

Village of Mackinaw City, Michigan

BASIC FINANCIAL STATEMENTS

February 28, 2015

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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, 2015, 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. 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, page 38 and pages 39 through 44 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015, 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* 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 28, 2015

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, 2015.

The assets of the Village exceeded its liabilities the close of the most recent fiscal year by \$15,207,955 (net position). Of this amount, \$1,925,103 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizens and creditors.

The Village's total net position increased by \$545,086 (includes prior period adjustment).

The Village repaid \$230,276 of bond and installment debt during the current fiscal year.

At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$636,258 or 37 percent of fiscal 2015 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 and liabilities 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, Municipal Street Fund, and the Ambulance 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 and other postemployment benefits.

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 by \$15,207,955 at the close of fiscal 2015.

A significant portion of the Village's net position (80%) 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	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 2,062,541	\$ 1,887,332	\$ 1,208,253	\$ 1,026,226	\$ 3,270,794	\$ 2,913,558
Capital and Other Assets	6,379,496	6,813,264	7,200,537	7,242,398	13,580,033	14,055,662
Total Assets	\$ 8,442,037	\$ 8,700,596	\$ 8,408,790	\$ 8,268,624	\$ 16,850,827	\$ 16,969,220
Current Liabilities	\$ 254,167	\$ 236,835	\$ 72,506	\$ 216,825	\$ 326,673	\$ 453,660
Noncurrent Liabilities	1,316,199	1,852,691	-	-	1,316,199	1,852,691
Total Liabilities	1,570,366	2,089,526	72,506	216,825	1,642,872	2,306,351
Net Position						
Net Investment in						
Capital Assets	5,014,315	5,217,807	7,200,537	7,242,398	12,214,852	12,460,205
Restricted	1,068,000	480,894	-	-	1,068,000	480,894
Unrestricted	789,356	912,369	1,135,747	809,401	1,925,103	1,721,770
Total Net Position	\$ 6,871,671	\$ 6,611,070	\$ 8,336,284	\$ 8,051,799	\$ 15,207,955	\$ 14,662,869

At the end of fiscal 2015, 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 increased by \$545,806 during fiscal 2015. This increase is mainly attributable to prior period adjustments and grants.

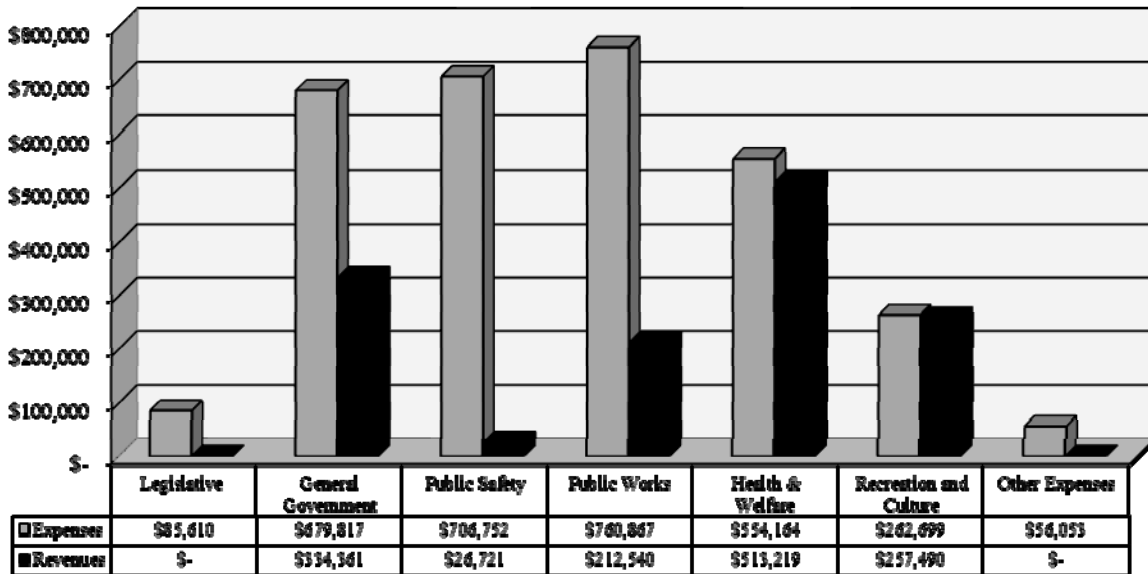
The following table shows the activities of the Village.

Statement of Activities

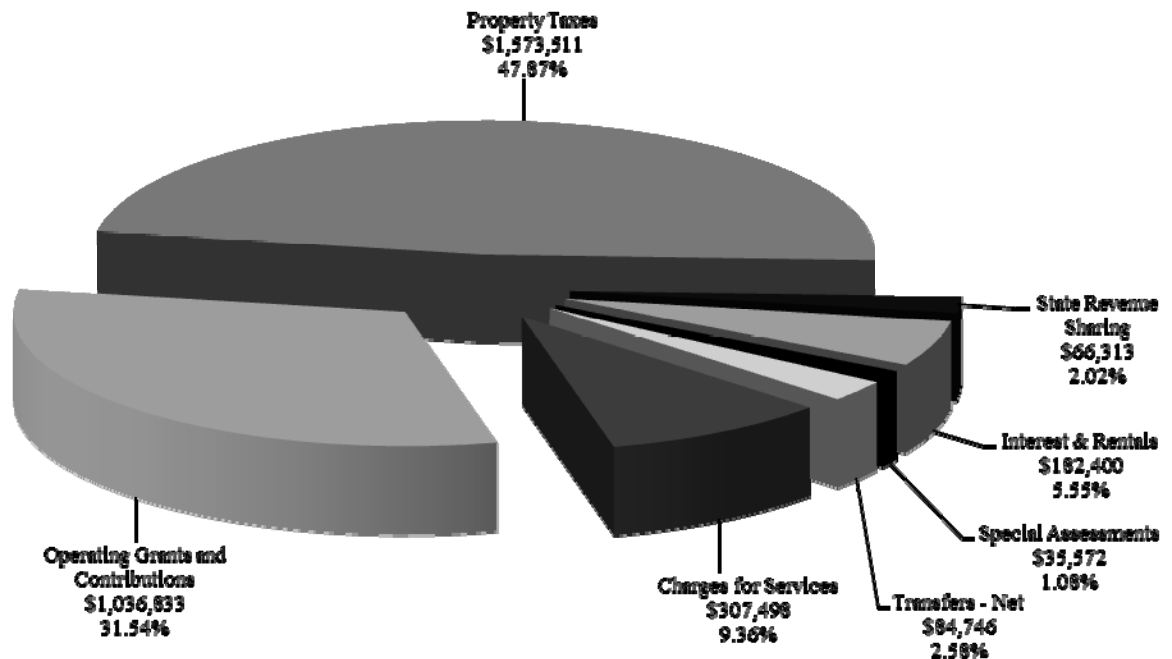
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for Services	\$ 307,498	\$ 482,006	\$ 1,215,801	\$ 1,234,840	\$ 1,523,299	\$ 1,716,846
Operating Grants and Contributions	1,036,833	661,915	24,620	494	1,061,453	662,409
Capital Grants and Contributions	-	1,121	109,619	37,500	109,619	38,621
General Revenues and Transfers						
Property Taxes	1,573,511	1,607,053	-	-	1,573,511	1,607,053
Grants and Contributions	-	140,707	153,646	-	153,646	140,707
Special Assessments	35,572	-	-	-	35,572	-
State Revenue Sharing	66,313	-	-	-	66,313	-
Interest and Rentals	182,400	5,760	53,264	-	235,664	5,760
Total Revenues	3,202,127	2,898,562	1,556,950	1,272,834	4,759,077	4,171,396
Program Expenses						
Legislative	85,610	69,039	-	-	85,610	69,039
General Government	679,817	549,192	-	-	679,817	549,192
Public Safety	706,752	631,988	-	-	706,752	631,988
Public Works	760,867	783,451	-	-	760,867	783,451
Health and Welfare	554,164	589,435	-	-	554,164	589,435
Recreation and Culture	262,699	361,607	-	-	262,699	361,607
Interest on Long-term Debt	-	70,393	-	-	-	70,393
Other Expenses	56,053	-	-	-	56,053	-
Sewer	-	-	592,338	520,388	592,338	520,388
Water	-	-	344,532	305,721	344,532	305,721
Marina	-	-	334,455	457,507	334,455	457,507
Total Expenses	3,105,962	3,055,105	1,271,325	1,283,616	4,377,287	4,338,721
Changes in Net Position						
Before Transfers	96,165	(156,543)	285,625	(10,782)	381,790	(167,325)
Transfers	84,746	68,376	(67,662)	(68,376)	17,084	-
Changes in Net Position	180,911	(88,167)	217,963	(79,158)	398,874	(167,325)
Net Position - Beginning	6,611,070	6,699,237	8,051,799	8,130,957	14,662,869	14,830,194
Prior Period Adjustments	79,690	-	66,522	-	146,212	-
Net Position - Ending	\$ 6,871,671	\$ 6,611,070	\$ 8,336,284	\$ 8,051,799	\$ 15,207,955	\$ 14,662,869

Governmental Activities. Governmental activities increased the Village's net position by \$260,601 from the prior year, primarily from an increase in grants, lease rentals, and prior period adjustments. Expenses increased by \$50,857 due to increased expenses in legislative, general government, public safety, and other expenses; offset by decreases in public works, health and welfare, recreations and culture, and interest on long-term debt.

Expenses and Program Revenues – Governmental Activities

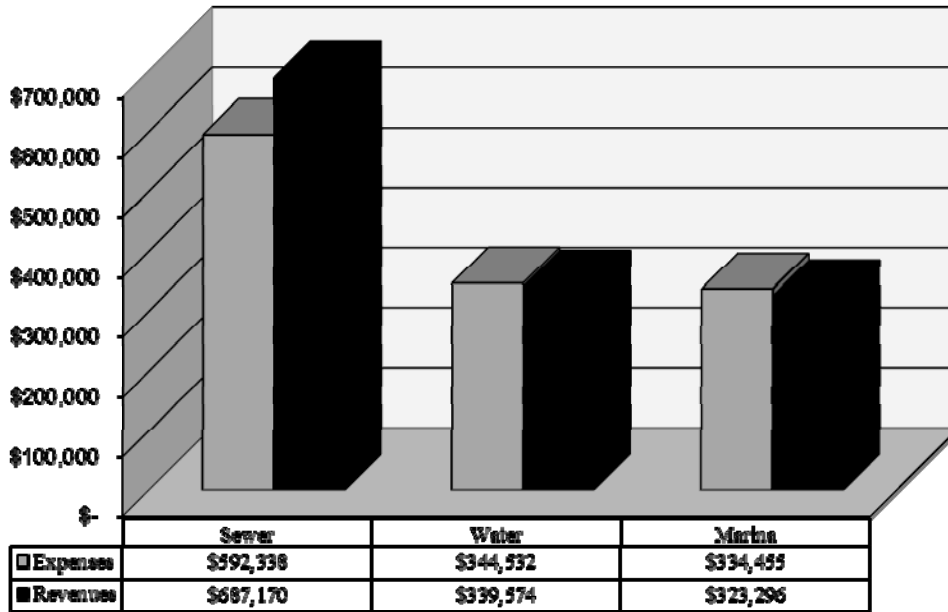


Revenues by Source – Governmental Activities



Business-type Activities. Business-type activities increased the Village's net position by \$284,485. This increase was primarily due to an increase in grants and a prior period adjustment. There was also a decrease in the expenses of the marina 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 2015 fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,715,361, an increase of \$337,641. Unassigned fund balance of \$647,361 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 \$244,487 during the current fiscal year, which was mainly attributable to the use of fund balance to cover operating expenses.

The fund balance of the Village's Municipal Street Fund increased by \$146,567 during the current fiscal year, which was mainly attributable to a slight increase in property tax revenue, transfers in and less transfers out.

The fund balance of the Village's Ambulance Fund decreased by \$84,833 during the current fiscal year, which was mainly attributable to an increase in transfers out.

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 budget net change in fund balance for the General Fund was \$484,951 higher than the actual for the year ended February 28, 2015. The primary reason for the overall budget variance was revenues were \$240,899 higher than the final amended budget, and expenditures were \$244,052 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, 2015, amounted to \$13,580,033 (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 30 and 31 in the notes to the financial statements.

Long-Term Debt. At February 28, 2015, the Village had total debt (less accrued compensated absences) outstanding of \$1,365,181.

Additional information on the City's long-term debt can be found on page 32 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 2015-2016 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, 2015

	Primary Government		Total	Component
	Governmental Activities	Business-type Activities		Unit DDA
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 1,806,851	\$ 805,260	\$ 2,612,111	\$ 98,613
Cash and Equivalents - Restricted	-	137,770	137,770	-
Receivables:				
Accounts	11,037	242,383	253,420	-
Special Assessments	88,916	-	88,916	-
Taxes	121,988	-	121,988	8,059
Due from Other Governmental Units	13,008	-	13,008	-
Internal Balances	5,516	(5,516)	-	-
Inventory	-	28,356	28,356	-
Other Assets	15,225	-	15,225	-
Capital Assets (Not Depreciated)	1,207,341	73,140	1,280,481	-
Capital Assets (Net of Depreciation)	5,172,155	7,127,397	12,299,552	-
TOTAL ASSETS	\$ 8,442,037	\$ 8,408,790	\$ 16,850,827	\$ 106,672
LIABILITIES:				
Accounts Payable	\$ 17,646	\$ 2,634	\$ 20,280	\$ 3,127
Accrued Liabilities	19,233	4,503	23,736	-
Unearned Revenue	-	65,369	65,369	-
Accrued Interest Payable	24,130	-	24,130	-
Installment Payable - Due within one year	33,158	-	33,158	-
Installment Payable - Due in more than one year	92,023	-	92,023	-
Bonds Payable - Due within one year	160,000	-	160,000	-
Bonds Payable - Due in more than one year	1,080,000	-	1,080,000	-
Vested Employee Benefits - Due in more than one year	125,078	-	125,078	-
(OPEB) Obligation - Due in more than one year	19,098	-	19,098	-
TOTAL LIABILITIES	1,570,366	72,506	1,642,872	3,127
NET POSITION:				
Net Investment in Capital Assets	5,014,315	7,200,537	12,214,852	-
Restricted	1,068,000	-	1,068,000	-
Unrestricted	789,356	1,135,747	1,925,103	103,545
TOTAL NET POSITION	\$ 6,871,671	\$ 8,336,284	\$ 15,207,955	\$ 103,545

Village of Mackinaw City, Michigan

Statement of Activities For the Year Ended February 28, 2015

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	\$ 85,610	\$ -	\$ -	\$ -	\$ (85,610)	\$ -	\$ (85,610)	\$ -
General Government	679,817	28,428	305,933	-	(345,456)	-	(345,456)	-
Public Safety	706,752	-	26,721	-	(680,031)	-	(680,031)	35,572
Public Works	760,867	-	212,540	-	(548,327)	-	(548,327)	-
Health and Welfare	554,164	265,452	247,767	-	(40,945)	-	(40,945)	-
Recreation and Culture	262,699	13,618	243,872	-	(5,209)	-	(5,209)	-
Other Expenses	56,053	-	-	-	(56,053)	-	(56,053)	-
Total Governmental Activities	<u>3,105,962</u>	<u>307,498</u>	<u>1,036,833</u>	<u>-</u>	<u>(1,761,631)</u>	<u>-</u>	<u>(1,761,631)</u>	<u>35,572</u>
Business-type Activities:								
Sewer	592,338	568,464	16,877	101,829	-	94,832	94,832	-
Water	344,532	324,949	6,835	7,790	-	(4,958)	(4,958)	-
Marina	334,455	322,388	908	-	-	(11,159)	(11,159)	-
Total Business-type Activities	<u>1,271,325</u>	<u>1,215,801</u>	<u>24,620</u>	<u>109,619</u>	<u>-</u>	<u>78,715</u>	<u>78,715</u>	<u>-</u>
Total Primary Government	<u>\$ 4,377,287</u>	<u>\$ 1,523,299</u>	<u>\$ 1,061,453</u>	<u>\$ 109,619</u>	<u>(1,761,631)</u>	<u>78,715</u>	<u>(1,682,916)</u>	<u>35,572</u>
Component Unit:								
DDA	<u>\$ 10,376</u>	<u>\$ -</u>	<u>\$ -</u>					<u>(10,376)</u>
General Revenues and Transfers:								
Property Taxes					1,573,511	-	1,573,511	31,727
Grants					-	153,646	153,646	-
State Revenue Sharing					66,313	-	66,313	-
Interest and Rentals					182,400	53,264	235,664	-
Special Assessments					35,572	-	35,572	-
Transfers - Net					84,746	(67,662)	17,084	(17,084)
Total General Revenues and Transfers					<u>1,942,542</u>	<u>139,248</u>	<u>2,081,790</u>	<u>14,643</u>
Change in Net Position					180,911	217,963	398,874	4,267
Net Position - Beginning					6,611,070	8,051,799	14,662,869	99,278
Prior Period Adjustment					79,690	66,522	146,212	-
Net Position - Ending					<u>\$ 6,871,671</u>	<u>\$ 8,336,284</u>	<u>\$ 15,207,955</u>	<u>\$ 103,545</u>

See accompanying notes to financial statements.

Village of Mackinaw City, Michigan

Balance Sheet Governmental Funds February 28, 2015

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Ambulance Fund	Nonmajor Governmental Funds	Total
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 771,630	\$ 150,475	\$ 36,537	\$ 250,688	\$ 117,279	\$ 244,309	\$ 1,570,918
Taxes Receivable	83,699	-	-	31,909	-	6,380	121,988
Accounts Receivable	5,770	-	-	-	267	5,000	11,037
Due from Other Governmental Units	-	8,889	4,119	-	-	-	13,008
Special Assessments Receivable	-	-	-	67,128	-	21,788	88,916
Due From Other Funds	226,906	5,719	2,281	23,523	7,021	47,469	312,919
Other Assets	-	-	-	-	-	15,225	15,225
TOTAL ASSETS	\$ 1,088,005	\$ 165,083	\$ 42,937	\$ 373,248	\$ 124,567	\$ 340,171	\$ 2,134,011
LIABILITIES:							
Accounts Payable	\$ 13,537	\$ -	\$ -	\$ 1,700	\$ 307	\$ 871	\$ 16,415
Accrued Liabilities	14,371	1,129	1,037	-	293	494	17,324
Due to Other Funds	144,361	19,987	7,567	3,409	20,887	99,784	295,995
TOTAL LIABILITIES	172,269	21,116	8,604	5,109	21,487	101,149	329,734
DEFERRED INFLOW OF RESOURCES:							
Unavailable Revenue	-	-	-	67,128	-	21,788	88,916
FUND BALANCES:							
Restricted	-	143,967	34,333	301,011	-	75,687	554,998
Committed	125,078	-	-	-	-	-	125,078
Assigned	154,400	-	-	-	103,080	130,444	387,924
Unassigned	636,258	-	-	-	-	11,103	647,361
TOTAL FUND BALANCES	915,736	143,967	34,333	301,011	103,080	217,234	1,715,361
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 1,088,005	\$ 165,083	\$ 42,937	\$ 373,248	\$ 124,567	\$ 340,171	

Reconciliation to amounts reported for governmental activities in the statement of net position:

Capital assets used by governmental activities	6,028,834
Other post employment benefits (OPEB)	(19,098)
Installments and bonds payable for governmental activities	(1,248,207)
Unavailable revenue	88,916
Vested employee benefits	(125,078)
Internal service funds included in governmental activities	455,073
Accrued interest payable	(24,130)
Net position of governmental activities	\$ 6,871,671

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, 2015

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Ambulance Fund	Nonmajor Governmental Funds	Total
REVENUES:							
Taxes	\$ 1,047,966	\$ -	\$ -	\$ 399,756	\$ -	\$ 125,789	\$ 1,573,511
Special Assessments	-	-	-	35,572	-	-	35,572
Licenses and Permits	37,351	-	-	-	-	-	37,351
Federal Sources	245,372	-	-	-	-	-	245,372
State Sources	69,000	121,787	61,741	-	-	-	252,528
Contributions	240,420	-	-	-	83,527	47,111	371,058
Charges for Services	18,618	-	-	-	265,452	23,428	307,498
Interest and Rentals	177,869	-	-	4,504	1	26	182,400
Other Revenues	47,353	60,934	6	4,291	73,838	10,415	196,837
TOTAL REVENUES	1,883,949	182,721	61,747	444,123	422,818	206,769	3,202,127
EXPENDITURES:							
Legislative	85,610	-	-	-	-	-	85,610
General Government	743,014	-	-	-	-	67,407	810,421
Public Safety	649,562	-	-	-	-	-	649,562
Public Works	13,196	274,662	169,337	35,885	-	-	493,080
Health and Welfare	-	-	-	-	441,364	102,239	543,603
Recreation and Culture	97,303	-	-	-	-	96,701	194,004
Capital Outlay	-	-	-	-	1,524	13,470	14,994
Debt Service	-	-	-	-	-	252,345	252,345
TOTAL EXPENDITURES	1,588,685	274,662	169,337	35,885	442,888	532,162	3,043,619
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	295,264	(91,941)	(107,590)	408,238	(20,070)	(325,393)	158,508
OTHER FINANCING SOURCES (USES):							
Transfers In	-	140,893	50,407	12,396	-	377,440	581,136
Transfers (Out)	(115,949)	-	-	(279,691)	(64,763)	(12,396)	(472,799)
TOTAL OTHER FINANCING SOURCES (USES)	(115,949)	140,893	50,407	(267,295)	(64,763)	365,044	108,337
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	179,315	48,952	(57,183)	140,943	(84,833)	39,651	266,845
FUND BALANCES, BEGINNING OF YEAR	671,249	95,015	91,516	154,444	187,913	177,583	1,377,720
Prior Period Adjustment	65,172	-	-	5,624	-	-	70,796
FUND BALANCES, END OF YEAR	\$ 915,736	\$ 143,967	\$ 34,333	\$ 301,011	\$ 103,080	\$ 217,234	\$ 1,715,361

See accompanying notes to financial statements.

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, 2015

Net changes in fund balances – total governmental funds \$ 266,845

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 (\$474,034) exceeded capital outlay of \$21,030. (453,004)

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

Principal repayments:

Bonds payable	\$ 190,000	
Installment payable	<u>15,897</u>	205,897

Unearned revenue in fund statement recorded as revenue in GASB statement. (1,660)

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. 22,338

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	\$ 132,156	
Other post employee benefits	2,950	
Accrued interest on bonds	<u>5,389</u>	<u>140,495</u>

Changes in net position of governmental activities \$ 180,911

Village of Mackinaw City, Michigan

Statement of Net Position Proprietary Funds February 28, 2015

	Enterprise Funds				Internal Service
	Sewer	Water	Marina	Total	Fund Equipment
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 457,820	\$ 198,680	\$ 148,760	\$ 805,260	\$ 235,933
Cash and Equivalents - Restricted	67,770	70,000	-	137,770	-
Accounts Receivable	127,327	54,626	60,430	242,383	-
Due from Other Funds	74,111	4,012	3,732	81,855	1,403
Inventories	-	-	28,356	28,356	-
Capital Assets (Not Depreciated)	36,915	14,725	21,500	73,140	1,112,347
Capital Assets (Net of Depreciation)	5,041,338	1,501,750	584,309	7,127,397	(761,685)
TOTAL ASSETS	\$ 5,805,281	\$ 1,843,793	\$ 847,087	\$ 8,496,161	\$ 587,998
LIABILITIES:					
Due to Other Funds	\$ 33,350	\$ 36,086	\$ 17,935	\$ 87,371	\$ 12,811
Accounts Payable	776	1,858	-	2,634	1,231
Accrued Liabilities	2,758	1,552	193	4,503	1,909
Unearned Revenue	-	-	65,369	65,369	-
Bonds Payable - Due within one year	-	-	-	-	24,951
Bonds Payable - Due in more than one year	-	-	-	-	92,023
TOTAL LIABILITIES	36,884	39,496	83,497	159,877	132,925
NET POSITION:					
Net Investment in Capital Assets	5,078,253	1,516,475	605,809	7,200,537	233,688
Unrestricted	690,144	287,822	157,781	1,135,747	221,385
TOTAL NET POSITION	\$ 5,768,397	\$ 1,804,297	\$ 763,590	\$ 8,336,284	\$ 455,073

Village of Mackinaw City, Michigan

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended February 28, 2015

	Enterprise Funds			Total	Internal Service
	Sewer	Water	Marina		Fund Equipment
OPERATING REVENUES:					
Charges for Services	\$ 568,464	\$ 324,949	\$ 322,388	\$ 1,215,801	\$ 196,935
Other Income	16,877	6,835	908	24,620	72,369
TOTAL OPERATING REVENUES	585,341	331,784	323,296	1,240,421	269,304
OPERATING EXPENSES:					
Employee Wages and Benefits	151,418	127,918	86,089	365,425	52,301
Supplies	45,523	18,505	1,323	65,351	3,225
Gasoline and Oil	4,678	3,996	91,516	100,190	35,665
Repairs and Maintenance	23,673	9,328	2,274	35,275	25,110
Contracted Services	70,654	78,807	46,527	195,988	9,011
Insurance	6,382	5,352	9,541	21,275	8,234
Depreciation	145,358	55,660	37,084	238,102	73,377
Utilities	115,155	9,451	25,898	150,504	9,508
Other Expenses	29,497	35,515	34,203	99,215	3,789
TOTAL OPERATING EXPENSES	592,338	344,532	334,455	1,271,325	220,220
OPERATING INCOME (LOSS)	(6,997)	(12,748)	(11,159)	(30,904)	49,084
NONOPERATING REVENUES (EXPENSES):					
Interest Expense	-	-	-	-	(3,155)
Interest and Rentals	222	53,041	1	53,264	-
Grants	101,829	7,790	153,646	263,265	-
Total Nonoperating Revenues (Expenses)	102,051	60,831	153,647	316,529	(3,155)
INCOME BEFORE OPERATING TRANSFERS	95,054	48,083	142,488	285,625	45,929
Operating Transfers Out	(67,662)	-	-	(67,662)	(23,591)
CHANGES IN NET POSITION	27,392	48,083	142,488	217,963	22,338
NET POSITION, MARCH 1	5,681,048	1,749,649	621,102	8,051,799	423,841
Prior Period Adjustment	59,957	6,565	-	66,522	8,894
NET POSITION, FEBRUARY 28	\$ 5,768,397	\$ 1,804,297	\$ 763,590	\$ 8,336,284	\$ 455,073

Village of Mackinaw City, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended February 28, 2015

	Enterprise Funds				Internal Service Fund
	Sewer	Water	Marina	Total	Equipment
Cash Flows from Operating Activities:					
Cash Received from Customers or Users	\$ 559,489	\$ 331,973	\$ 328,062	\$ 1,219,524	\$ 269,304
Cash Payments to Employees	(150,867)	(128,192)	(103,570)	(382,629)	(51,116)
Cash Payments to Vendors	(298,462)	(168,100)	(328,351)	(794,913)	(108,883)
Net Cash Provided (Used) by Operating Activities	<u>110,160</u>	<u>35,681</u>	<u>(103,859)</u>	<u>41,982</u>	<u>109,305</u>
Cash Flows from Capital and Related Financing Activities:					
Federal Grants / State Grants	101,829	7,790	153,646	263,265	-
Principal Expense	-	-	-	-	(24,379)
Interest Expense	-	-	-	-	(3,155)
Purchase/(Adjustments) of Capital Assets	(71,077)	(65,257)	-	(136,334)	(92,613)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>30,752</u>	<u>(57,467)</u>	<u>153,646</u>	<u>126,931</u>	<u>(120,147)</u>
Cash Flows from Non-Capital Financing Activities:					
Prior Period Adjustments	-	6,565	-	6,565	8,894
Transfers to Other Funds	(67,662)	-	-	(67,662)	(23,591)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(67,662)</u>	<u>6,565</u>	<u>-</u>	<u>(61,097)</u>	<u>(14,697)</u>
Cash Flows from Investing Activities:					
Increases/Decreases in Investments and Restricted Cash	(479)	-	-	(479)	-
Interest and Rentals Received	222	53,041	1	53,264	-
Net Cash Provided by Investing Activities	<u>(257)</u>	<u>53,041</u>	<u>1</u>	<u>52,785</u>	<u>-</u>
Net Increase (Decrease) in Cash	72,993	37,820	49,788	160,601	(25,539)
Cash and Equivalents, Beginning of Year	384,827	160,860	98,972	644,659	261,472
Cash and Equivalents, End of Year	<u>\$ 457,820</u>	<u>\$ 198,680</u>	<u>\$ 148,760</u>	<u>\$ 805,260</u>	<u>\$ 235,933</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (6,997)	\$ (12,748)	\$ (11,159)	\$ (30,904)	\$ 49,084
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	145,358	55,660	37,084	238,102	73,377
(Increase) Decrease in Assets:					
Receivables	(25,852)	189	(1,662)	(27,325)	-
Inventories	-	-	6,428	6,428	-
Increase (Decrease) in Liabilities:					
Accounts Payable	(2,900)	(7,146)	(117,069)	(127,115)	(14,341)
Accrued Liabilities	551	(274)	(686)	(409)	1,185
Deferred Revenue	-	-	(16,795)	(16,795)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 110,160</u>	<u>\$ 35,681</u>	<u>\$ (103,859)</u>	<u>\$ 41,982</u>	<u>\$ 109,305</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
February 28, 2015**

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
	<u>Employee Retirement System</u>	
ASSETS:		
Cash and Equivalents - Unrestricted	\$ -	\$ 77,087
Investments	<u>782,058</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 782,058</u>	<u>\$ 77,087</u>
LIABILITIES:		
Other Liabilities	<u>\$ -</u>	<u>\$ 77,087</u>
NET POSITION:		
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 782,058</u>	

Village of Mackinaw City, Michigan

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended February 28, 2015**

	<u>Pension Trust Fund Employee Retirement System</u>
ADDITIONS:	
Contributions	\$ 62,227
Investment gain	<u>134,046</u>
Total Additions	<u>196,273</u>
DEDUCTIONS:	
Benefit payments	<u>314,219</u>
Change in Net Position	(117,946)
Net Position Held in Trust for Benefits, Beginning of Year	<u>900,004</u>
Net Position Held in Trust for Benefits, End of Year	<u><u>\$ 782,058</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 2014 levy was \$91,807,338. The Village's general operating tax rate for fiscal 2014/2015 was 10.6215 mills with an additional 4.2485 mills for streets, .8495 mills for the cemetery, .5225 mills for advertising, .8495 mills for library, and 1.8056 mills 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.

Ambulance Fund. This fund accounts for the operations of the Village-operated ambulance service.

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 fund are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital Project Funds. These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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.”

Allowances for uncollectible accounts receivables has been determined to be \$70,000.

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

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 no items that qualify for reporting in this category.

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

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 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.

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.

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 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 \$554,998 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.

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.

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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and Equivalents					
-Unrestricted	\$ 1,806,851	\$ 805,260	\$ 2,612,111	\$ 77,087	\$ 98,613
-Restricted	-	137,770	137,770	-	-
Investments	-	-	-	782,058	-
Total	<u>\$ 1,806,851</u>	<u>\$ 943,030</u>	<u>\$ 2,749,881</u>	<u>\$ 859,145</u>	<u>\$ 98,613</u>

The categories of cash and equivalents are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 2,749,881	\$ 77,087	\$ 98,613
Investments: Securities, mutual funds, and similar vehicles	-	782,058	-
Total	<u>\$ 2,749,881</u>	<u>\$ 859,145</u>	<u>\$ 98,613</u>

Cash and equivalents are restricted in the amount of \$137,770 for replacement and repairs in the water and sewer funds.

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.

Custodial credit risk. Custodial 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, \$1,348,494 of the Village’s bank balance of \$1,848,494 was exposed to credit risk because it was uninsured and uncollateralized.

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 collateral 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.

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, 2015 consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 226,906	\$ 144,361
Major Street Fund	5,719	19,987
Local Street Fund	2,281	7,567
Municipal Street Fund	23,523	3,409
Ambulance Fund	7,021	20,887
Nonmajor Governmental Funds	47,469	99,784
Sewer	74,111	33,350
Water	4,012	36,086
Marina	3,732	17,935
Internal Service Fund	<u>1,403</u>	<u>12,811</u>
Total	<u>\$ 396,177</u>	<u>\$ 396,177</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	\$ -	\$ 115,949
Major Street Fund	140,893	-
Local Street Fund	50,407	-
Municipal Street Fund	12,396	279,691
Ambulance Fund	-	64,763
Nonmajor Governmental Funds	377,440	12,396
Sewer	-	67,662
Internal Service Fund	-	23,591
Component Unit	<u>-</u>	<u>17,084</u>
Total	<u>\$ 581,136</u>	<u>\$ 581,136</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, 2015, 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>-</u>	<u>11,030</u>	<u>-</u>	<u>11,030</u>
Subtotal	<u>1,196,311</u>	<u>11,030</u>	<u>-</u>	<u>1,207,341</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	956,830	-	-	956,830
Buildings and Improvements	2,517,928	-	-	2,517,928
Equipment	3,380,509	102,613	-	3,483,122
Infrastructure	<u>4,680,118</u>	<u>-</u>	<u>-</u>	<u>4,680,118</u>
Subtotal	<u>11,535,385</u>	<u>102,613</u>	<u>-</u>	<u>11,637,998</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(755,807)	(27,677)	-	(783,484)
Buildings and Improvements	(886,696)	(69,663)	-	(956,359)
Equipment	(2,098,303)	(216,065)	-	(2,314,368)
Infrastructure	<u>(2,177,626)</u>	<u>(234,006)</u>	<u>-</u>	<u>(2,411,632)</u>
Subtotal	<u>(5,918,432)</u>	<u>(547,411)</u>	<u>-</u>	<u>(6,465,843)</u>
Net Capital Assets Being Depreciated	<u>5,616,953</u>	<u>(444,798)</u>	<u>-</u>	<u>5,172,155</u>
Capital Assets – Net	<u>\$ 6,813,264</u>	<u>\$ (433,768)</u>	<u>\$ -</u>	<u>\$ 6,379,496</u>

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

Governmental Activities:	
General Government	\$ 123,808
Public Safety	67,190
Public Works	266,127
Health and Welfare	10,561
Recreation and Culture	<u>79,725</u>
Total Governmental Activities	<u>\$ 547,411</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
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	263,539	-	-	263,539
Water	2,338,090	65,257	-	2,403,347
Sewer	7,417,570	-	-	7,417,570
Marina	1,757,834	-	-	1,757,834
Equipment	<u>520,123</u>	<u>71,077</u>	<u>-</u>	<u>591,200</u>
Subtotal	<u>12,297,156</u>	<u>136,334</u>	<u>-</u>	<u>12,433,490</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(151,848)	(5,872)	-	(157,720)
Water	(932,412)	(40,147)	-	(972,559)
Sewer	(2,443,720)	(133,692)	-	(2,577,412)
Marina	(1,156,185)	(35,750)	-	(1,191,935)
Equipment	<u>(383,826)</u>	<u>(22,641)</u>	<u>-</u>	<u>(406,467)</u>
Subtotal	<u>(5,067,991)</u>	<u>(238,102)</u>	<u>-</u>	<u>(5,306,093)</u>
Net Capital Assets Being Depreciated	<u>7,229,165</u>	<u>(101,768)</u>	<u>-</u>	<u>7,127,397</u>
Capital Assets – Net	<u>\$ 7,302,305</u>	<u>\$ (101,768)</u>	<u>\$ -</u>	<u>\$ 7,200,537</u>

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

Business-type Activities:	
Sewer	\$ 145,358
Water	55,660
Marina	<u>37,084</u>
Total Business-type Activities	<u>\$ 238,102</u>

NOTE 5 - LEASES:

The Village entered into a lease agreement with a company for use of the Village pier. The Village renewed this lease for a period from January 1, 2007 through December 30, 2016. The annual lease amount in 2007 was \$126,978, with increases based on the performance of the franchise fee revenues as reported by all boat lines to Mackinac Island each year as follows:

- Up to 1.50% increase in the franchise fee revenues equals 1.50% increase in pier lease.
- Increase greater than 1.60% in franchise fee revenues equals the increase in the pier lease capped at 5.00%.

Rental income from the lease reported in the General Fund amounted to \$162,303 for the year ended February 28, 2015.

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, 2015 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:					
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%.	\$ 690,000	\$ -	\$ 25,000	\$ 665,000	\$ 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%.	430,000	\$ -	65,000	365,000	65,000
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%.	270,000	-	60,000	210,000	65,000
2004 Capital Improvement Bonds, maturing serially through fiscal 2015 in annual payments of \$40,000 and bearing interest at 3.38%.	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Total Bond Debt	<u>1,430,000</u>	<u>-</u>	<u>190,000</u>	<u>1,240,000</u>	<u>160,000</u>
2005 Act 99 installment contract, maturing in fiscal 2016 in semi- annual payments of \$8,382, including interest at 4.25%.	24,104	-	15,897	8,207	8,207
2013 Act 99 installment contract, maturing in fiscal 2020 in semi- annual payments of \$13,767, including interest at 2.3%.	<u>141,353</u>	<u>-</u>	<u>24,379</u>	<u>116,974</u>	<u>24,951</u>
Total Installment Debt	<u>165,457</u>	<u>-</u>	<u>40,276</u>	<u>125,181</u>	<u>33,158</u>
Vested Employee Benefits	<u>257,234</u>	<u>-</u>	<u>132,156</u>	<u>125,078</u>	<u>-</u>
TOTAL LONG-TERM DEBT	<u>\$ 1,852,691</u>	<u>\$ -</u>	<u>\$ 362,432</u>	<u>\$ 1,490,259</u>	<u>\$ 193,158</u>

NOTE 6 - LONG-TERM DEBT: (Continued)

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

<u>Year End June 30</u>	<u>Bonds Payable</u>		<u>Installment Contracts Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 160,000	\$ 55,860	\$ 33,158	\$ 2,758
2017	170,000	49,670	25,530	2,003
2018	180,000	42,750	26,135	1,398
2019	105,000	35,025	26,749	785
2020	110,000	30,750	13,609	158
2021-2025	185,000	116,650	-	-
2026-2030	225,000	68,750	-	-
2031-2032	<u>105,000</u>	<u>9,600</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,240,000</u>	<u>\$ 409,055</u>	<u>\$ 125,181</u>	<u>\$ 7,102</u>

Total interest expense for the primary government for the year ended February 28, 2015, was \$62,085.

NOTE 7 - BENEFIT PLANS:

Defined Benefit Pension Plan

Plan Description. The Village established a defined benefit pension plan which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The police officers at the Village are the only employees eligible to participate in this plan. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan, 48917 or by calling (800) 767-6377.

Funding Policy. The Village is required to contribute at an actuarially determined rate; the current rate is 10.87% 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 5.83%. 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.

Annual Pension Cost. For the year ended February 28, 2015, the Village's annual pension cost of \$26,968 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% (1% for calendar years 2012-2014) plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases, and (c) an inflationary rate of 4.5%. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the latest, the date of the latest actuarial valuation, was 25 years.

NOTE 7 - BENEFIT PLANS: (Continued)

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 26,679	100%	0
2014	27,253	100%	0
2015	26,968	100%	0

Funded Status and Funding Progress. As of December 31, 2013, the most recent valuation date, the Plan was 87% funded. The actuarial accrued liability for benefits was \$900,877 and the actuarial value of assets was \$780,307, resulting in an unfunded actuarial accrued liability of \$120,570, which means the Plan is underfunded. The covered payroll (annual payroll for active employees covered by the Plan) was \$266,437 and the ratio for the unfunded actuarial accrued liability to the covered payroll was 45%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 in the amount of \$62,227 and employees made contributions of \$0 for the plan year ended June 30, 2014.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB):

Primary Government

Plan Description. The Village of Mackinaw City administers a single employer defined benefit healthcare plan established by the Village Council. In addition to the retirement benefits described in Note 7, the Village provides health insurance benefits to certain retirees, which are advance funded on a discretionary basis. In accordance with Village policy, eligible retirees receive healthcare benefits for two years after retirement. At February 28, 2015, the date of the last plan valuation, the Village’s healthcare plan covered one member (one retiree receiving benefits). The plan does not issue a separate financial report.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB): (Continued)

Funding Policy. The contribution requirements of Plan members and the Village are established and may be amended by the Village Council. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by Village Council. For the year ended February 28, 2015, the Village contributed \$15,706 to the Plan, all of which was to fund current year benefits. Current retirees receiving benefits contributed \$2,779 to the Plan, based on agreed upon amounts. Subsequent to year end, this Plan was closed to future retirees that did not meet the definition of a qualifying employee.

Annual OPEB Cost and Net OPEB Obligation. The Village’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Village’s net OPEB obligation:

Annual required contribution	\$ 11,544
Interest on net OPEB obligation	1,212
Adjustment to annual required contribution	<u>-</u>
Net OPEB cost (expense)	12,756
Contributions made	<u>(15,706)</u>
Decrease in net OPEB obligation	(2,950)
Net OPEB obligation – beginning of year	<u>22,048</u>
Net OPEB obligation – end of year	<u>\$ 19,098</u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for fiscal 2015 and the preceding two years was as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 23,762	55%	\$ 28,591
2014	\$ 5,355	222%	\$ 22,048
2015	\$ 12,756	123%	\$ 19,098

Funded Status and Funding Progress. As of February 28, 2015, the actuarial accrued liability for benefits was \$19,098 all of which was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was \$2,138 and the ratio of the UAAL to the covered payroll was 893%.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB): (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees —Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62.

Mortality —Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2006 United States Life Tables for Males and for Females were used.

Turnover —Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate —The expected rate of increase in healthcare insurance premiums was based on projections by Village management. A rate of 3.00% was used.

Health insurance premiums —Fiscal year 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate —The expected long-term inflation assumption of 3.30% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate —The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 5.50% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at February 28, 2015, was 30 years.

NOTE 9 - 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.

NOTE 10 - EXCESS EXPENDITURES OVER APPROPRIATIONS:

Public Act 2 of 1968, as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village’s actual expenditures were in excess of amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Ambulance Fund: Transfers Out	\$ 10,836	\$ 64,763	\$ (53,927)

NOTE 11 - PRIOR PERIOD ADJUSTMENT:

The fund balance of governmental and business-type funds increased by \$146,212 due to errors in prior year accumulated depreciation and stale balances.

NOTE 12 - DEFICIT FUND BALANCE

A fund balance deficit existed in the following fund as indicated:

Capital Project Fund: Water Development	\$ 7,182
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Required Supplementary Information

Village of Mackinaw City, Michigan

**Employees Retirement and Benefit Systems
Schedule of Funding Progress
February 28, 2015**

Pension:

Three year trend information as of December 31 follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Actuarial Value of Assets	\$ 663,851	\$ 715,856	\$ 780,307
Actuarial Accrued Liability	745,249	811,455	900,877
Unfunded AAL	81,398	95,599	120,570
Funded Ratio	89%	88%	87%
Covered Payroll	257,059	262,651	266,437
UAAL as a Percentage of Covered Payroll	32%	36%	45%

Health Plan:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll ((b - a) / c)</u>
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Primary Government

2012	\$	-	\$ 240,803	\$ 240,803	0.0%	\$ 656,408	37%
2014	\$	-	\$ 22,048	\$ 22,048	0.0%	\$ 59,539	37%
2015	\$	-	\$ 19,098	\$ 19,098	0.0%	\$ 2,138	893%

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended February 28, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,116,031	\$ 1,035,266	\$ 1,047,966	\$ 12,700
Licenses and Permits	41,345	41,345	37,351	(3,994)
Federal Sources	11,630	11,630	245,372	233,742
State Sources	57,595	57,595	69,000	11,405
Contributions	242,650	242,650	240,420	(2,230)
Charges for Services	17,645	17,645	18,618	973
Interest and Rentals	205,344	205,344	177,869	(27,475)
Other Revenue	31,575	31,575	47,353	15,778
TOTAL REVENUES	1,723,815	1,643,050	1,883,949	240,899
EXPENDITURES				
Legislative	99,871	125,297	85,610	39,687
General Government:				
Village President	108,814	108,814	118,833	(10,019)
Professional Services	68,000	68,000	108,978	(40,978)
Village Clerk	67,054	68,975	67,199	1,776
Treasurer	74,202	74,202	74,175	27
Building and Grounds	401,092	403,013	300,925	102,088
Planning Commission	11,931	11,931	5,141	6,790
Promotional	99,273	99,273	67,763	31,510
Total General Government	830,366	834,208	743,014	91,194
Public Safety:				
Fire Department	128,377	128,380	102,334	26,046
Building and Zoning Department	32,000	45,080	39,981	5,099
Police Department	513,399	513,399	507,232	6,167
Total Public Safety	673,776	686,859	649,547	37,312
Public Works	43,193	43,193	13,196	29,997
Recreation and Culture	143,165	143,165	97,303	45,862
TOTAL EXPENDITURES	1,790,371	1,832,722	1,588,670	244,052

Village of Mackinaw City, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended February 28, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(66,556)</u>	<u>(189,672)</u>	<u>295,279</u>	<u>484,951</u>
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	<u>(84,909)</u>	<u>(115,949)</u>	<u>(115,949)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(84,909)</u>	<u>(115,949)</u>	<u>(115,949)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (151,465)</u>	<u>\$ (305,621)</u>	179,330	<u>\$ 484,951</u>
FUND BALANCES, BEGINNING OF YEAR			671,249	
Prior Period Adjustment			<u>65,172</u>	
FUND BALANCES, END OF YEAR			<u>\$ 915,751</u>	

Village of Mackinaw City, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
Year Ended February 28, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State Sources	\$ 101,892	\$ 101,892	\$ 121,787	\$ 19,895
Other Revenues	-	-	60,934	60,934
TOTAL REVENUES	<u>101,892</u>	<u>101,892</u>	<u>182,721</u>	<u>80,829</u>
EXPENDITURES				
Public Works	<u>379,378</u>	<u>379,378</u>	<u>274,662</u>	<u>104,716</u>
TOTAL EXPENDITURES	<u>379,378</u>	<u>379,378</u>	<u>274,662</u>	<u>104,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(277,486)</u>	<u>(277,486)</u>	<u>(91,941)</u>	<u>185,545</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>140,893</u>	<u>140,893</u>	<u>140,893</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>140,893</u>	<u>140,893</u>	<u>140,893</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (136,593)</u>	<u>\$ (136,593)</u>	48,952	<u>\$ 185,545</u>
FUND BALANCES, BEGINNING OF YEAR			<u>95,015</u>	
FUND BALANCES, END OF YEAR			<u>\$ 143,967</u>	

Village of Mackinaw City, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
Year Ended February 28, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State Sources	\$ 55,006	\$ 55,006	\$ 61,741	\$ 6,735
Other Revenues	-	-	6	6
TOTAL REVENUES	<u>55,006</u>	<u>55,006</u>	<u>61,747</u>	<u>6,741</u>
EXPENDITURES				
Public Works	<u>206,415</u>	<u>206,415</u>	<u>169,337</u>	<u>37,078</u>
TOTAL EXPENDITURES	<u>206,415</u>	<u>206,415</u>	<u>169,337</u>	<u>37,078</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(151,409)</u>	<u>(151,409)</u>	<u>(107,590)</u>	<u>43,819</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>50,407</u>	<u>50,407</u>	<u>50,407</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,407</u>	<u>50,407</u>	<u>50,407</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (101,002)</u>	<u>\$ (101,002)</u>	<u>(57,183)</u>	<u>\$ 43,819</u>
FUND BALANCES, BEGINNING OF YEAR			<u>91,516</u>	
FUND BALANCES, END OF YEAR			<u>\$ 34,333</u>	

Village of Mackinaw City, Michigan

Required Supplementary Information Budgetary Comparison Schedule Municipal Street Fund Year Ended February 28, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 404,669	\$ 401,669	\$ 399,756	\$ (1,913)
Special Assesments	19,274	19,274	35,572	16,298
Other Revenue	-	-	4,291	4,291
Interest and Rentals	4,491	4,491	4,504	13
TOTAL REVENUES	<u>428,434</u>	<u>425,434</u>	<u>444,123</u>	<u>18,689</u>
EXPENDITURES				
Public Works	<u>35,000</u>	<u>35,000</u>	<u>35,885</u>	<u>(885)</u>
TOTAL EXPENDITURES	<u>35,000</u>	<u>35,000</u>	<u>35,885</u>	<u>(885)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>393,434</u>	<u>390,434</u>	<u>408,238</u>	<u>17,804</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	12,396	12,396
Transfers Out	<u>(282,230)</u>	<u>(282,230)</u>	<u>(279,691)</u>	<u>2,539</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(282,230)</u>	<u>(282,230)</u>	<u>(267,295)</u>	<u>14,935</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 111,204</u>	<u>\$ 108,204</u>	140,943	<u>\$ 32,739</u>
FUND BALANCES, BEGINNING OF YEAR			154,444	
Prior Period Adjustment			<u>5,624</u>	
FUND BALANCES, END OF YEAR			<u>\$ 301,011</u>	

Village of Mackinaw City, Michigan

Required Supplementary Information Budgetary Comparison Schedule Ambulance Fund Year Ended February 28, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Contributions	\$ 160,000	\$ 160,000	\$ 83,527	\$ (76,473)
Charges for Services	226,777	226,777	265,452	38,675
Interest and Rentals	1	1	1	-
Other Revenue	1,000	1,000	73,838	72,838
TOTAL REVENUES	<u>387,778</u>	<u>387,778</u>	<u>422,818</u>	<u>35,040</u>
EXPENDITURES				
Health and Welfare	482,917	482,917	441,364	41,553
Capital Outlay	15,000	15,000	1,524	13,476
TOTAL EXPENDITURES	<u>497,917</u>	<u>497,917</u>	<u>442,888</u>	<u>55,029</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(110,139)</u>	<u>(110,139)</u>	<u>(20,070)</u>	<u>90,069</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(10,836)</u>	<u>(10,836)</u>	<u>(64,763)</u>	<u>(53,927)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,836)</u>	<u>(10,836)</u>	<u>(64,763)</u>	<u>(53,927)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (120,975)</u>	<u>\$ (120,975)</u>	(84,833)	<u>\$ 36,142</u>
FUND BALANCES, BEGINNING OF YEAR			<u>187,913</u>	
FUND BALANCES, END OF YEAR			<u>\$ 103,080</u>	

Other Information

Village of Mackinaw City, Michigan

**Combining Balance Sheet
General Fund
February 28, 2015**

	General Fund	Fire Capital Improvement	Ambulance Capital Improvement	Performance Shell	Planning Commission	Economic Development Corporation	Total
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 617,142	\$ 57,866	\$ 38,656	\$ 22,715	\$ 15,994	\$ 19,257	\$ 771,630
Taxes Receivable	83,699	-	-	-	-	-	83,699
Accounts Receivable	5,743	-	-	27	-	-	5,770
Due From Other Funds	226,598	-	-	-	308	-	226,906
TOTAL ASSETS	\$ 933,182	\$ 57,866	\$ 38,656	\$ 22,742	\$ 16,302	\$ 19,257	\$ 1,088,005
LIABILITIES:							
Accounts Payable	\$ 13,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,537
Accrued Liabilities	14,371	-	-	-	-	-	14,371
Due to Other Funds	143,938	-	-	-	423	-	144,361
TOTAL LIABILITIES	171,846	-	-	-	423	-	172,269
FUND BALANCES:							
Assigned	\$ -	\$ 57,866	\$ 38,656	\$ 22,742	\$ 15,879	\$ 19,257	\$ 154,400
Committed	125,078	-	-	-	-	-	125,078
Unassigned	636,258	-	-	-	-	-	636,258
TOTAL FUND BALANCES	761,336	57,866	38,656	22,742	15,879	19,257	915,736
TOTAL LIABILITIES AND FUND BALANCES	\$ 933,182	\$ 57,866	\$ 38,656	\$ 22,742	\$ 16,302	\$ 19,257	\$ 1,088,005

Village of Mackinaw City, Michigan

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Fund
For the Year Ended February 28, 2015**

	General Fund	Fire Capital Improvement	Ambulance Capital Improvement	Performance Shell	Planning Commission	Economic Development Corporation	Total
REVENUES							
Taxes	\$ 1,047,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,047,966
Licenses and Permits	37,351	-	-	-	-	-	37,351
Federal Sources	245,372	-	-	-	-	-	245,372
State Sources	69,000	-	-	-	-	-	69,000
Contributions	232,258	8,162	-	-	-	-	240,420
Charges for Services	18,484	-	-	-	134	-	18,618
Interest and Rentals	177,869	-	-	-	-	-	177,869
Other Revenue	47,353	-	-	-	-	-	47,353
TOTAL REVENUES	1,875,653	8,162	-	-	134	-	1,883,949
EXPENDITURES							
Legislative	85,610	-	-	-	-	-	85,610
General Government	743,014	-	-	-	-	-	743,014
Public Safety	649,547	15	-	-	-	-	649,562
Public Works	13,196	-	-	-	-	-	13,196
Recreation and Culture	97,303	-	-	-	-	-	97,303
TOTAL EXPENDITURES	1,588,670	15	-	-	-	-	1,588,685
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	286,983	8,147	-	-	134	-	295,264
OTHER FINANCING SOURCES (USES)							
Transfers (Out)	(115,949)	-	-	-	-	-	(115,949)
TOTAL OTHER FINANCING SOURCES (USES)	(115,949)	-	-	-	-	-	(115,949)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	171,034	8,147	-	-	134	-	179,315
FUND BALANCES, BEGINNING OF YEAR	525,130	49,719	38,656	22,742	15,745	19,257	671,249
Prior Period Adjustment	65,172	-	-	-	-	-	65,172
FUND BALANCES, END OF YEAR	\$ 761,336	\$ 57,866	\$ 38,656	\$ 22,742	\$ 15,879	\$ 19,257	\$ 915,736

Village of Mackinaw City, Michigan

Combining Balance Sheet Nonmajor Governmental Funds February 28, 2015

	Special Revenue Funds				Debt Service Funds	
	Recreation Center	Iron Workers Walk Foundation	WaWatom Seniors	Cemetery	1998 Act 99 Installment Contract Ice System	1999 Special Assessment Bonds
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 36,804	\$ 5,602	\$ 17	\$ 126,400	\$ 44	\$ 65
Taxes Receivable	-	-	-	6,380	-	-
Accounts Receivable	5,000	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-	-
Due From Other Funds	37,800	-	-	869	-	-
Other Assets	-	-	-	-	-	-
TOTAL ASSETS	\$ 79,604	\$ 5,602	\$ 17	\$ 133,649	\$ 44	\$ 65
LIABILITIES:						
Due to Other Funds	\$ 78,701	\$ -	\$ -	\$ 2,743	\$ -	\$ -
Accounts Payable	461	-	-	410	-	-
Accrued Liabilities	442	-	-	52	-	-
TOTAL LIABILITIES	79,604	-	-	3,205	-	-
DEFERRED INFLOW OF RESOURCES:						
Unavailable Revenue	-	-	-	-	-	-
FUND BALANCE:						
Assigned	-	-	-	130,444	-	-
Restricted	-	5,602	-	-	44	65
Unassigned	-	-	17	-	-	-
TOTAL FUND BALANCE	-	5,602	17	130,444	44	65
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 79,604	\$ 5,602	\$ 17	\$ 133,649	\$ 44	\$ 65

Village of Mackinaw City, Michigan

Combining Balance Sheet Nonmajor Governmental Funds February 28, 2015

	Debt Service Funds				Capital Project Fund	Total
	2004 General Obligation Bonds	2007 Special Assessment Bonds	2009 General Obligation Bonds	2011 Capital Improvement Bonds	Waterfront Development	
ASSETS:						
Cash and Equivalents - Unrestricted	\$ -	\$ 9,527	\$ 62,807	\$ 3,043	\$ -	\$ 244,309
Taxes Receivable	-	-	-	-	-	6,380
Accounts Receivable	-	-	-	-	-	5,000
Special Assessments Receivable	-	21,788	-	-	-	21,788
Due From Other Funds	-	8,800	-	-	-	47,469
Other Assets	-	-	-	15,225	-	15,225
TOTAL ASSETS	\$ -	\$ 40,115	\$ 62,807	\$ 18,268	\$ -	\$ 340,171
LIABILITIES:						
Due to Other Funds	\$ -	\$ 4,001	\$ 7,157	\$ -	\$ 7,182	\$ 99,784
Accounts Payable	-	-	-	-	-	871
Accrued Liabilities	-	-	-	-	-	494
TOTAL LIABILITIES	-	4,001	7,157	-	7,182	\$ 101,149
DEFERRED INFLOW OF RESOURCES:						
Unavailable Revenue	-	21,788	-	-	-	21,788
FUND BALANCE:						
Assigned	-	-	-	-	-	130,444
Restricted	-	14,326	55,650	-	-	75,687
Unassigned	-	-	-	18,268	(7,182)	11,103
TOTAL FUND BALANCE	-	14,326	55,650	18,268	(7,182)	217,234
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ -	\$ 40,115	\$ 62,807	\$ 18,268	\$ -	\$ 340,171

Village of Mackinaw City, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended February 28, 2015

	Special Revenue Funds				Debt Service Funds	
	Recreation Center	Iron Workers Walk Foundation	WaWatom Area Seniors	Cemetery	1998 Act 99 Installment Contract Ice System	1999 Special Assessment Bonds
REVENUES						
Taxes	\$ -	\$ -	\$ 46,600	\$ 79,189	\$ -	\$ -
Contributions	3,150	2,500	41,461	-	-	-
Charges for Service	13,618	-	-	9,810	-	-
Interest and Rentals	-	-	-	-	-	1
Other Revenue	7,984	-	-	2,431	-	-
TOTAL REVENUES	24,752	2,500	88,061	91,430	-	1
EXPENDITURES						
General Government	-	-	-	67,407	-	-
Health and Welfare	-	-	102,239	-	-	-
Recreation and Culture	95,746	955	-	-	-	-
Debt Service	-	-	-	-	-	10
Capital Outlay	2,200	240	-	-	-	-
TOTAL EXPENDITURES	97,946	1,195	102,239	67,407	-	10
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(73,194)	1,305	(14,178)	24,023	-	(9)
OTHER FINANCING SOURCES (USES)						
Transfers In	73,194	-	4,414	-	-	-
Transfers (Out)	-	-	-	-	-	(12,396)
TOTAL OTHER FINANCING SOURCES (USES)	73,194	-	4,414	-	-	(12,396)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	1,305	(9,764)	24,023	-	(12,405)
FUND BALANCES, BEGINNING OF YEAR	-	4,297	9,781	106,421	44	12,470
FUND BALANCES, END OF YEAR	\$ -	\$ 5,602	\$ 17	\$ 130,444	\$ 44	\$ 65

Village of Mackinaw City, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended February 28, 2015

	Debt Service Funds				Capital Project Fund	Total
	2004 General Obligation Bonds	2007 Special Assessment Bonds	2009 General Obligation Bonds	2011 Capital Improvement Bonds	Waterfront Development	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,789
Contributions	-	-	-	-	-	47,111
Charges for Service	-	-	-	-	-	23,428
Interest and Rentals	-	8	17	-	-	26
Other Revenue	-	-	-	-	-	10,415
TOTAL REVENUES	-	8	17	-	-	206,769
EXPENDITURES						
General Government	-	-	-	-	-	67,407
Health and Welfare	-	-	-	-	-	102,239
Recreation and Culture	-	-	-	-	-	96,701
Debt Service	40,675	72,360	83,350	55,950	-	252,345
Capital Outlay	-	-	-	-	11,030	13,470
TOTAL EXPENDITURES	40,675	72,360	83,350	55,950	11,030	532,162
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(40,675)	(72,352)	(83,333)	(55,950)	(11,030)	(325,393)
OTHER FINANCING SOURCES (USES)						
Transfers In	40,675	66,180	137,277	55,700	-	377,440
Transfers (Out)	-	-	-	-	-	(12,396)
TOTAL OTHER FINANCING SOURCES (USES)	40,675	66,180	137,277	55,700	-	365,044
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(6,172)	53,944	(250)	(11,030)	39,651
FUND BALANCES, BEGINNING OF YEAR	-	20,498	1,706	18,518	3,848	177,583
FUND BALANCES, END OF YEAR	\$ -	\$ 14,326	\$ 55,650	\$ 18,268	\$ (7,182)	\$ 217,234

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, 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 28, 2015.

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. However, material weaknesses may exist that have not been identified. 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 2015-001, 2015-002, 2015-003, 2015-004, and 2015-005.

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 instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-004 and 2015-005.

Village of Mackinaw City, Michigan's Response to Finding

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 28, 2015

Internal Control Over Financial Reporting

Significant Deficiencies

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

Finding 2015-001

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:
David White, Village Manager

Internal Control Over Financial Reporting

Significant Deficiencies

Material Journal Entries Proposed by Auditors

Finding 2015-002

Condition: Material 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 material 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 material 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 material journal entries. The Village will strive to correct this in future reporting.

- *Contact Person(s) Responsible for Correction:*
David White, Village Manager

Internal Control Over Financial Statements – Significant Deficiencies

Segregation of Duties

Finding 2015-003

Condition/Criteria: A limited number of accounting personnel perform several functions of receipting, disbursing, and posting to the general ledger. To provide a system of checks and balances, these functions are generally assigned to separate positions to minimize the potential for unauthorized transactions.

Effect: Lack of segregation of duties provides opportunities for inaccurate or unauthorized disbursements or transfers from funds and increases the potential for inaccurate reporting of account activity.

Cause: Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the added personnel.

Recommendation: The Village should be aware of the potential weaknesses in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

Management's Response – Corrective Action: The Village has implemented compensating controls to reduce the risks discussed above.

- Contact Person Responsible for Correction:
David White, Village Manager

Internal Control over Financial Reporting and Compliance and Other Matters

Significant Deficiencies – Noncompliance with State Statutes

Excess Expenditures Over Appropriations

Finding 2015-004

Condition: Our examination of procedures used by the Village to adopt and maintain operating budgets for the Village’s budgetary funds revealed the following instance of noncompliance with the provisions of Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act.

The Village’s 2014-15 General Appropriations Act (budget) provided for expenditures of the Ambulance Fund to be controlled to the activity level. During the fiscal year ended February 28, 2015, expenditures were incurred in excess of amounts appropriated in the amended budgets for the Ambulance Fund on page 44 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 621 of 1978, as amended.

During the year ended February 28, 2015, the Village incurred expenditures in certain budgetary funds, which were in excess of the amount appropriated as follows:

	<u>Total</u> <u>Appropriations</u>		<u>Amount of</u> <u>Expenditures</u>		<u>Budget</u> <u>Variance</u>
Ambulance Fund:					
Transfers Out	\$ 10,836		\$ 64,763		\$ (53,927)

Effect: The Village has not complied with various State Statutes.

Cause: Failure to amend the budget for the General and Ambulance Funds during the year.

Recommendation: We recommend that the Village and personnel responsible for administering the activities of the various funds of the Village, develop budgetary control procedures for the Ambulance Fund, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Management’s Response – Corrective Action Plan: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.

- Contact Person(s) Responsible for Correction:
David White, Village Manager

Internal Control over Financial Reporting and Compliance and Other Matters

Significant Deficiencies – Noncompliance with State Statutes

Deficit Fund Balance

Finding 2015-005

Condition/Criteria: Public Act 275 requires that a deficit reduction plan be submitted to the State of Michigan within (90) days of the end of the fiscal year. As of February 28, the Village had a fund balance deficit. (See Note 12).

Effect: The Village is not in compliance with Public Act 275.

Cause of Condition: Failure to implement a deficit reduction plan when required.

Recommendation: We recommend that the individual responsible for general ledger maintenance review the general ledger on a monthly basis to determine if any funds have a deficit fund balance and to implement a deficit reduction plan when required.

Management's Response – Corrective Action: The deficit will be resolved by increasing appropriations from the General Fund.

- *Contact Person(s) Responsible for Correction:*
David White, Village Manager



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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, 2015, and have issued our report thereon August 28, 2015. 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 10, 2015, 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 10, 2015.

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. No new accounting policies were 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 allowance for uncollectible accounts receivable in the electric fund is based on past experience and future expectations for collection of various account balances and has been determined to be \$70,000.
- Management's estimate of the Annual Required Contribution for OPEB Obligations was based on various assumptions regarding life expectancies, inflation, premium 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following misstatement was detected as a result of audit procedures was corrected by management. See Finding 2015-002 in the Schedule of Findings and Responses.

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 28, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

Payroll

During testing, it was noted that not all employees had a properly filled out I-9 and one employee was missing a New Hire form. We recommend that all employees have the required forms properly filled out and kept on file to help ensure proper record retention.

Dormant Funds

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.

Compensated Absences

During testing, it was noted that the Village did not have a policy for sick and vacation accrual for non-union members. We recommend that the Village adopt a policy for sick and vacation accrual for non-union members to help ensure payouts are in compliance with accepted Village policies.

Interfunds

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.

New Policies

During testing, it was noted that the Village did not have the following policies adopted: ACH/Electronic Transactions, Fraud Policy, Conflict of Interest Policy, GASB 54 Fund Balance Policy and Asset Capitalization Policy. We recommend the Village adopt the above mentioned policies to help ensure proper accounting practices are in place.

Bank Accounts

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.

Uniform Chart of Accounts

Currently there are several balance sheet and income statement accounts that are coded incorrectly per the Uniform Chart of Accounts. It is recommended that the Village consult with the Uniform Chart of Accounts for appropriate account numbers for all line items.

Ambulance Receivable

It was noted during our testing of accounts receivable, that over 85% of the ambulance accounts receivable consisted of balances that were over 90 days old, and as a result a large percentage of accounts receivable was offset by an allowance for doubtful accounts. We recommend that ambulance accounts receivable be reviewed based on the reasonableness of collectability and make necessary adjustments.

Budgeting

The Village of Mackinaw City adopts its budget expenditures in excess of budgeted revenues and beginning fund balances. Specifically, the budget adopted for the Major and Local Streets had budgeted expenditures in excess of budgeted revenue and beginning fund balances. These funds should be budgeted in accordance with Uniform Budgeting and Accounting Act guidelines.

Pension Reporting

In June 2012, the Governmental Accounting Standards Board (GASB) approved a pair of related Statements that implement substantial changes to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements. These requirements include a provision for reporting net pension liabilities on the accrual based statement of net position and measuring investments at fair value as well as additional footnote and required supplementary information disclosures.

The Council and Management should review the procedures for implementation of these new standards effective in fiscal 2016 and assess the impact on the local unit of government's financial reporting.

Uniform Administrative Requirements

During December 2013, the Office of Management and Budget released its final version of the “*Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.” The guidance is applicable to federal grants and cooperative agreements and provides a comprehensive consolidation and revision of OMB Circulars which currently govern Federal and some non-Federal entities. The guidance combines A-110 and A-102 into a single set of administrative rules, combines A-21, A-87 and A-122 into a single set of consolidated cost principles and revises the language of A-133. This publication is designed to provide a single document which will serve as a “one-stop shop” for financial assistance regulatory requirements for all awarding agencies. The new requirements will be effective and applicable for audits of years beginning on or after December 26, 2014.

Revisions Related to Single Audit Requirements

The Office of Management and Budget set forth new consolidated audit standards for entities receiving Federal financial assistance awards and replaces OMB Circular A-133. The changes within the final guidance primarily combine the guidance in OMB A-133 and A-50 on audit follow-up. The guidance reflects a movement to focus these audits and oversight efforts on higher dollar, higher risk awards and focus oversight on improper payments, waste, fraud, and abuse.

Most significantly, the threshold triggering a single audit or program-specific audit requirements is increased to \$750,000 or more in annual Federal awards. These requirements apply equally to recipients and sub-recipients under Federal programs. The final guidelines incorporate an exception to these audit requirements for non-U.S.-based entities expending Federal awards.

Further, the final guidance increases the minimum threshold for reporting questioned costs from \$10,000 to \$25,000 to focus on the audit findings presenting the greatest risk. OMB believes this will eliminate smaller-dollar audit findings, which require utilization of resources for follow-up audits that are unlikely to indicate significant weaknesses in internal controls.

These changes necessitate a careful review and analysis of an organization’s current business practices. Although OMB has raised certain thresholds for audit and materiality, it has also improved mechanisms of oversight related to mandatory disclosures, pre-award review of risks, standards for financial and program management, sub-recipient monitoring, and remedies for noncompliance. The revisions are effective for audits of years beginning on or after December 26, 2014.

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.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

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

August 28, 2015