627,727 |
| Marina | 1,792,084 | - | - | 1,792,084 |
| Equipment | <u>601,379</u> | <u>-</u> | <u>-</u> | <u>601,379</u> |
| Subtotal | <u>12,477,919</u> | <u>210,157</u> | <u>-</u> | <u>12,688,076</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and Improvements | (163,104) | (5,385) | - | (168,489) |
| Water | (1,013,454) | (39,738) | - | (1,053,192) |
| Sewer | (2,710,413) | (132,863) | - | (2,843,276) |
| Marina | (1,228,065) | (38,033) | - | (1,266,098) |
| Equipment | <u>(404,326)</u> | <u>(23,024)</u> | <u>-</u> | <u>(427,350)</u> |
| Subtotal | <u>(5,519,362)</u> | <u>(239,043)</u> | <u>-</u> | <u>(5,758,405)</u> |
| Net Capital Assets Being Depreciated | <u>6,958,557</u> | <u>(28,886)</u> | <u>-</u> | <u>6,929,671</u> |
| Capital Assets – Net | <u>\$ 7,031,697</u> | <u>\$ 120,521</u> | <u>\$ -</u> | <u>\$ 7,152,218</u> |

Depreciation expense was charged to business-type activities as follows:

| | |
|--------------------------------|-------------------|
| Business-type Activities: | |
| Sewer | \$ 148,860 |
| Water | 51,304 |
| Marina | <u>38,879</u> |
| Total Business-type Activities | <u>\$ 239,043</u> |

NOTE 5 - LEASES:

The Village entered into a lease agreement with a company for use of the Village pier. The prior lease agreement was expired as of December 30, 2016. The Village renewed this lease for a period from January 1, 2017 through December 30, 2026. The annual lease amount starting in 2017 was \$174,720, with yearly increases of 3% in rental fees over the life of the contract.

Rental income from the lease reported in the General Fund amounted to \$168,065 for the year ended February 28, 2017.

NOTE 6 - LONG-TERM DEBT:

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by the Village of Mackinaw City. The Village has pledged the general full faith and credit of the Village for the payment of principal and interest on the bonds.

Changes in long-term debt during the twelve months ending February 28, 2017 are summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|------------------------------------|
| Governmental Activities: | | | | | |
| 2015 MI Transportation Bonds, maturing serially through fiscal 2030 in annual payments ranging from \$35,000 to 68,000 and bearing interest from 5.0% to 3.00%. | \$ 887,000 | \$ - | \$ 55,000 | \$ 832,000 | \$ 56,000 |
| 2012 Capital Improvement Bonds, maturing serially through fiscal 2032 in annual payments ranging from \$25,000 to \$55,000 and bearing interest from 2.0% to 6.0%. | 635,000 | - | 30,000 | 605,000 | 30,000 |
| 2009 Capital Improvement Bonds, maturing serially through fiscal 2020 in annual payments ranging from \$55,000 to \$85,000 and bearing interest from 3.25% to 4.5%. | 300,000 | - | 70,000 | 230,000 | 75,000 |
| 2007 Capital Improvement Bonds, maturing serially through fiscal 2018 in annual payments ranging from \$45,000 to \$80,000 and bearing interest from 4.3% to 4.6%. | <u>145,000</u> | <u>-</u> | <u>70,000</u> | <u>75,000</u> | <u>75,000</u> |
| Total Bond Debt | <u>1,967,000</u> | <u>-</u> | <u>225,000</u> | <u>1,742,000</u> | <u>236,000</u> |
| 2013 Act 99 installment contract, maturing in fiscal 2020 in semi- annual payments of \$13,767, including interest at 2.3%. | <u>92,023</u> | <u>-</u> | <u>25,530</u> | <u>66,493</u> | <u>26,135</u> |
| Total Installment Debt | <u>92,023</u> | <u>-</u> | <u>25,530</u> | <u>66,493</u> | <u>26,135</u> |
| Vested Employee Benefits | <u>113,607</u> | <u>8,484</u> | <u>-</u> | <u>122,091</u> | <u>-</u> |
| TOTAL LONG-TERM DEBT | <u>\$ 2,172,630</u> | <u>\$ 8,484</u> | <u>\$ 250,530</u> | <u>\$ 1,930,584</u> | <u>\$ 262,135</u> |

NOTE 6 - LONG-TERM DEBT: (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

| Year End June 30 | Bonds Payable | | Installment Contracts Payable | |
|------------------|---------------------|-------------------|-------------------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 236,000 | \$ 63,518 | \$ 26,135 | \$ 1,398 |
| 2019 | 162,000 | 54,953 | 26,749 | 785 |
| 2020 | 168,000 | 49,680 | 13,609 | 158 |
| 2021 | 94,000 | 44,020 | - | - |
| 2022 | 95,000 | 41,293 | - | - |
| 2023-2027 | 525,000 | 158,631 | - | - |
| 2028-2032 | 462,000 | 57,278 | - | - |
| Total | <u>\$ 1,742,000</u> | <u>\$ 469,373</u> | <u>\$ 66,493</u> | <u>\$ 2,341</u> |

Total interest expense for the primary government for the year ended February 28, 2017, was \$67,199.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS:

Defined Benefit Pension Plan

Description of Plan and Plan Assets

The Village is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.25% and 2.5% for deputies times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2015.

General Information about the Pension Plan

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

| 02 – Police Open Division | |
|--------------------------------------|----------------------------|
| | <u>2015 Valuation</u> |
| Benefit Multiplier: | 2.50% Multiplier (80% max) |
| Normal Retirement Age: | 60 |
| Vesting: | 10 Years |
| Early Retirement (Unreduced): | 55/20 |
| Early Retirement (Reduced): | 50/25 |
| | 55/15 |
| Final Average Compensation: | 5 years |
| COLA for Future Retiree: | 2.50% (Non-Compounding) |
| Employee Contributions: | 6.52% |
| Act 88: | No |

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS: (Continued)

Employees Covered by Benefit Terms

At February 28, 2017, the following employees were covered by the benefit terms:

| | |
|--|---|
| Inactive employees or beneficiaries currently receiving benefits | 1 |
| Inactive employees entitled to but not yet receiving benefits | 1 |
| Active employees | 5 |
| | 7 |

Funding Policy

The Village is required to contribute at an actuarially determined rate; the current rate is 11.41% of annual covered payroll. Per the Village’s contract with the Police Officers Labor Council, the Village’s costs and contributions to this plan shall be limited to 10% of gross wages per year, with the employee responsible for any remainder. Employees are currently required to contribute 6.52%. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

Net Pension Liability

The Village’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 to 4.0 percent |
| Salary increases | 4.5 percent, average, including inflation |
| Investment rate of return | 7.75 percent |

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the RP 2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS: (Continued)

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

Discount Rate. The discount rate used to measure the total pension liability will be 8.0%. 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 the Net Pension Liability:

| | Increases (Decreases) | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at March 1, 2016 | \$ 1,025,119 | \$ 801,484 | \$ 223,635 |
| Service cost | 35,062 | - | 35,062 |
| Interest on total pension liability | 82,390 | - | 82,390 |
| Changes in benefits | (1,180) | - | (1,180) |
| Difference between expected and actual experience | (80,084) | - | (80,084) |
| Changes in assumptions | 63,688 | - | 63,688 |
| Employer contributions | - | 27,875 | (27,875) |
| Employee contributions | - | 19,742 | (19,742) |
| Net investment income | - | 93,473 | (93,473) |
| Benefit payments, including employee refunds | (25,556) | (25,556) | - |
| Administrative expense | - | (1,842) | 1,842 |
| Other changes | 16,327 | - | 16,327 |
| Net changes | 90,647 | 113,692 | (23,045) |
| Balances as of February 28, 2017 | \$ 1,115,766 | \$ 915,176 | \$ 200,590 |

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS: (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Village, calculated using the discount rate of 8.25% , as well as what the Village’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---------------------------------|--------------------|------------------------------|--------------------|
| | (7.25%) | (8.25%) | (9.25%) |
| Village’s net pension liability | \$397,629 | \$200,590 | \$40,289 |

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report.

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

For the year ended February 28, 2017, the Village recognized pension expense of \$27,027. At February 28, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 125,330 |
| Changes in assumptions | 100,862 | - |
| Net difference between projected and actual earnings on pension plan investments | 24,944 | - |
| Contributions subsequent to the measurement date | 4,773 | - |
| Total | \$ 130,579 | \$ 125,330 |

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

| <u>Year Ended February 28:</u> | <u>Outflows</u> | <u>Inflows</u> |
|------------------------------------|-----------------|----------------|
| 2017 | \$ 25,565 | \$ 19,220 |
| 2018 | 25,565 | 19,220 |
| 2019 | 25,565 | 19,220 |
| 2020 | 10,180 | 19,220 |
| 2021 | 15,483 | 19,220 |
| Thereafter | 23,448 | 29,230 |

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS: (Continued)

Defined Contribution Pension Plan

The Village provides pension benefits for all of its full-time employees through a defined contribution plan, the Village of Mackinaw City Pension Plan and Trust, which is administered and maintained through a life insurance company. Benefits depend solely on amounts contributed to the Plan, plus investment earnings. Each individual employee has a flexible retirement annuity. Employees are eligible to participate after one year of continuous employment and having attained the age of 19. The contribution to the Plan is made by the Village based upon 10% of employee's base pay, excluding overtime.

Plan provisions and contribution requirements are established and may be amended by the Village Council. Normal retirement age is the employee's 55th birthday or the 10th anniversary of the participation commencement date. Participants are 100% vested upon entry date into the Plan. The Village made the required 10% contribution for all employees employed before 2014 and 5% for all employees post in the amount of \$94,847 and employees made contributions of \$0 for the plan year ended February 28, 2017.

NOTE 8 - RISK MANAGEMENT:

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it obtains coverage from commercial insurance companies. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Required Supplementary Information

**Employee Retirement and Benefit Systems
Schedule of Funding Progress
For the Year Ended February 28, 2017**

| | 2016 | 2015 |
|---|--------------|--------------|
| Total pension liability | | |
| Service cost | \$ 35,062 | \$ 34,173 |
| Interest | 82,390 | 76,530 |
| Changes in Benefits | (1,180) | (1,516) |
| Difference between expected and actual experience | (80,084) | (73,675) |
| Changes in Assumptions | 63,688 | 60,179 |
| Benefit payments, including refund of member contributions | (25,556) | (25,000) |
| Other Changes | 16,327 | 2,391 |
| Net change in total pension liability | 90,647 | 73,082 |
| Total pension liability - beginning | 1,025,119 | 952,037 |
| Total pension liability - ending | \$ 1,115,766 | \$ 1,025,119 |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 27,875 | \$ 25,976 |
| Contributions - employee | 19,742 | 16,767 |
| Net investment income (loss) | 93,473 | (12,451) |
| Benefit payments, including refunds of member contributions | (25,556) | (25,000) |
| Administrative expense | (1,842) | (1,786) |
| Net change in plan fiduciary net position | 113,692 | 3,506 |
| Plan fiduciary net position - beginning | 801,484 | 797,978 |
| Plan fiduciary net position - ending | \$ 915,176 | \$ 801,484 |
| Net pension liability - ending | \$ 200,590 | \$ 223,635 |
| Plan fiduciary net position as a percentage of the total pension liability | 82% | 78% |
| Covered - employee payroll | \$ 264,088 | \$ 264,088 |
| Net pension liability as a percentage of covered-employee payroll | 76% | 85% |

**Employee Retirement and Benefit Systems
Schedule of Funding Progress
For the Year Ended February 28, 2017**

| | 2015 | 2016 |
|--|------------|------------|
| Actuarially determined contribution | \$ 27,936 | \$ 27,936 |
| Contributions in relation to the actuarially determined contribution | 27,875 | 25,976 |
| Contribution deficiency (excess) | \$ 61 | \$ 1,960 |
| Covered - employee payroll | \$ 264,088 | \$ 264,088 |
| Contributions as a percentage of covered-employee payroll | 11% | 10% |

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | | |
|-------------------------------|--|--|
| Actuarial cost method | Entry age | |
| Amortization method | Level percentage of payroll, closed | |
| Remaining amortization period | 23 years | |
| Asset valuation method | 5-years smoothed market | |
| Inflation | 4.50% | |
| Salary increases | 3.5%, average, including inflation | |
| Investment rate of return | 7.75% | |
| Retirement age | In the 2014 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience | |
| Mortality | 50% Female/50% Male RP-2014 Group | |

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended February 28, 2017

| | Budgeted Amounts | | Actual | Variance with |
|---------------------------------|------------------|------------------|------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 1,027,250 | \$ 1,027,250 | \$ 1,073,178 | \$ 45,928 |
| Licenses and Permits | 34,500 | 34,500 | 37,239 | 2,739 |
| Federal Sources | 882,500 | 882,500 | - | (882,500) |
| State Sources | 76,000 | 76,000 | 103,869 | 27,869 |
| Contributions | 50,000 | 50,000 | 53,822 | 3,822 |
| Charges for Services | 211,792 | 178,292 | 242,099 | 63,807 |
| Interest and Rentals | 191,500 | 191,500 | 188,530 | (2,970) |
| Other Revenue | 194,629 | 418,818 | 49,437 | (369,381) |
| TOTAL REVENUES | 2,668,171 | 2,858,860 | 1,748,174 | (1,110,686) |
| EXPENDITURES | | | | |
| Legislative | 75,850 | 45,850 | 42,659 | 3,191 |
| General Government: | | | | |
| Village Manager | 101,200 | 97,456 | 92,980 | 4,476 |
| Professional Services | 70,000 | 136,000 | 150,032 | (14,032) |
| Village Clerk | 76,472 | 75,313 | 70,810 | 4,503 |
| Treasurer | 77,462 | 78,813 | 77,915 | 898 |
| Building and Grounds | 283,000 | 287,448 | 273,421 | 14,027 |
| Planning Commission | 10,031 | 10,031 | 3,965 | 6,066 |
| Promotional | 65,559 | 65,559 | 47,543 | 18,016 |
| Total General Government | 683,724 | 750,620 | 716,666 | 33,954 |
| Public Safety: | | | | |
| Fire Department | 1,054,200 | 1,054,200 | 88,386 | 965,814 |
| Building and Zoning Department | 56,585 | 56,285 | 47,511 | 8,774 |
| Police Department | 543,101 | 561,435 | 523,670 | 37,765 |
| Total Public Safety | 1,653,886 | 1,671,920 | 659,567 | 1,012,353 |
| Public Works | 34,903 | 34,903 | 18,994 | 15,909 |
| Recreation and Culture | 124,027 | 124,026 | 76,631 | 47,395 |
| TOTAL EXPENDITURES | 2,572,390 | 2,627,319 | 1,514,517 | 1,112,802 |

Village of Mackinaw City, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended February 28, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|---------------------|---|
| | Original | Final | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>95,781</u> | <u>231,541</u> | <u>233,657</u> | <u>2,116</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (Out) | <u>(91,281)</u> | <u>(145,668)</u> | <u>(138,668)</u> | <u>7,000</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(91,281)</u> | <u>(145,668)</u> | <u>(138,668)</u> | <u>7,000</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | <u>\$ 4,500</u> | <u>\$ 85,873</u> | 94,989 | <u>\$ 9,116</u> |
| FUND BALANCES, BEGINNING OF YEAR | | | <u>987,888</u> | |
| FUND BALANCES, END OF YEAR | | | <u>\$ 1,082,877</u> | |

Village of Mackinaw City, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
Year Ended February 28, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|--------------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| State Sources | \$ 93,000 | \$ 99,119 | \$ 140,864 | \$ 41,745 |
| Other Revenues | 52,000 | 52,257 | 17,305 | (34,952) |
| TOTAL REVENUES | 145,000 | 151,376 | 158,169 | 6,793 |
| EXPENDITURES | | | | |
| Public Works | 954,388 | 1,044,555 | 995,816 | 48,739 |
| TOTAL EXPENDITURES | 954,388 | 1,044,555 | 995,816 | 48,739 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (809,388) | (893,179) | (837,647) | 55,532 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 715,297 | 715,297 | 715,297 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 715,297 | 715,297 | 715,297 | - |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | \$ (94,091) | \$ (177,882) | (122,350) | \$ 55,532 |
| FUND BALANCES, BEGINNING OF YEAR | | | 452,119 | |
| FUND BALANCES, END OF YEAR | | | \$ 329,769 | |

Village of Mackinaw City, Michigan

Required Supplementary Information Budgetary Comparison Schedule Local Street Fund Year Ended February 28, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|--------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| State Sources | \$ 35,000 | \$ 35,000 | \$ 61,416 | \$ 26,416 |
| Other Revenues | - | - | 706 | 706 |
| TOTAL REVENUES | <u>35,000</u> | <u>35,000</u> | <u>62,122</u> | <u>27,122</u> |
| EXPENDITURES | | | | |
| Public Works | 234,581 | 234,581 | 183,005 | 51,576 |
| TOTAL EXPENDITURES | <u>234,581</u> | <u>234,581</u> | <u>183,005</u> | <u>51,576</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(199,581)</u> | <u>(199,581)</u> | <u>(120,883)</u> | <u>78,698</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 168,501 | 168,501 | 168,501 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>168,501</u> | <u>168,501</u> | <u>168,501</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | <u>\$ (31,080)</u> | <u>\$ (31,080)</u> | 47,618 | <u>\$ 78,698</u> |
| FUND BALANCES, BEGINNING OF YEAR | | | <u>57,405</u> | |
| FUND BALANCES, END OF YEAR | | | <u>\$ 105,023</u> | |

Village of Mackinaw City, Michigan

Required Supplementary Information Budgetary Comparison Schedule Municipal Street Fund Year Ended February 28, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|---------------------|--------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 378,000 | \$ 378,000 | \$ 408,389 | \$ 30,389 |
| Special Assessments | 12,716 | 12,716 | 12,670 | (46) |
| Other Revenue | - | - | 58,147 | 58,147 |
| Interest and Rentals | 1,788 | 1,788 | 1,948 | 160 |
| TOTAL REVENUES | <u>392,504</u> | <u>392,504</u> | <u>481,154</u> | <u>88,650</u> |
| EXPENDITURES | | | | |
| Public Works | <u>27,000</u> | <u>26,959</u> | <u>27,520</u> | <u>(561)</u> |
| TOTAL EXPENDITURES | <u>27,000</u> | <u>26,959</u> | <u>27,520</u> | <u>(561)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>365,504</u> | <u>365,545</u> | <u>453,634</u> | <u>88,089</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Proceeds | 655,000 | - | - | - |
| Transfers Out | <u>(1,054,633)</u> | <u>(1,054,674)</u> | <u>(1,054,444)</u> | <u>230</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(399,633)</u> | <u>(1,054,674)</u> | <u>(1,054,444)</u> | <u>230</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | <u>\$ (34,129)</u> | <u>\$ (689,129)</u> | (600,810) | <u>\$ 88,319</u> |
| FUND BALANCES, BEGINNING OF YEAR | | | <u>744,458</u> | |
| FUND BALANCES, END OF YEAR | | | <u>\$ 143,648</u> | |

Other Information

Village of Mackinaw City, Michigan

**Combining Balance Sheet
General Fund
February 28, 2017**

| | General Fund | Fire Capital Improvement | Ambulance Capital Improvement | Performance Shell | Economic Development Corporation | Total |
|--|---------------------|-----------------------------|-------------------------------------|----------------------|--|---------------------|
| ASSETS: | | | | | | |
| Cash and Equivalents - Unrestricted | \$ 685,623 | \$ 66,866 | \$ 36,758 | \$ 22,482 | \$ 19,257 | \$ 830,986 |
| Taxes Receivable | 34,348 | - | - | - | - | 34,348 |
| Accounts Receivable | 115,732 | - | - | 27 | - | 115,759 |
| Due From Other Funds | 286,047 | - | - | - | - | 286,047 |
| TOTAL ASSETS | \$ 1,121,750 | \$ 66,866 | \$ 36,758 | \$ 22,509 | \$ 19,257 | 1,267,140 |
| LIABILITIES: | | | | | | |
| Accounts Payable | \$ 12,481 | \$ - | \$ - | \$ - | \$ - | \$ 12,481 |
| Accrued Liabilities | 27,421 | - | - | - | - | 27,421 |
| Due to Other Funds | 144,361 | - | - | - | - | 144,361 |
| TOTAL LIABILITIES | 184,263 | - | - | - | - | 184,263 |
| FUND BALANCES: | | | | | | |
| Assigned | \$ - | \$ 66,866 | \$ 36,758 | \$ 22,509 | \$ 19,257 | \$ 145,390 |
| Committed | 75,989 | - | - | - | - | 75,989 |
| Unassigned | 861,498 | - | - | - | - | 861,498 |
| TOTAL FUND BALANCES | 937,487 | 66,866 | 36,758 | 22,509 | 19,257 | 1,082,877 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,121,750 | \$ 66,866 | \$ 36,758 | \$ 22,509 | \$ 19,257 | \$ 1,267,140 |

Village of Mackinaw City, Michigan

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Fund
For the Year Ended February 28, 2017**

| | General Fund | Fire Capital Improvement | Ambulance Capital Improvement | Performance Shell | Economic Development Corporation | Total |
|---|-------------------|-----------------------------|-------------------------------------|----------------------|--|---------------------|
| REVENUES | | | | | | |
| Taxes | \$ 1,073,178 | \$ - | \$ - | \$ - | \$ - | \$ 1,073,178 |
| Licenses and Permits | 37,239 | - | - | - | - | 37,239 |
| State Sources | 103,869 | - | - | - | - | 103,869 |
| Contributions | 49,322 | 4,500 | - | - | - | 53,822 |
| Charges for Services | 242,099 | - | - | - | - | 242,099 |
| Interest and Rentals | 188,530 | - | - | - | - | 188,530 |
| Other Revenue | 49,437 | - | - | - | - | 49,437 |
| TOTAL REVENUES | 1,743,674 | 4,500 | - | - | - | 1,748,174 |
| EXPENDITURES | | | | | | |
| Legislative | 42,659 | - | - | - | - | 42,659 |
| General Government | 714,768 | - | 1,898 | - | - | 716,666 |
| Public Safety | 659,567 | - | - | - | - | 659,567 |
| Public Works | 18,994 | - | - | - | - | 18,994 |
| Recreation and Culture | 76,631 | - | - | - | - | 76,631 |
| TOTAL EXPENDITURES | 1,512,619 | - | 1,898 | - | - | 1,514,517 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 231,055 | 4,500 | (1,898) | - | - | 233,657 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers (Out) | (138,668) | - | - | - | - | (138,668) |
| TOTAL OTHER FINANCING SOURCES (USES) | (138,668) | - | - | - | - | (138,668) |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | 92,387 | 4,500 | (1,898) | - | - | 94,989 |
| FUND BALANCES, BEGINNING OF YEAR | 845,100 | 62,366 | 38,656 | 22,509 | 19,257 | 987,888 |
| FUND BALANCES, END OF YEAR | \$ 937,487 | \$ 66,866 | \$ 36,758 | \$ 22,509 | \$ 19,257 | \$ 1,082,877 |

| | Special Revenue Funds | | | | Debt Service Funds | | | | Total |
|--|-----------------------|------------------------------|------------------|-------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------|-------------------|
| | Recreation Center | Iron Workers Walk Foundation | Ambulance | Cemetery | 2007 Special Assessment Bonds | 2009 General Obligation Bonds | 2011 Capital Improvement Bonds | 2015 Transportation Bonds | |
| ASSETS: | | | | | | | | | |
| Cash and Equivalents - Unrestricted | \$ 25,872 | \$ 7,930 | \$ 84,742 | \$ 204,764 | \$ 9,547 | \$ 41,649 | \$ 3,043 | \$ 41 | \$ 377,588 |
| Taxes Receivable | - | - | - | 3,577 | - | - | - | - | 3,577 |
| Accounts Receivable | 5,000 | - | - | 954 | - | - | - | - | 5,954 |
| Due From Other Funds | 37,800 | - | 7,021 | 869 | 8,800 | - | - | - | 54,490 |
| Other Assets | - | - | - | - | - | - | 14,925 | - | 14,925 |
| TOTAL ASSETS | \$ 68,672 | \$ 7,930 | \$ 91,763 | \$ 210,164 | \$ 18,347 | \$ 41,649 | \$ 17,968 | \$ 41 | \$ 456,534 |
| LIABILITIES: | | | | | | | | | |
| Due to Other Funds | \$ 31,681 | \$ - | \$ 20,887 | \$ 2,743 | \$ 4,001 | \$ 7,157 | \$ - | \$ - | \$ 66,469 |
| Accounts Payable | 1,168 | - | - | - | - | - | - | - | 1,168 |
| Accrued Liabilities | 3,677 | - | - | 564 | - | - | - | - | 4,241 |
| TOTAL LIABILITIES | 36,526 | - | 20,887 | 3,307 | 4,001 | 7,157 | - | - | \$ 71,878 |
| FUND BALANCE: | | | | | | | | | |
| Assigned | 32,146 | - | 70,876 | 206,857 | - | - | - | - | 309,879 |
| Restricted | - | 7,930 | - | - | 14,346 | 34,492 | 17,968 | 41 | 74,777 |
| TOTAL FUND BALANCE | 32,146 | 7,930 | 70,876 | 206,857 | 14,346 | 34,492 | 17,968 | 41 | 384,656 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 68,672 | \$ 7,930 | \$ 91,763 | \$ 210,164 | \$ 18,347 | \$ 41,649 | \$ 17,968 | \$ 41 | \$ 456,534 |

Village of Mackinaw City, Michigan

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended February 28, 2017**

| | Special Revenue Funds | | | | Debt Service Funds | | | | Total |
|---|-----------------------|------------------------------|------------------|-------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------|-------------------|
| | Recreation Center | Iron Workers Walk Foundation | Ambulance | Cemetery | 2007 Special Assessment Bonds | 2009 General Obligation Bonds | 2011 Capital Improvement Bonds | 2015 Transportation Bonds | |
| REVENUES | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 82,046 | \$ - | \$ - | \$ - | \$ - | \$ 82,046 |
| Contributions | 12,572 | 3,125 | - | - | - | - | - | - | 15,697 |
| Charges for Service | 9,190 | - | - | 21,035 | - | - | - | - | 30,225 |
| Interest and Rentals | 7,525 | - | 1 | - | 10 | 48 | - | - | 7,584 |
| Other Revenue | 8,791 | - | 10 | 192 | - | - | - | - | 8,993 |
| TOTAL REVENUES | 38,078 | 3,125 | 11 | 103,273 | 10 | 48 | - | - | 144,545 |
| EXPENDITURES | | | | | | | | | |
| General Government | - | - | - | 59,755 | - | - | - | - | 59,755 |
| Health and Welfare | - | - | 31,241 | - | - | - | - | - | 31,241 |
| Recreation and Culture | 158,042 | 1,287 | - | - | - | - | - | - | 159,329 |
| Debt Service | - | - | - | - | 76,670 | 83,150 | 59,400 | 76,318 | 295,538 |
| TOTAL EXPENDITURES | 158,042 | 1,287 | 31,241 | 59,755 | 76,670 | 83,150 | 59,400 | 76,318 | 545,863 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (119,964) | 1,838 | (31,230) | 43,518 | (76,660) | (83,102) | (59,400) | (76,318) | (401,318) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | |
| Transfers In | 100,419 | - | - | - | 76,670 | 72,341 | 59,400 | 76,359 | 385,189 |
| TOTAL OTHER FINANCING SOURCES (USES) | 100,419 | - | - | - | 76,670 | 72,341 | 59,400 | 76,359 | 385,189 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | (19,545) | 1,838 | (31,230) | 43,518 | 10 | (10,761) | - | 41 | (16,129) |
| FUND BALANCES, BEGINNING OF YEAR | 51,691 | 6,092 | 102,106 | 163,339 | 14,336 | 45,253 | 17,968 | - | 400,785 |
| FUND BALANCES, END OF YEAR | \$ 32,146 | \$ 7,930 | \$ 70,876 | \$ 206,857 | \$ 14,346 | \$ 34,492 | \$ 17,968 | \$ 41 | \$ 384,656 |

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

**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**

Village Council
Village of Mackinaw City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Mackinaw City, Michigan, as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise the Village of Mackinaw City, Michigan's basic financial statements and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies listed as 2017-001, and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Mackinaw City, Michigan'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 disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Mackinaw City, Michigan's Response to Findings

The Village of Mackinaw City, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village of Mackinaw City, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

August 31, 2017



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH MICHIGAN PUBLIC ACT 51 OF 1951, AS AMENDED**

Honorable President and Members
of the Village Council
Village of Mackinaw City

Report on Compliance

We have audited the Village of Mackinaw City's compliance with the types of compliance requirements describe in Michigan Public Act 51 of 1951, as amended, for the period ended February 28, 2017.

Management's Responsibility

Management is responsible for compliance with provisions of Michigan Public Act 51 of 1951, as amended.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance with provisions of Michigan Public Act 51 of 1951, as amended, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements indicated above. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Village of Mackinaw City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Village of Mackinaw City compliance.

Opinion

In our opinion, the Village of Mackinaw City complied, in all material respects, with the types of compliance requirements referred to above for the year ended February 28, 2017.

Purpose of this Report

The purpose of this report over compliance is solely to describe the scope of our testing over compliance and the results of that testing based on the requirements stated above. Accordingly, this report is not suitable for any other purpose.

Anderson, Tackman and Company, PLC
Certified Public Accountants
Kincheloe, Michigan

August 31, 2017

Internal Control Over Financial Reporting

Significant Deficiencies

**Preparation of the Financial Statements in Accordance
with Generally Accepted Accounting Principles**

Finding 2017-001

Condition: As part of the audit process, the Village, like some other governments, has historically relied on the independent auditors to assist in the preparation of the Government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. Management feels it is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Criteria: Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 115 (SAS 115), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that responsibility for the financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Effect: The Village relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the Village's internal controls. By definition, independent auditors should not be part of the Village's internal controls.

Cause: Change in application of auditing standards.

Recommendation: We recommend that the Village consider providing applicable employees with training that would allow them to attain the qualification required to fully understand the GAAP financial statements preparation process. Should the Board choose not to address this issue, management and the Board of should realize that an increased risk is present.

Management's Response – Corrective Action: Historically it has been the practice for the independent auditors of the Village to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements. The Board needs to evaluate the cost benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP or outsourcing this task to its external auditors in determining the best interests of the Village.

- Contact Person(s) Responsible for Correction:
Pat Wyman, Village Manager

Internal Control Over Financial Reporting

Significant Deficiencies

Significant Journal Entries Proposed by Auditors

Finding 2017-002

Condition: Significant journal entries in many areas were proposed by the auditors. These adjustments were detected by the Village's internal control over financial reporting. These entries were subsequently recorded in the general ledger.

Criteria: Statement on Auditing Standards No. 115 (SAS 115), *Communicating Internal Control Related Matters Identified in and Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, and results of operations, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal control.

Effect: Through the posting of significant journal entries (that were identified by management); the auditors are effectively part of the Village's internal controls.

Cause: Unknown.

Recommendation: We recommend that the Village take steps to ensure that significant journal entries are not necessary at the time future audit analysis is performed.

Management's Response – Corrective Action Plan: Historically it has been the practice for the independent auditors of the Village to assist in the preparation of the financial statements, as well as the related notes to the financial statements. This has always included the preparation by or suggestion from the auditors of significant journal entries. The Village will strive to correct this in future reporting.

- *Contact Person(s) Responsible for Correction:*
Pat Wyman, Village Manager



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Village Council
Village of Mackinaw City, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Mackinaw City, Michigan, for the year ended February 28, 2017, and have issued our report thereon August 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated April 19, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village of Mackinaw City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village of Mackinaw City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated April 19, 2017.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Mackinaw City are described in Note 1 to the financial statements. A new accounting policy for GASB 72 was adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the Annual Required Contribution for Pension Obligations was based on various assumptions regarding life expectancies, inflation, salary increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 31, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Mackinaw City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Mackinaw City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Comments and Recommendations

Dormant Funds (Prior Year)

During testing, it was noted that there were some funds with minimal balances and no activity during the year. We recommend the Village review all of their funds to see if any can be closed.

Status: Uncorrected.

Interfunds (Prior Year)

During testing, it was noted that the Village did not know what the correct balances should be in their due to other funds and due from other funds accounts. We recommend that the Village determine what the proper balances should be and either pay the balances owed or write them off to help ensure accuracy of accounting records.

Status: Corrected.

Bank Accounts (Prior Year)

During testing, it was noted that two bank accounts were not recorded on the general ledger. We recommend that all bank accounts that utilize the Village tax ID number be recorded on the general ledger to help ensure accuracy and completeness of accounting records.

Status: Corrected

Interfunds

It was noted during our testing that multiple interfund receivable and payable accounts remained unchanged from the prior year. We recommend that inter fund payable and receivable be reviewed and settled on a regular basis.

Cash Cut off

It was noted in our review of cash balances that the Village had multiple items recorded in the incorrect period. We recommend that the village review cash balances at the close of each month and ensure that items are recorded in the proper period.

Cash Reconciliations

We noted during our review of cash balances that multiple cash account reconciliation had items within their reconciliations that were lacking proper support, unreconciled differences, and stale reconciling items that are not clearing accounts. We recommend that the village review its cash reconciliation procedures and provide training on cash reconciliation procedures to its employees.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This information is intended solely for the use of the Village of Mackinaw City, the cognizant audit agencies and other federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

August 31, 2017