



CITY OF BOYNE CITY

CHARLEVIOX COUNTY, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED APRIL 30, 2017

CITY OF BOYNE CITY, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED APRIL 30, 2017

Prepared by: Finance Department

City Clerk / Treasurer

Cindy Grice

Deputy Treasurer

Michele Hewitt

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	2
Awards and Acknowledgements	5
City Officials	7
GFOA Certificate of Achievement	8
Organizational Chart	9
FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	28
Statement of Activities	29
Fund Financial Statements	
Governmental Funds	
Balance Sheet	30
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	31
Statement of Revenues, Expenditures, and Changes in Fund Balances	32
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances with the Statement of Activities	33
Proprietary Funds	
Statement of Net Position	34
Statement of Revenues, Expenses, and Changes in Net Position	35
Statement of Cash Flows	36
Fiduciary Funds	
Statement of Fiduciary Net Position	38
Component Units	
Combining Statement of Net Position	39
Combining Statement of Activities	40
Notes to the Financial Statements	42
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Ambulance	69
Schedule of Changes in Net Pension Liability and Related Ratios	70
Schedule of Contributions	71
Schedule of Funding Progress - Other Post Employment Benefits	72

TABLE OF CONTENTS

Page

OTHER SUPPLEMENTARY INFORMATION

Governmental Funds

Nonmajor Governmental Fund Descriptions	74
Combining Balance Sheet – Nonmajor Governmental Funds	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Streets	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Local Streets	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Fire	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Boyne Thunder	80
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Marina	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Airport	82

Fiduciary Funds

Fiduciary Fund Descriptions	83
Combining Statement of Fiduciary Net Position	84
Combining Statement of Changes in Fiduciary Net Position	85

Component Units

Component Unit Fund Descriptions	86
Combining Statement of Net Position / Balance Sheet	87
Combining Statement of Activities / Statement of Revenues, Expenditures, and Changes in Fund Balance	88

STATISTICAL SECTION

Statistical Section Table of Contents	90
--	----

Financial Trend Tables

Net Position by Component	91
Changes in Net Position	92
Fund Balances of Governmental Funds	94
Changes in Fund Balances of Governmental Funds	95

Revenue Capacity Tables

Assessed and Actual Value of Taxable Property	96
Direct and Overlapping Property Tax Rates	97
Principal Property Tax Payers	98
Property Tax Levies and Collections	99

Debt Capacity Tables

Ratios of Outstanding Debt by Type and Ratios of Outstanding Debt	100
Direct and Overlapping Governmental Activities Debt	101
Legal Debt Margin Information	102
Pledged Revenue Coverage	103

Demographic and Economic Information

Demographic and Economic Statistics	104
Principal Employers	105

Operating Information

City Employees by Function/Program	106
Operating Indicators by Function/Program	107
Capital Asset Statistics by Function/Program	108

INTRODUCTORY SECTION



City of Boyne City

Founded 1856

319 N Lake Street

Boyne City, Michigan 49712

www.cityofboynecity.com

Phone 231-582-6597

Fax 231-582-6506

October 27, 2017

To the Mayor, Commissioners, and Citizens of Boyne City:

In accordance with State statute, provisions of the City Charter, in conformity with Generally Accepted Accounting Principles (GAAP), audited in accordance with auditing standards generally accepted in the United States and in accordance with Government Auditing Standards by a firm of Licensed certified public accountants, it is my pleasure to provide you with the comprehensive annual financial report of the City of Boyne City for the fiscal year ending April 30, 2017 (FYE 17). Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. Your City administration believes, and has made its best efforts to insure, that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

In developing and monitoring the City's accounting system, significant consideration is given to the adequacy of our systems of fiscal checks and balances. Our internal accounting controls are regularly reviewed, not just by our auditors in the preparations of our annual audit, but also by the City Treasurer and the City administration throughout the year as we examine current and propose future practices and procedures. The City of Boyne City's administration has established a comprehensive internal framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Boyne City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Boyne City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As the City's administration, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Public Act 2 of 1968 of the State of Michigan, as amended, requires that the financial statements of the City of Boyne City be audited by a certified public account selected by the City Commission. This requirement has been met through bidding out and retaining the services of Gabridge & Company, PLC as our independent auditors.

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The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Boyne City for the fiscal year ended April 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Boyne City's financial statements for the fiscal year ended April 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Boyne City's MD&A can be found immediately following the report of the independent certified public accountants in the financial section and provides a narrative introduction, overview and analysis of the basic financial statements.

Profile of the Government

The City of Boyne City is a small town situated on beautiful Lake Charlevoix in Northwestern Michigan. November 14th of last year marked the 160th anniversary of the arrival of the first settlers to our community. Boyne City has experienced recent growth and now some approximately 3,800 residents live here year-round. During the summer months the population grows exponentially with vacation home owners and visitors returning to the area.

The City of Boyne City is a Commission/Manager form of government. The City is governed by the Boyne City City Commission which is made up of five at large elected officials, including a Mayor and Mayor Pro-Tem who are in turn selected by the Commission. The Commission hires the City Manager and City Attorney and is the legislative and governing body of the City. The Commission is responsible for passing ordinances and resolutions and adopting the annual budget. The City Manager is responsible for carrying out the policies and ordinances of the Commission and overseeing the daily operations of the government.

The City of Boyne City offers a full range of quality services including police, fire and ambulance service, water, sewer, street maintenance, zoning and planning, parks and recreation, municipal marina, and a municipal airport.

The annual budget serves as a foundation for the City of Boyne City's financial planning and control for each May 1st to April 30th fiscal year. Each February, departments of the City are required to submit requests for appropriations to the City Manager and these requests are the initiation of developing the proposed budget. The City Manager then prepares and presents a proposed budget to the Commission for their consideration. Every March, an all-day budget review work session involving the City Commission, City Manager, City Clerk/Treasurer, and the other department heads is held to discuss in detail the proposed budget and any changes to it. The Commission is required to hold public hearings in

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April on the proposed budget and to adopt a final budget no later than the third week of April. The appropriated budget is prepared by fund and department. The City Commission approves any budget amendments that may be necessary during a fiscal year. Budget to actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. The general fund, budget to actual report, is presented in the required supplemental information section of this report.

Local Economy

The City of Boyne City economy is strong and is experiencing an influx of new businesses and growth. Boyne City is fortunate to have a balanced economy made up of residential, commercial, and industrial components. All three of these legs which serve as the foundation for Boyne City's economic stool are doing very well at this time and there is nothing that we are aware of on the horizon which will upset that. Several new tap room/restaurants and retail shops have opened in the past year as well as a physical therapy office and art studio. Businesses have come to or expanded in the Boyne Business Park (aka Industrial Park) over the last year. Properties throughout the City continue to sell well. The Boyne City Public Schools have had an increase of over 100 students from a decade ago. In terms of continued population, student growth, and economic strength, Boyne City's ongoing successes run contrary to many of our peers.

Supported by a voter approved millage, the City is building a new nearly 7 million dollar facility to house the governmental offices, Police, Fire, and EMS departments. This new City Facility will house most of the City of Boyne City's public meeting spaces, its historical museum along with its restored 1905 tower clock and it's still operational 1917 LaFrance fire truck. The La France is the City's first motorized piece of fire equipment and will be celebrating its own 100th anniversary in 2017. The new City Facility is expected to be opening to serve the community in the summer of 2017. More positive milestones for Boyne City.

Because Boyne City is the fastest growing city in Northern Michigan, we do face some challenges. There is a housing and employee shortage, particularly during the summer months. Quite a far cry from the experiences of the national economic downturn of 2008. The City Commission, through a community goal setting process which for the first time this year also included the goals of the Boyne City Main Street Program and the Boyne Area Chamber of Commerce, has adopted three major goals for the coming two years. They are: encourage Housing Diversity, Economic Development and Parks and Recreation.

Boyne City is a community with a vibrant downtown community with a very active Main Street Program and Chamber of Commerce. Volunteers are plentiful, with thousands of hours given every year for special events and committees. The volunteers like the region itself, as represented by the City government, the schools, the Chamber of Commerce and business community, the Library, and neighbors, all work together well while striving for the greater good. Boyne City is seen as an effective leader in regional cooperation.

Boyne City's City government seeks to be frugal, efficient, open and accountable with the tax dollars and other community resources entrusted to it.

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Overall the City of Boyne City is in excellent financial health. We have been and continue to make significant investments in the City and its various forms of infrastructure. That in turn has helped attract new citizens, businesses, and private investment. We continue to spend well within our means and when we do, we do our best to insure we obtain the best value for the dollars spent. Boyne City seeks to position itself for long term sustainability in good times and in bad, as we successfully demonstrated during the great recession.

Long-term Financial Planning

Each year the City develops goals which guide the long-range fiscal planning and serves as the framework for development of the next adopted budget. The goals are considered and established annually and contains projections that inform the City Commission and the public of the long-term project costs. The goals also help demonstrate the need for minimum fund balance requirements in order for the City to be able to finance the projects. Copies of the City-wide goals can be found on the City of Boyne City's website.

Relevant Financial Policies

The City of Boyne City had no new policies or changes in existing financial policies that would have made a significant impact on the current period's financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boyne City for its comprehensive annual financial report (CAFR) for the fiscal year ended April 30, 2016. This was the initial year that the City of Boyne City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. My congratulations to the City Clerk/Treasurer and our entire team for pursuing this higher level of public reporting.

The City of Boyne City has been the recipient of numerous other recognitions and awards. We are a Master Level and nationally accredited Main Street Community and have been designated as a Tree City and a Trail Town. We are also a Certified Local Government and within the last year we were certified by the State of Michigan as one of six Redevelopment Ready Communities. All the awards and honors earned by the City of Boyne City are done so in the pursuit of providing excellent local government and services to our citizens, businesses, tax payers and visitors.

The preparation of this report would not have been possible without the efficient and dedicated services of City Clerk/Treasurer Cindy Grice and the entire City of Boyne City team. I would like to personally express my appreciation to all who assisted and contributed to the preparation of this report.

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Appreciation is also extended to the Mayor and City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Boyne City's finances.

In closing, let me express my hope that you will find this document to be a useful tool in evaluating the City's financial health. Helping you obtain a thorough understanding of the City's financial condition is important to us all. Should you have any questions, comments, concerns, or suggestions regarding this document or the information it contains, Cindy and I are available to respond. My staff and I look forward to reviewing this information with you.

Respectfully submitted,
Michael Cain
City Manager
mcain@boynecity.com



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
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Presented to

**City of Boyne City
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2016

Executive Director/CEO

CITY OF BOYNE CITY, MICHIGAN CITY OFFICIALS

City Commission _____ Tom Neidhamer, Mayor
_____ Gene Towne, Mayor Pro-tem
_____ Ron Grunch
_____ Laura Sansom
_____ Hugh Conklin

City Manager _____ Michael Cain

City Clerk / Treasurer _____ Cindy Grice

Deputy Treasurer _____ Michele Hewitt

Executive Assistant _____ Barb Brooks

Planning / Zoning Administrator _____ Scott McPherson

Police Chief _____ Jeff Gaither

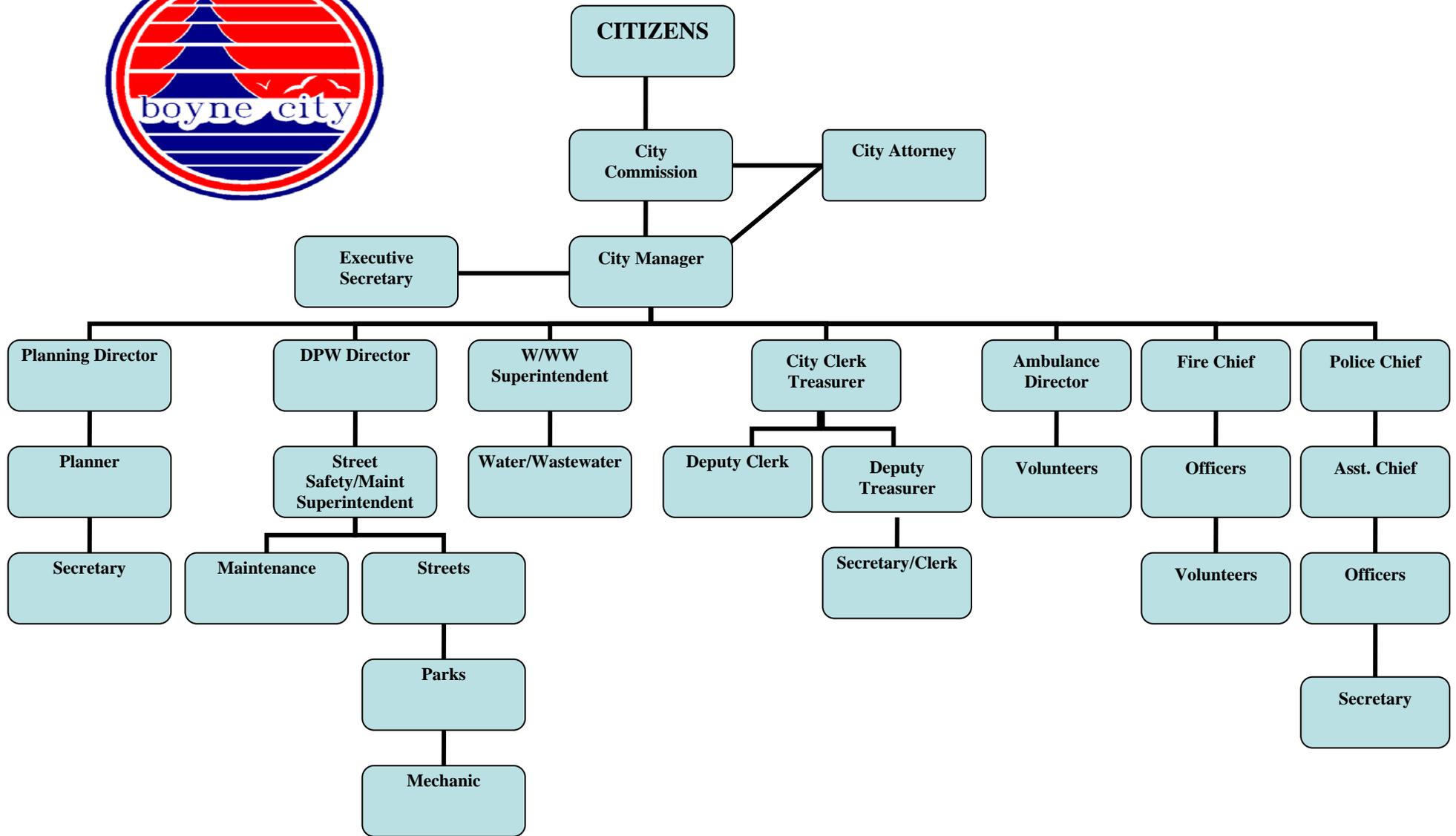
Fire Chief _____ Dennis Amesbury

Ambulance Director _____ John Lamont

Water / Waste Water Superintendent _____ Mark Fowler

Streets / Parks Superintendent _____ Andy Kovolski

Boyne City Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission
City of Boyne 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 units, each major fund, and the aggregate remaining fund information of the City of Boyne City, Michigan (the "City") as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Boyne City Housing Commission which represents 28 percent of the assets and deferred outflows, 21 percent net position, and 44 percent revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boyne City Housing Commission is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, based on our audit and the reports of other auditors, 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 units, each major fund, and the aggregate remaining fund information of the City of Boyne City, as of April 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules for pension and other postemployment benefits, and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the

auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, Michigan
October 27, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Boyne City, Michigan (The "City" or "government") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$23,920,463 (net position).
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,816,832, a decrease of \$3,667,735 in comparison with the prior year. Approximately 34.7% of this amount, or \$2,018,645, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,241,764, or approximately 71.9% of total general fund expenditures and transfers out.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City'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 City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from

other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police and fire protection, streets, rubbish collection, health and welfare, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer services.

The government-wide financial statements include not only the City of Boyne City itself (known as the primary government), but also a legally separate Downtown Development Authority, Local Development Finance Authority, and the Boyne City Housing Commission for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Boyne City Housing Commission has separately issued financial statements, which can be obtained by contacting the Housing Commission's administrative office at 829 South Park Street, Boyne City, Michigan 49712.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. This is an increase of one fund from last year with the addition of the city facilities debt fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, ambulance, and city facilities construction funds, which are considered to be major funds. Data from the fire, boyne thunder, major and local streets, marina, city facilities debt fund, and airport funds is presented as a separate column as they are considered nonmajor funds.

The City adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The City 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 City uses enterprise funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses an internal service fund to account for motor vehicle costs by allocating the cost to the funds that are using the resources. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City. The internal service fund data is presented in the proprietary fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City reports one type of fiduciary fund, an agency fund.

The *agency fund* reports resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary comparison schedules and the City's pension and other post-employment benefits schedules.

This report also presents other supplementary information which includes the combining and individual fund statements. The combining statements are presented immediately following the required supplementary information on pensions.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$23,920,463, at the close of the most recent fiscal year.

City of Boyne City Statement of Net Position as of April 30, 2017 and April 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 6,174,996	\$ 9,567,555	\$ 3,303,745	\$ 2,633,421	\$ 9,478,741	\$ 12,200,976
Due from Other Governmental Units	133,162	207,090	-	-	133,162	207,090
Accounts Receivable	353,155	408,516	413,167	420,143	766,322	828,659
Inventories	24,623	60,114	28,227	43,630	52,850	103,744
Prepaid Items	44,848	43,020	3,450	2,776	48,298	45,796
Note Receivable	-	-	7,074	13,856	7,074	13,856
Total Current Assets	6,730,784	10,286,295	3,755,663	3,113,826	10,486,447	13,400,121
<i>Noncurrent Assets</i>						
Note Receivable	-	-	-	-	-	-
Restricted Cash	-	-	534,183	591,333	534,183	591,333
Capital Assets, Net	16,769,046	13,011,347	11,254,562	11,805,742	28,023,608	24,817,089
Total Assets	23,499,830	23,297,642	15,544,408	15,510,901	39,044,238	38,808,543
DEFERRED OUTFLOWS OF RESOURCES						
Pension	258,803	840,279	29,752	86,677	288,555	926,956
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	222,742	311,765	14,376	8,295	237,118	320,060
Payroll Liabilities	28,682	27,401	4,736	4,569	33,418	31,970
Current Portion of Compensated Absences	84,831	-	5,336	-	90,167	-
Customer Deposits	1,225	1,200	16,079	15,854	17,304	17,054
Unearned Revenue	220,070	156,497	-	-	220,070	156,497
Accrued Interest	-	-	8,475	9,670	8,475	9,670
Current Portion of Long-term Debt	220,000	-	530,000	515,000	750,000	515,000
Total Current Liabilities	777,550	496,863	579,002	553,388	1,356,552	1,050,251
<i>Noncurrent Liabilities</i>						
Other Post Employment Benefits	56,872	43,625	-	-	56,872	43,625
Compensated Absences	72,263	143,487	4,544	21,772	76,807	165,259
Long-term Debt	6,843,201	7,171,361	4,288,091	4,818,091	11,131,292	11,989,452
Net Pension Liability	2,122,211	3,013,864	243,973	310,888	2,366,184	3,324,752
Total Liabilities	9,872,097	10,869,200	5,115,610	5,704,139	14,987,707	16,573,339
DEFERRED INFLOWS						
Pension	380,841	-	43,782	-	424,623	-
Total Deferred Inflows	380,841	-	43,782	-	424,623	-
NET POSITION						
Net Investment in Capital Assets	12,463,814	12,501,782	6,436,471	6,472,651	18,900,285	18,974,433
Restricted	3,702,074	7,973,717	534,183	591,333	4,236,257	8,565,050
Unrestricted	(2,660,193)	(7,206,778)	3,444,114	2,829,455	783,921	(4,377,323)
Total Net Position	\$ 13,505,695	\$ 13,268,721	\$ 10,414,768	\$ 9,893,439	\$ 23,920,463	\$ 23,162,160

The largest portion of the City's net position of \$18,900,285 (79.0%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any

related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used 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 City's net position, \$4,236,257 (17.8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$783,921 is unrestricted net position.

Cash and cash equivalents decreased significantly during the year, from \$12,200,976 as of April 30, 2016 to \$9,478,741 as of April 30, 2017. The primary reason for this is the capital asset additions of \$4,834,668 that were paid for during the year. Accordingly, capital assets increased, net of depreciation and disposals, by \$3,206,519. See the capital asset footnote (Note 4) for more information.

The City's net pension liability decreased from \$3,324,752 as of April 30, 2016 to \$2,366,184 as of April 30, 2017. The pension related deferrals also showed significant, almost entirely offsetting the decrease in the net pension liability, changes during the year. The aggregate change of the net pension liability and the pension related deferrals led to an increase in pension expense of \$104,456 (noncash expense) that was recognized during the year. See the defined benefit pension plan footnote (Note 7) for more information regarding the City's pension expense.

The City's overall net position increased \$758,303 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of Boyne City
Change in Net Position for Fiscal Years Ended April 30, 2017 and April 30, 2016

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2017	2016	2017	2016	2017	2016
Revenue						
Program Revenues						
Charges for Services	\$ 2,056,242	\$ 2,092,276	\$ 2,026,137	\$ 2,014,510	\$ 4,082,379	\$ 4,106,786
Operating Grants & Contributions	648,601	650,099	-	1,000	648,601	651,099
Capital Grants & Contributions	113,522	780,702	-	797	113,522	781,499
Total Program Revenues	2,818,365	3,523,077	2,026,137	2,016,307	4,844,502	5,539,384
General Revenues						
Property Taxes	3,293,985	2,863,397	-	-	3,293,985	2,863,397
State Revenue Sharing	408,974	337,273	-	-	408,974	337,273
Other Revenue	-	17,373	-	-	-	17,373
Interest Income	39,136	3,601	3,670	495	42,806	4,096
Transfers In (Out)	-	-	-	-	-	-
Total General Revenues & Transfers	3,742,095	3,221,644	3,670	495	3,745,765	3,222,139
Total Revenues	6,560,460	6,744,721	2,029,807	2,016,802	8,590,267	8,761,523
Expenses						
Legislative	19,082	17,556	-	-	19,082	17,556
General Government	1,282,401	1,500,604	-	-	1,282,401	1,500,604
Public Safety	925,056	965,164	-	-	925,056	965,164
Public Works	1,711,115	1,558,262	-	-	1,711,115	1,558,262
Community & Economic Development	282,398	400,862	-	-	282,398	400,862
Recreation & Culture	845,394	765,354	-	-	845,394	765,354
Health & Welfare	1,017,676	968,550	-	-	1,017,676	968,550
Other Functions	40,691	38,981	-	-	40,691	38,981
Interest on Long-term Debt	199,673	-	-	-	-	-
Water & Sewer Operations	-	-	1,508,478	1,532,012	1,508,478	1,532,012
Total Expenses	6,323,486	6,215,333	1,508,478	1,532,012	7,831,964	7,747,345
Change in Net Position	236,974	529,388	521,329	484,790	758,303	1,014,178
<i>Net Position at the Beginning of Period</i>	<i>13,268,721</i>	<i>12,739,333</i>	<i>9,893,439</i>	<i>9,408,649</i>	<i>23,162,160</i>	<i>22,147,982</i>
Net Position at the End of Period	\$ 13,505,695	\$ 13,268,721	\$ 10,414,768	\$ 9,893,439	\$ 23,920,463	\$ 23,162,160

Governmental Activities. Governmental activities increased the City's net position by \$236,974. The total increase was the result of total revenues of \$6,560,460 less total expenses of \$6,323,486.

Capital grants and contributions decreased from \$780,702 during the year ended April 30, 2016 to \$113,522 during 2017 because of one-time capital grant revenues provided by the Michigan Department of Transportation to finance various street and non-motorized pathway improvements during 2016. These projects were substantially complete during 2016 and no similar projects with capital grant funding were undertaken by the City during 2017.

The City had an increase in property tax revenues, from \$2,863,397 to \$3,293,985, primarily for two reasons. First, the voters approved a debt service millage that led to \$238,641 of additional property tax revenues in the city facilities debt fund. This millage is restricted to payoff the bonds issued by the City to finance the new City facilities. Second, the City received \$236,991 from the Local Community Stabilization Authority to compensate the City for approximately 50% of its

forfeited property tax revenues (from prior years) resulting from legislation that began a personal property tax phase out (commencing in 2014).

Business-type Activities. Business-type activities increased the City's net position by \$521,329. The total increase was a larger increase than in the prior year. Total revenue, expenses, and the increase in net position were consistent with the prior year.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commission.

At April 30, 2017, the City's governmental funds reported combined fund balances of \$5,816,832, a decrease of \$3,667,735 in comparison with the prior year. Approximately 34.7% of this amount, or \$2,018,645, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *assigned*, or *restricted* to indicate that it is: 1) not in spendable form, \$54,494 for inventories and prepaid items, or 2) restricted for particular purposes, \$3,682,862 for major and local streets and unspent bond proceeds, or 3) assigned, \$60,831 for various purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,241,764 while total fund balance increased to \$2,329,752. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 71.9 percent of total general fund expenditures and transfers out while total fund balance represents approximately 74.7 percent of that same amount.

The fund balance of the City's general fund increased by \$818,902 during the current fiscal year. This compares to a decrease of \$1,599,721 in 2016.

The ambulance fund, a major fund, had a \$40,283 decrease in fund balance during the current fiscal year which put the overall fund balance at \$141,594. Both total revenues and total expenses decreased during the year, with expenses exceeding revenues.

The city facilities construction fund, a major fund, had a \$3,987,536 decrease in fund balance during the current fiscal year which put the overall fund balance at \$2,757,969. The primary reason is due to the recognition of capital outlay expenditures paid for the construction of the new city hall facility in the amount of \$4,267,502.

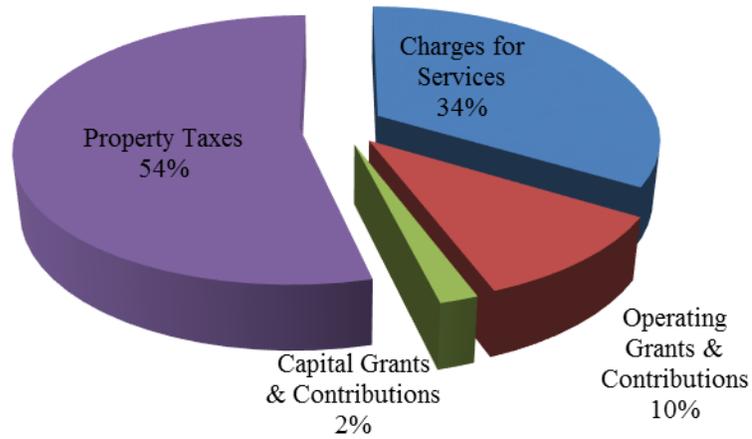
Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year was \$860,756 for the water fund and \$2,583,358 for the sewer fund. The increase in net position was \$35,777 for the water fund and \$485,552 for the sewer fund. The water fund and sewer fund had total revenues and total expenses that were consistent with the prior year.

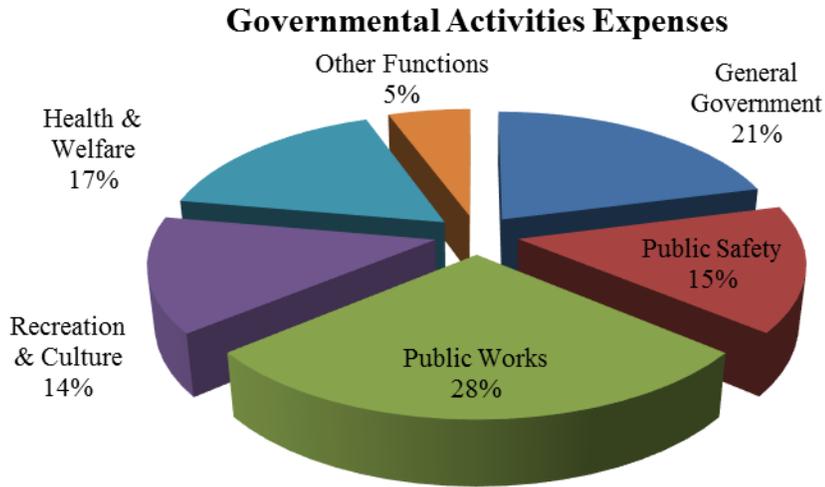
Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year end.



General Fund Budgetary Highlights

Original budget compared to final budget. During the year the budget amendments were relatively minor, with the exception of increased property tax revenues resulting from the initial personal property tax reimbursement received from the Local Community Stabilization Authority.

Final budget compared to actual results. During the current fiscal year the City had no significant expenditures in excess of the appropriated amounts in the general fund.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of April 30, 2017, amounts to \$28,023,608 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and water and sewer infrastructure. The following summarizes the City's capital assets:

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 964,470	\$ -	\$ 964,470
Construction in Progress	5,156,654	-	5,156,654
Land Improvements	1,673,388	-	1,673,388
Infrastructure	9,535,924	-	9,535,924
Buildings and Improvements	3,603,363	-	3,603,363
Vehicles and Equipment	3,725,708	513,555	4,239,263
Furniture and Fixtures	120,643	-	120,643
Water System	-	7,029,845	7,029,845
Sewer System	-	13,437,266	13,437,266
Total Capital Assets	<u>24,780,150</u>	<u>20,980,666</u>	<u>45,760,816</u>
Less: Accumulated Depreciation	8,011,104	9,726,104	17,737,208
Capital Assets, Net	<u>\$ 16,769,046</u>	<u>\$ 11,254,562</u>	<u>\$ 28,023,608</u>

More detailed information about the City's capital assets can be found in note 4.

Long-term Debt

As described in note 6 to the financial statements, the City had \$11,881,292 in long-term debt at the end of the fiscal year. The City is well under its legal debt limit as of year-end.

Economic Condition and Outlook

Management believes, based in part on the information presented in this audit, that the economic condition and outlook for the City of Boyne City is good and will remain so for the foreseeable future minus some significant negative external factors.

Boyne City continues to invest heavily in its future. Since the last years audit the new City Facilities project approved by the voters in 2015 is, except for some fine tuning, complete. This facility is now housing the City's Police, Fire, EMS Departments and all City Hall operations plus space for a new museum, MSU Extension offices and multiple meeting rooms for City and public use. The new facility resulted in the demolition of two obsolete and inefficient buildings dating from the 1930's from the site, the relocation of a smaller garage to another site for reuse by the Police Department and the ending of a long term lease for space that housed the city's EMS operations.

While the new facility cost was about 7 million dollars to build, it is expected that over time it will result in more efficient City operations and significantly reduced utility costs. The new building, actually designed for its current public uses is basically a LEED building designed to be energy efficient without going thru the cost or process of obtaining the certification. The City also no longer leases space for any of its operations from others, also saving the public money. As stated in last year's audit report 'Hopefully these costs will be offset by reduced energy, rent and other efficiency savings once we are fully into our new facilities.' We are now fully in the new facility and will see over time if those predictions become reality.

The acquisition of the Open Space property on North Lake Street, across from Family Fare, is an exciting opportunity that should be becoming a reality in early 2018. The City has been approved for a significant grant of about 74% of the price to help purchase this much desired waterfront property from the Michigan Natural Resources Trust Fund with an additional grant coming from the Charlevoix County Community Foundation and the City continues to seek additional grants additional funding opportunities. After considering various options for funding the remaining balance necessary to purchase the property, including asking the voters for an additional millage to fill the gap, the City determined that it should have enough funds available in its undesignated fund balance to complete the acquisition. While this will further reduce the City's available fund balance, it still leaves it in an acceptable range. The City is also excited about several other opportunities. The first significant steps of expanding the City Marina are expected to take place in the coming fiscal year in addition to the upgrading and expansion of the Veterans Park pavilion which is currently underway, creating new trails, further developing our parks. These are all great opportunities and as they continue to move forward will require significant resources. When these projects are undertaken and how they will be funded are matters to be considered carefully to protect the progress Boyne City has made over the years and keep us on the path for future successes.

In addition the results of this and the last audit look significantly different than ones before them because of the new requirements that further pension liabilities be shown directly on our books. The good news is that Boyne City has taken actions to help address this matter well over a decade ago and our 77% funded rate is fairly strong among local governments in the region. However, pension funding is expected to increase sharply through 2023 to get us through the bubble of retirees under the old program so we cannot ignore or let up on our efforts to control costs in this or other areas of the organization; quite the opposite. Given our reduced unassigned fund balance reserves, we will have to step up our efforts even further to make sure we are using every dollar of available resources as wisely as possible.

Both the national and state economies seemed to have stabilized with steady growth. There has been continued development and investment occurring over both the commercial and residential portions of the community. New businesses and investments continue to take place downtown and throughout the City. Improvement and inquiries continue to increase in the residential, commercial and industrial segments of the City. A significant challenge is finding enough qualified employees to handle the needs of businesses.

Private developments are building off a stronger overall economy and the investments in infrastructure the City continues to make. As noted above, the City continues to improve its roads

and other infrastructure to continually help make Boyne City a better place to live, visit and do business.

Last year's major wild card of the Presidential election has been resolved but what its implications are regarding policies coming down from Washington and possibly other levels of government remains unclear. Health care, tax policy, and future budgets are just three of the major unresolved issues that could have major impacts on the overall economy and funding for government and the services we provide. At this point it remains a wait-and-see process to know what, if anything, comes out of Washington.

On another possible negative front, legislation continues to be mentioned in Lansing which could have further implications on Tax Increment Financing (TIF) districts like those which fund much of our activities both downtown and in our business park. With libraries now having the ability to opt out of these funding districts it is a constant worry on who may be next. While there might be short-term benefits for taxing jurisdictions to opt out, losing this long-term generator of growth not only in the district but in the entire community would be a long-term loss for all involved. We will be keeping a watchful eye on this possibility during this current fiscal year.

Overall, it is management's opinion that the City of Boyne City continues to make great progress, remains strong and is poised for future successes and growth if it continues to nurture its resources wisely.

Contacting the City

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The City of Boyne City
319 North Lake Street
Boyne City, MI 49712

Or by contacting Cindy Grice, 231.582.6597 or cgrice@boynecity.com

Basic Financial Statements

City of Boyne City
Statement of Net Position
April 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 6,174,996	\$ 3,303,745	\$ 9,478,741	\$ 1,560,967
Due from Other Governmental Units	133,162	--	133,162	--
Accounts Receivable	353,155	413,167	766,322	9,073
Inventories	24,623	28,227	52,850	1,941
Prepaid Items	44,848	3,450	48,298	11,543
Note Receivable	--	7,074	7,074	--
Total Current Assets	6,730,784	3,755,663	10,486,447	1,583,524
<i>Noncurrent Assets</i>				
Restricted Cash - Bond Reserve	--	481,809	481,809	--
Restricted Cash - Bond Interest	--	52,374	52,374	--
Capital Assets not being Depreciated	6,121,124	--	6,121,124	1,085,686
Capital Assets being Depreciated	10,647,922	11,254,562	21,902,484	3,537,505
Total Assets	23,499,830	15,544,408	39,044,238	6,206,715
DEFERRED OUTFLOWS OF RESOURCES				
Pension	258,803	29,752	288,555	127,952
Total Deferred Outflows of Resources	258,803	29,752	288,555	127,952
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	222,742	14,376	237,118	6,160
Payroll Liabilities	28,682	4,736	33,418	11,382
Current Portion of Compensated Absences	84,831	5,336	90,167	1,038
Customer Deposits	1,225	16,079	17,304	30,511
Accrued Interest	--	8,475	8,475	27
Unearned Revenue	220,070	--	220,070	995
Current Portion of Long-term Debt	220,000	530,000	750,000	23,219
Total Current Liabilities	777,550	579,002	1,356,552	73,332
<i>Noncurrent Liabilities</i>				
Other Post Employment Benefits	56,872	--	56,872	--
Long-term Debt	6,843,201	4,288,091	11,131,292	7,425
Compensated Absences	72,263	4,544	76,807	884
Net Pension Liability	2,122,211	243,973	2,366,184	505,166
Total Liabilities	9,872,097	5,115,610	14,987,707	586,807
DEFERRED INFLOWS OF RESOURCES				
Pension	380,841	43,782	424,623	3,138
Total Deferred Inflows of Resources	380,841	43,782	424,623	3,138
NET POSITION				
Net Investment in Capital Assets	12,463,814	6,436,471	18,900,285	4,592,547
<i>Restricted for:</i>				
Streets	127,426	--	127,426	--
Debt Service	--	534,183	534,183	--
Unspent Bond Proceeds	2,757,969	--	2,757,969	--
Health and Welfare	348,199	--	348,199	--
Public Safety	422,357	--	422,357	--
Public Works	46,123	--	46,123	--
<i>Unrestricted</i>	(2,660,193)	3,444,114	783,921	1,152,175
Total Net Position	\$ 13,505,695	\$ 10,414,768	\$ 23,920,463	\$ 5,744,722

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Boyne City
Statement of Activities
For the Year ending Ended April 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 1,282,401	\$ 213,900	\$ 250	\$ --	\$ (1,068,251)	\$ --	\$ (1,068,251)	\$ --
Public Safety	925,056	234,665	3,948	--	(686,443)	--	(686,443)	--
Public Works	1,711,115	278,165	463,839	113,522	(855,589)	--	(855,589)	--
Community and Economic Development	282,398	75,451	135,239	--	(71,708)	--	(71,708)	--
Recreation and Culture	845,394	498,405	45,265	--	(301,724)	--	(301,724)	--
Other Functions	40,691	--	--	--	(40,691)	--	(40,691)	--
Interest on Long-term Debt	199,673	--	--	--	(199,673)	--	(199,673)	--
Health and Welfare	1,017,676	755,656	60	--	(261,960)	--	(261,960)	--
Legislative	19,082	--	--	--	(19,082)	--	(19,082)	--
Total Governmental Activities	6,323,486	2,056,242	648,601	113,522	(3,505,121)	--	(3,505,121)	--
Business-type Activities:								
Sewer	865,868	1,347,750	--	--	--	481,882	481,882	--
Water	642,610	678,387	--	--	--	35,777	35,777	--
Total Business-type Activities	1,508,478	2,026,137	--	--	--	517,659	517,659	--
Total Primary Government	\$ 7,831,964	\$ 4,082,379	\$ 648,601	\$ 113,522	\$ (3,505,121)	\$ 517,659	\$ (2,987,462)	--
Component Units								
Downtown Development Authority	\$ 911,027	\$ 102,997	\$ 525,780	\$ --	--	--	--	(282,250)
Local Development Finance Authority	107,326	--	--	--	--	--	--	(107,326)
Boyne City Housing Commission 9/30/2016	752,309	284,404	469,701	72,934	--	--	--	74,730
Total Component Units	\$ 1,770,662	\$ 387,401	\$ 995,481	\$ 72,934	--	--	--	(314,846)
General Purpose Revenues and Transfers:								
Revenues								
Property Taxes					3,293,985	--	3,293,985	433,207
Interest and Rentals					39,136	3,670	42,806	103
Intergovernmental Revenues					408,974	--	408,974	--
Transfers					--	--	--	--
Total General Revenues and Transfers					3,742,095	3,670	3,745,765	433,310
Change in Net Position					236,974	521,329	758,303	118,464
<i>Net Position at Beginning of Period</i>					13,268,721	9,893,439	23,162,160	5,626,258
Net Position at End of Period					\$ 13,505,695	\$ 10,414,768	\$ 23,920,463	\$ 5,744,722

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Boyne City
Balance Sheet
Governmental Funds
April 30, 2017**

	<u>General</u>	<u>Special Revenue Ambulance</u>	<u>Capital Projects City Facilities Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,080,737	\$ 29,803	\$ 2,887,523	\$ 747,533	\$ 5,745,596
Due from Other Governmental Units	56,179	--	--	76,983	133,162
Accounts Receivable	18,767	114,276	--	220,112	353,155
Inventories	--	--	--	13,096	13,096
Prepaid Items	34,812	1,255	--	5,331	41,398
Due from Other Funds	245,505	--	--	3,692	249,197
Total Assets	2,436,000	145,334	2,887,523	1,066,747	6,535,604
LIABILITIES					
Accounts Payable	\$ 81,035	\$ 2,524	\$ 129,554	\$ 6,575	\$ 219,688
Payroll Liabilities	23,223	1,216	--	4,153	28,592
Customer Deposits	--	--	--	1,225	1,225
Unearned Revenue	--	--	--	220,070	220,070
Due to Other Funds	1,990	--	--	247,207	249,197
Total Liabilities	106,248	3,740	129,554	479,230	718,772
FUND BALANCE					
Nonspendable	34,812	1,255	--	18,427	54,494
Restricted	--	140,339	2,757,969	784,554	3,682,862
Assigned	53,176	--	--	7,655	60,831
Unassigned	2,241,764	--	--	(223,119)	2,018,645
Total Fund Balance	2,329,752	141,594	2,757,969	587,517	5,816,832
Total Liabilities and Fund Balance	\$ 2,436,000	\$ 145,334	\$ 2,887,523	\$ 1,066,747	\$ 6,535,604

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
April 30, 2017

Total Fund Balance - Governmental Funds	\$	5,816,832
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		1,282,279
General government capital assets of \$22,872,831, net of accumulated depreciation of \$6,944,831, are not financial resources, and accordingly are not reported in the funds.		15,928,000
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		(7,063,201)
Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(56,872)
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.		(157,094)
The City's net pension liability and its pension related deferred outflows and inflows of resources related to its participation in the MERS defined benefit pension plan are not recorded in the governmental funds but are recorded in the statement of net position.		(2,244,249)
Total Net Position - Governmental Activities	\$	<u>13,505,695</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year ending Ended April 30, 2017

	<u>General</u>	<u>Special Revenue</u> Ambulance	<u>Capital Projects</u> City Facilities Construction Fund	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
Revenues					
Property Taxes	\$ 2,891,797	\$ --	\$ --	\$ 402,191	\$ 3,293,988
Licenses and Permits	7,197	--	--	--	7,197
Intergovernmental Revenues	548,358	--	--	590,931	1,139,289
Charges for Services	353,806	755,020	--	784,897	1,893,723
Fine and Forfeitures	5,769	--	--	--	5,769
Other Revenues	122,877	696	--	--	123,573
Interest and Rentals	7,276	--	14,013	23,805	45,094
Total Revenues	<u>3,937,080</u>	<u>755,716</u>	<u>14,013</u>	<u>1,801,824</u>	<u>6,508,633</u>
Expenditures					
Legislative	19,082	--	--	--	19,082
General Government	1,009,327	--	7,200	--	1,016,527
Public Safety	643,760	--	--	179,003	822,763
Public Works	74,316	--	--	1,018,163	1,092,479
Health and Welfare	--	945,481	--	--	945,481
Community and Economic Development	282,398	--	--	--	282,398
Recreation and Culture	359,655	--	--	454,791	814,446
Other Functions	40,691	--	--	--	40,691
Capital Outlay	305,803	--	4,267,502	261,363	4,834,668
Debt Service - Principal	--	--	--	100,000	100,000
Debt Service - Interest	--	--	--	207,833	207,833
Total Expenditures	<u>2,735,032</u>	<u>945,481</u>	<u>4,274,702</u>	<u>2,221,153</u>	<u>10,176,368</u>
Excess of Revenues Over (Under) Expenditures	<u>1,202,048</u>	<u>(189,765)</u>	<u>(4,260,689)</u>	<u>(419,329)</u>	<u>(3,667,735)</u>
Other Financing Sources (Uses)					
Transfers In	--	149,482	350,000	310,511	809,993
Transfers Out	(383,146)	--	(76,847)	(350,000)	(809,993)
Net Other Financing Sources (Uses)	<u>(383,146)</u>	<u>149,482</u>	<u>273,153</u>	<u>(39,489)</u>	<u>--</u>
Net Change in Fund Balance	818,902	(40,283)	(3,987,536)	(458,818)	(3,667,735)
<i>Fund Balance at Beginning of Period</i>	1,510,850	181,877	6,745,505	1,046,335	9,484,567
Fund Balance at End of Period	<u>\$ 2,329,752</u>	<u>\$ 141,594</u>	<u>\$ 2,757,969</u>	<u>\$ 587,517</u>	<u>\$ 5,816,832</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year ending Ended April 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ (3,667,735)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	65,397
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$4,834,668 is in excess of depreciation expense of \$833,327 and loss on disposal of assets of \$159,101.	3,842,240
In the statement of activities, an expense is recorded for other post-employment benefits (OPEB) to adjust net OPEB obligation to the actuarial determined amount less any contributions to fund the obligation. This is the difference between the prior year and the current year net OPEB obligation.	(13,247)
Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, long-term debt payments reduce long-term liabilities on the statement of net position. This represents the amount of long-term debt principal payments made during the year and amortization of the bond premium over the year.	108,160
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(13,607)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources on the fund statements.	(13,570)
Changes in the City's net pension liability and the pension related deferred outflows and inflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities.	(70,664)
Changes in Net Position - Governmental Activities	\$ <u>236,974</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Statement of Net Position
Proprietary Funds
April 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise</u>	<u>Activities</u>
			<u>Funds</u>	<u>Internal Service</u>
				<u>Fund</u>
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 2,464,416	\$ 839,329	\$ 3,303,745	\$ 429,400
Accounts Receivable	269,113	144,054	413,167	--
Inventories	3,906	24,321	28,227	11,527
Prepaid Items	2,509	941	3,450	3,450
Note Receivable	7,074	--	7,074	--
Total Current Assets	<u>2,747,018</u>	<u>1,008,645</u>	<u>3,755,663</u>	<u>444,377</u>
<i>Noncurrent Assets</i>				
Restricted Cash - Bond Reserve	418,809	63,000	481,809	--
Restricted Cash - Bond Interest	44,499	7,875	52,374	--
Capital Assets being Depreciated	9,357,202	1,897,360	11,254,562	841,046
Total Assets	<u>12,567,528</u>	<u>2,976,880</u>	<u>15,544,408</u>	<u>1,285,423</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	14,987	14,765	29,752	--
Total Deferred Outflows of Resources	<u>14,987</u>	<u>14,765</u>	<u>29,752</u>	<u>--</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	8,825	5,551	14,376	3,054
Payroll Liabilities	1,984	2,752	4,736	90
Current Portion of Compensated Absences	2,668	2,668	5,336	--
Customer Deposits	10,849	5,230	16,079	--
Accrued Interest	7,100	1,375	8,475	--
Current Portion of Long-term Debt	430,000	100,000	530,000	--
Total Current Liabilities	<u>461,426</u>	<u>117,576</u>	<u>579,002</u>	<u>3,144</u>
<i>Noncurrent Liabilities</i>				
Long-term Debt	3,758,091	530,000	4,288,091	--
Compensated Absences	2,272	2,272	4,544	--
Net Pension Liability	122,895	121,078	243,973	--
Total Liabilities	<u>4,344,684</u>	<u>770,926</u>	<u>5,115,610</u>	<u>3,144</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	22,054	21,728	43,782	--
Total Deferred Inflows of Resources	<u>22,054</u>	<u>21,728</u>	<u>43,782</u>	<u>--</u>
NET POSITION				
Net Investment in Capital Assets	5,169,111	1,267,360	6,436,471	841,046
<i>Restricted for:</i>				
Debt Service	463,308	70,875	534,183	--
<i>Unrestricted</i>	2,583,358	860,756	3,444,114	441,233
Total Net Position	<u>\$ 8,215,777</u>	<u>\$ 2,198,991</u>	<u>\$ 10,414,768</u>	<u>\$ 1,282,279</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year ending Ended April 30, 2017

	Business-type Activities - Enterprise Funds			Governmental
	Sewer	Water	Total Enterprise Funds	Activities Internal Service Fund
Operating Revenues				
Charges for Services	\$ 1,122,454	\$ 678,387	\$ 1,800,841	\$ 309,697
Other Revenues	--	--	--	6,913
Total Operating Revenues	1,122,454	678,387	1,800,841	316,610
Operating Expenses				
Contractual Services	64,310	43,420	107,730	48,620
Personal	186,907	184,140	371,047	6,391
Supplies	38,841	44,344	83,185	49,825
Utilities	122,379	64,670	187,049	38,667
Repair and Maintenance	50,273	43,164	93,437	325
Depreciation Expense	306,298	244,882	551,180	107,385
Total Operating Expenses	769,008	624,620	1,393,628	251,213
Operating Income (Loss)	353,446	53,767	407,213	65,397
Non-Operating Revenues (Expenses)				
Interest and Rentals	3,670	--	3,670	--
Debt Service Charges	225,296	--	225,296	--
Interest Expense	(96,860)	(17,990)	(114,850)	--
Net Non-Operating Revenues (Expenses)	132,106	(17,990)	114,116	--
Change In Net Position	485,552	35,777	521,329	65,397
<i>Net Position at Beginning of Period</i>	7,730,225	2,163,214	9,893,439	1,216,882
Net Position at End of Period	\$ 8,215,777	\$ 2,198,991	\$ 10,414,768	\$ 1,282,279

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Statement of Cash Flows
Proprietary Funds
For the Year Ended April 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	<u>Internal Service - Motor Pool</u>
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 1,131,105	\$ 676,928	\$ 1,808,033	\$ 316,610
Cash Payments to Employees for Services and Fringe Benefits	(50,481)	(31,629)	(82,110)	(48,530)
Cash Payments to Suppliers for Goods and Services	(398,399)	(320,248)	(718,647)	(73,470)
Total Cash Flows from Operating Activities	<u>682,225</u>	<u>325,051</u>	<u>1,007,276</u>	<u>194,610</u>
Cash Flows from Capital and Related Financing Activities				
Debt Service Charges	225,296	-	225,296	-
Interest Expense	(96,860)	(17,990)	(114,850)	-
Principal Payment on Long-term Debt	(420,000)	(95,000)	(515,000)	-
Cash Received from Notes Receivable Collections	6,782	-	6,782	-
Purchases of Capital Assets	-	-	-	(22,844)
Total Cash Flows Used by Capital and Related Financing Activities	<u>(284,782)</u>	<u>(112,990)</u>	<u>(397,772)</u>	<u>(22,844)</u>
Cash Flows from Investing Activities				
Interest on Investments	3,670	-	3,670	-
Total Cash Flows from Investing Activities	<u>3,670</u>	<u>-</u>	<u>3,670</u>	<u>-</u>
Net Increase (Decrease) in Cash and Equivalents	401,113	212,061	613,174	171,766
<i>Cash and Equivalents - Beginning of Year</i>	2,526,611	698,143	3,224,754	257,634
Cash and Equivalents - End of Year	<u>\$ 2,927,724</u>	<u>\$ 910,204</u>	<u>\$ 3,837,928</u>	<u>\$ 429,400</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Statement of Cash Flows
Proprietary Funds
For the Year Ended April 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	<u>Internal Service - Motor Pool</u>
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ 355,369	\$ 48,291	\$ 403,660	\$ 65,397
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	306,298	244,882	551,180	107,385
Changes in Assets & Liabilities				
Accounts Receivable	8,501	(1,525)	6,976	-
Prepays	(490)	(184)	(674)	(673)
Inventory	(3,906)	19,309	15,403	24,741
Accounts Payable	3,534	2,547	6,081	(2,330)
Payroll Liabilities	(357)	524	167	90
Customer Deposits	150	75	225	-
Net Pension Liability and Pension Related Deferrals	13,768	16,207	29,975	-
Accrued Interest	(1,060)	(135)	(1,195)	-
Compensated Absences	418	(4,940)	(4,522)	-
Net Cash Provided by Operating Activities	<u>\$ 682,225</u>	<u>\$ 325,051</u>	<u>\$ 1,007,276</u>	<u>194,610</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Statement of Fiduciary Net Position
Fiduciary Funds
April 30, 2017

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 14,934
<i>Total Assets</i>	14,934
LIABILITIES	
Due to Other Governmental Units	14,934
<i>Total Liabilities</i>	\$ 14,934

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Combining Statement of Net Position
Component Units
April 30, 2017

	Downtown Development Authority	Local Development Finance Authority	Boyne City Housing Commission 9/30/2016	Total Component Units
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 328,218	\$ 895,878	\$ 336,871	\$ 1,560,967
Accounts Receivable	--	--	9,073	9,073
Inventories	--	--	1,941	1,941
Prepaid Items	--	--	11,543	11,543
Total Current Assets	328,218	895,878	359,428	1,583,524
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	--	291,419	794,267	1,085,686
Capital Assets being Depreciated	1,519,813	1,549,353	468,339	3,537,505
Total Assets	1,848,031	2,736,650	1,622,034	6,206,715
DEFERRED OUTFLOWS OF RESOURCES				
Pension	2,133	--	125,819	127,952
Total Deferred Outflows of Resources	2,133	--	125,819	127,952
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	1,507	2,400	2,253	6,160
Payroll Liabilities	1,014	--	10,368	11,382
Current Portion of Compensated Absences	--	--	1,038	1,038
Customer Deposits	--	--	30,511	30,511
Accrued Interest	--	--	27	27
Unearned Revenue	--	--	995	995
Current Portion of Long-term Debt	7,074	--	16,145	23,219
Total Current Liabilities	9,595	2,400	61,337	73,332
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	--	7,425	7,425
Compensated Absences	--	--	884	884
Net Pension Liability	17,488	--	487,678	505,166
Total Liabilities	27,083	2,400	557,324	586,807
DEFERRED INFLOWS OF RESOURCES				
Pension	3,138	--	--	3,138
Total Deferred Inflows of Resources	3,138	--	--	3,138
NET POSITION				
Net Investment in Capital Assets	1,512,739	1,840,772	1,239,036	4,592,547
<i>Unrestricted</i>	307,204	893,478	(48,507)	1,152,175
Total Net Position	\$ 1,819,943	\$ 2,734,250	\$ 1,190,529	\$ 5,744,722

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Boyne City
Combining Statement of Activities
Component Units
For the Year ending April 30, 2017

	Downtown Development Authority	Local Development Finance Authority	Boyne City Housing Commission 9/30/2016	Total Component Units
Expenses				
Health and Welfare	\$ --	\$ --	\$ 672,061	\$ 672,061
Community and Economic Development	782,500	45,533	--	828,033
Depreciation Expense	128,009	61,793	79,615	269,417
Interest Expense	518	--	633	1,151
Total Expenses	<u>911,027</u>	<u>107,326</u>	<u>752,309</u>	<u>1,770,662</u>
Program Revenues				
Charges for Services	102,997	--	284,404	387,401
Operating Grants and Contributions	525,780	--	469,701	995,481
Capital Grants and Contributions	--	--	72,934	72,934
Total Program Revenues	<u>628,777</u>	<u>--</u>	<u>827,039</u>	<u>1,455,816</u>
Net Program Revenues (Expenses)	<u>(282,250)</u>	<u>(107,326)</u>	<u>74,730</u>	<u>(314,846)</u>
General Revenue				
Property Taxes	288,975	144,232	--	433,207
Interest and Rentals	--	--	103	103
Total General Revenues	<u>288,975</u>	<u>144,232</u>	<u>103</u>	<u>433,310</u>
Change in Net Position	6,725	36,906	74,833	118,464
<i>Net Position at Beginning of Period</i>	1,813,218	2,697,344	1,115,696	5,626,258
Net Position at End of Period	<u>\$ 1,819,943</u>	<u>\$ 2,734,250</u>	<u>\$ 1,190,529</u>	<u>\$ 5,744,722</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

City of Boyne City

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Boyne City (the “City” or primary government) have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the City’s accounting policies are described below.

Reporting Entity

The financial statements of the reporting entity include those of the City and its component units as required by generally accepted accounting principles.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The component units discussed below are included in the City’s reporting entity as discretely presented component units because of the significance of their operational or financial relationships with the City. These component units are reported in a separate column to emphasize that they are legally separate from the City. A combining statement of net position and statement of activities for these discretely presented component units are included as part of the basic financial statements.

Discretely Presented Component Units

The ***Downtown Development Authority*** (the “DDA”) is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing board of the DDA are appointed by the City Commission. The budgets and expenditures of the DDA must be approved by the City Commission. The City also has the ability to significantly influence operations of the DDA. Complete financial statements for this component unit are not prepared.

The ***Local Development Finance Authority*** (the “LDFA”) is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing board of the LDFA are appointed by the City Commission. The budgets and expenditures of the LDFA must be approved by the City Commission. The City also has the ability to significantly influence operations of the LDFA. Complete financial statements for this component unit are not prepared.

The ***Boyne City Housing Commission*** (the “Commission”) is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing board of the Commission are appointed by the City Commission. The budgets and expenditures of the Commission must be approved by the City Commission. The City also has the ability to significantly influence operations of the Commission. The Commission has a September 30 year

City of Boyne City

Notes to the Financial Statements

end. The component unit is audited separately from the City and complete financial statements may be obtained from the Housing Commission's administrative office at 829 South Park Street, Boyne City, Michigan 49712. Accordingly, the City has elected to omit substantially all note disclosures related to the Commission in these financial statements.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis 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, except for agency funds which do not have a measurement focus. Revenues are 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 revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual

City of Boyne City

Notes to the Financial Statements

accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Boyne City reports the following major governmental funds:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***major streets fund*** accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primary through state sources.

The ***ambulance fund*** accounts for the activity of the ambulance services. Funding is primarily from charges for services.

The ***city facilities construction fund*** accounts for capital project activity of the City facility construction projections.

The City reports the following major proprietary funds:

The ***sewer fund*** accounts for the activities of the City's sewage collection system.

The ***water fund*** accounts for the activities of the City's water distribution system.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Internal service funds account for shared services and equipment usage provided to the City departments and funds on a cost reimbursement basis. The City's internal service fund accounts for the operations within its motor pool.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting.

City of Boyne City

Notes to the Financial Statements

These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Budgetary and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Commission, by resolution, adopts a budget for the next fiscal year no later than the third week in April of each year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City shall appropriate the money needed for municipal purposes during the next fiscal year of the City and shall provide for a levy of the amount necessary to be raised by taxes upon real and personal property.
4. Budgetary control is exercised at the functional level, which is the level at which expenditures may not legally exceed appropriations. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the City Commission. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
5. The budget and approved appropriations lapse at the end of the fiscal year.
6. The City does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

City of Boyne City

Notes to the Financial Statements

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and City policy authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through March, 1997.

Restricted Cash

Restricted cash consists of bond reserve and bond interest to maintain the City's debt requirements in the water and sewer fund.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

City of Boyne City

Notes to the Financial Statements

The ambulance fund receivables are shown net of an allowance for uncollectable accounts. It is composed of expected Medicaid and Medicare write-offs and accounts receivable older than 120 days, which are estimated to be \$45,324 as of year-end.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

Inventories are stated at the lower of cost or market; cost is determined by the first-in, first-out method. Inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water system and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

	<u>Years</u>
Vehicles and Equipment	5 - 20
Furniture and Fixtures	5 - 10
Land Improvements	10 - 40
Public Domain Infrastructure	20
Buildings and Improvements	20 - 50
Water and Sewer Infrastructure	20 - 50

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation time benefits, subject to certain limitations. All sick and vacation time is accumulated up to a maximum of 720 hours and upon retirement the employee will receive for sick time an amount based on the number of years of service multiplied by 1.5%. Vacation time will be paid in full. The liability for

City of Boyne City

Notes to the Financial Statements

these amounts is included in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City reports pension related deferred inflows. The government-wide statements and proprietary funds report deferred outflows from the difference between expected and actual experience. The deferred inflows related to pension are explained in Note 7.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports pension related deferred outflows. The government-wide statements and proprietary funds report deferred outflows from the difference between excess investment returns of the pension plan as well as City contributions made after the measurement date of the net pension liability. The deferred outflows related to pension are explained in Note 7.

City of Boyne City

Notes to the Financial Statements

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the government that can, by adoption of a resolution or majority vote prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution or majority vote remains in place until a similar action is taken (the adoption of another resolution or majority vote) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City

City of Boyne City

Notes to the Financial Statements

Commission is authorized to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Commission. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

Property Tax Revenue Recognition

The City property tax is levied on July 1 on the taxable valuation of property located in the City as of the preceding December 31. The billings are due on or before August 31, after which time the bill becomes delinquent and penalties and interest may be assessed by the City; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Charlevoix County.

It is the City's policy to recognize revenues in the current year when they are levied and made available for the financing of City operations. The City considers property taxes levied on July 1 to be revenues of the current period.

Pension

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

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

City of Boyne City

Notes to the Financial Statements

Subsequent Events

Subsequent events have been evaluated through October 27, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the City.

Note 2 - Excess of Expenditures Over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The City incurred the following expenditures in certain budgetary funds which were in excess of the amounts appropriated during the year ended April 30, 2017.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
General Fund			
Assessment / Taxes	\$ 63,300	\$ 64,359	\$ (1,059)
Other General Government	87,872	100,567	(12,695)
Parks and Recreation	348,321	350,884	(2,563)
Ambulance			
Health and Welfare	902,083	945,481	(43,398)
Major Streets			
Winter Maintenance	145,500	153,041	(7,541)
Local Streets			
Winter Maintenance	128,610	144,686	(16,076)
Boyne Thunder			
Recreation and Culture	292,059	336,668	(44,609)
Marina			
Recreation and Culture	109,941	114,086	(4,145)

Government-wide and Governmental Fund Deficits

The City has an unrestricted net position deficit in its governmental activities in the amount of \$2,660,193 and the local streets fund has an unrestricted fund balance of \$223,119 as of April 30, 2017.

City of Boyne City

Notes to the Financial Statements

Note 3 - Cash and Cash Equivalents

Following is a reconciliation of deposit balances as of April 30, 2017:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and Cash Equivalents	\$ 9,478,741	\$ 1,560,967	\$ 11,039,708
Restricted Cash	534,183	-	534,183
Statement of Fiduciary Net Position			
Cash and Cash Equivalents	14,934	-	14,934
Total Deposits and Investments	10,027,858	1,560,967	11,588,825
Less Component Units Separately Audited			
Boyne City Housing Commission	-	(336,871)	(336,871)
Deposits Managed by the City Treasurer	\$ 10,027,858	\$ 1,224,096	\$ 11,251,954
Deposits and Investments			
			\$ 9,482,131
			1,769,423
			400
			\$ 11,251,954

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$9,387,200 of the City's bank balance of \$11,432,283 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the

City of Boyne City

Notes to the Financial Statements

maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City'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. All certificates of deposits of \$1,769,423 are due within one year.

Note 4 - Capital Assets

Capital asset activity for governmental activities during the year was as follows:

Governmental Activities	April 30, 2016	Additions	Reductions	Transfers	April 30, 2017
Capital Assets not Being Depreciated					
Land	\$ 964,470	\$ -	\$ -	\$ -	\$ 964,470
Construction in Progress	675,376	4,622,522	25,995	(115,249)	5,156,654
<i>Total Capital Assets not Being Depreciated</i>	<u>1,639,846</u>	<u>4,622,522</u>	<u>25,995</u>	<u>(115,249)</u>	<u>6,121,124</u>
Capital Assets Being Depreciated					
Land Improvements	1,673,388	-	-	-	1,673,388
Infrastructure	9,302,727	117,948	-	115,249	9,535,924
Buildings and Improvements	3,312,866	77,887	339,990	-	3,050,763
Vehicles and Equipment	2,406,817	16,311	52,139	-	2,370,989
Furniture and Fixtures	154,740	-	34,097	-	120,643
<i>Total Capital Assets Being Depreciated</i>	<u>16,850,538</u>	<u>212,146</u>	<u>426,226</u>	<u>115,249</u>	<u>16,751,707</u>
Less Accumulated Depreciation					
Land Improvements	1,260,780	37,063	-	-	1,297,843
Infrastructure	2,435,044	557,455	-	-	2,992,499
Buildings and Improvements	1,093,014	80,222	213,163	-	960,073
Vehicles and Equipment	1,475,724	155,767	45,860	-	1,585,631
Furniture and Fixtures	140,062	2,820	34,097	-	108,785
<i>Total Accumulated Depreciation</i>	<u>6,404,624</u>	<u>833,327</u>	<u>293,120</u>	<u>-</u>	<u>6,944,831</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>10,445,914</u>	<u>(621,181)</u>	<u>133,106</u>	<u>115,249</u>	<u>9,806,876</u>
Internal Service Fund					
Motor Pool Assets	925,587	(84,541)	-	-	841,046
<i>Total Capital Assets, Governmental Activities</i>	<u>\$ 13,011,347</u>	<u>\$ 3,916,800</u>	<u>\$ 159,101</u>	<u>\$ -</u>	<u>\$ 16,769,046</u>
Internal Service Fund	April 30, 2016	Additions	Reductions	Transfers	April 30, 2017
Capital Assets Being Depreciated					
Buildings and Improvements	\$ 552,600	\$ -	\$ -	\$ -	\$ 552,600
Vehicles and Equipment	1,604,048	22,844	272,173	-	1,354,719
<i>Total Capital Assets Being Depreciated</i>	<u>2,156,648</u>	<u>22,844</u>	<u>272,173</u>	<u>-</u>	<u>1,907,319</u>
Less Accumulated Depreciation					
Buildings and Improvements	5,756	13,815	-	-	19,571
Vehicles and Equipment	1,225,305	93,570	272,173	-	1,046,702
<i>Total Accumulated Depreciation</i>	<u>1,231,061</u>	<u>107,385</u>	<u>272,173</u>	<u>-</u>	<u>1,066,273</u>
<i>Total Capital Assets, ISF</i>	<u>\$ 925,587</u>	<u>\$ (84,541)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,046</u>

City of Boyne City

Notes to the Financial Statements

Capital asset activity for business-type activities during the year was as follows:

Business-type Activities	<u>April 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>April 30, 2017</u>
Capital Assets Being Depreciated					
Water System	\$ 7,029,845	\$ -	\$ -	\$ -	\$ 7,029,845
Sewer System	13,437,266	-	-	-	13,437,266
Vehicles and Equipment	513,555	-	-	-	513,555
<i>Total Capital Assets Being Depreciated</i>	<u>20,980,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,980,666</u>
Less Accumulated Depreciation					
Water System	4,921,314	240,066	-	-	5,161,380
Sewer System	3,952,203	273,409	-	-	4,225,612
Vehicles and Equipment	301,407	37,705	-	-	339,112
<i>Total Accumulated Depreciation</i>	<u>9,174,924</u>	<u>551,180</u>	<u>-</u>	<u>-</u>	<u>9,726,104</u>
Total Capital Assets, Business-type Activities	<u>\$ 11,805,742</u>	<u>\$ (551,180)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,254,562</u>

Capital asset activity for the DDA and LDFA (component units) during the year was as follows:

Downtown Development Authority	<u>April 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>April 30, 2017</u>
Capital Assets Being Depreciated					
Infrastructure	\$ 2,837,193	\$ 21,000	\$ -	\$ -	\$ 2,858,193
Less Accumulated Depreciation					
Infrastructure	1,210,371	128,009	-	-	1,338,380
Total Capital Assets, DDA	<u>\$ 1,626,822</u>	<u>\$ (107,009)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,519,813</u>
Local Development Finance Authority	<u>April 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>April 30, 2017</u>
Capital Assets not Being Depreciated					
Land	\$ 291,419	\$ -	\$ -	\$ -	\$ 291,419
Capital Assets Being Depreciated					
Infrastructure	2,390,812	-	-	-	2,390,812
Less Accumulated Depreciation					
Infrastructure	779,666	61,793	-	-	841,459
Capital Assets Being Depreciated, Net	<u>1,611,146</u>	<u>(61,793)</u>	<u>-</u>	<u>-</u>	<u>1,549,353</u>
Total Capital Assets, LDFA	<u>\$ 1,902,565</u>	<u>\$ (61,793)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,840,772</u>

Additional information about the Boyne City Housing Commission's (a component unit) capital asset activity can be found in its separately issued financial statements.

City of Boyne City

Notes to the Financial Statements

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

Governmental Activities		
General Government	\$	35,828
Public Safety		91,054
Public Works		604,259
Health and Welfare		71,597
Recreation and Culture		30,589
Depreciation Charged to the Internal Service Fund		107,385
<i>Total Governmental Activities</i>	\$	940,712
Business-type Activities		
Sewer Fund	\$	306,298
Water Fund		244,882
<i>Total Business-type Activities</i>	\$	551,180
Component Units		
Downtown Development Authority	\$	128,009
Local Development Finance Authority		61,793
<i>Total Component Units</i>	\$	189,802

Note 5 - Interfund Balances & Interfund Transfers

As of April 30, 2017, the interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Street	General Fund	\$ 995
Local Streets	Major Streets	1,702
Local Streets	General Fund	995
General Fund	Local Streets	245,505

Interfund balances resulted primarily 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.

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for 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 to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Boyne City

Notes to the Financial Statements

The following transfers occurred between funds of the City for the current year:

Transfer In	Transfer Out	Amount
Ambulance Fund	General Fund	\$ 149,482
Major Streets	General Fund	7,416
Local Streets	General Fund	163,248
Fire	General Fund	63,000
City Facilities Construction Fund	Fire	350,000
City Facilities Debt Fund	City Facilities Construction Fund	76,847

Note 6 - Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended April 30, 2017:

Governmental Activities	Balance at April 30, 2016	Additions	Deletions	Balance at April 30, 2017	Due Within One Year
Series 2016, \$7,000,000 unlimited tax general obligation bonds, used for construction of new City hall, maturing serially in 2036 with annual installments ranging from \$100,000 to \$500,000 and bearing interest at rates of 2.00% to 3.25%	\$ 7,000,000	\$ -	\$ 100,000	\$ 6,900,000	\$ 220,000
Bond Premium	171,361	-	8,160	163,201	-
Governmental Compensated Absences	143,487	95,688	82,081	157,094	84,831
Governmental OPEB Obligation	43,625	13,247	-	56,872	-
Total Governmental Activities	\$ 7,358,473	\$ 108,935	\$ 190,241	\$ 7,277,167	\$ 304,831
Business-type Activities	Balance at April 30, 2016	Additions	Deletions	Balance at April 30, 2017	Due Within One Year
Series 2003, \$1,785,000 water supply and sewage disposal system revenue bonds, maturing serially in 2023 with annual installments ranging from \$70,000 to \$110,000 and bearing interest at 2.50%	\$ 725,000	\$ -	\$ 95,000	\$ 630,000	\$ 100,000
Series 2004, \$8,363,091 water supply and sewage disposal system revenue bonds, maturing serially in 2026 with annual installments ranging from \$340,000 to \$510,000 and bearing interest at 2.13%	4,608,091	-	420,000	4,188,091	430,000
Business-type Compensated Absences	21,772	5,206	17,098	9,880	5,336
Total Business-type Activities	\$ 5,354,863	\$ 5,206	\$ 532,098	\$ 4,827,971	\$ 535,336

Compensated absences will be paid from the general fund. There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the general fund. The OPEB obligation will also be paid from the general fund.

Boyne Mountain reimburses the wastewater fund for 43.5% of the Series 2004 Water Supply & Sewage Disposal System Revenue Bonds debt service payments.

City of Boyne City

Notes to the Financial Statements

The following is a summary of long-term debt activity of the City's component units for the year ended April 30, 2017:

Component Units	Balance at April 30, 2016	Additions	Deletions	Balance at April 30, 2017	Due Within One Year
DDA - 2008 note payable for improvement projects, maturing serially in 2018 with annual amounts of \$7,300 and bearing interest at 4.25%	\$ 13,857	\$ -	\$ 6,783	\$ 7,074	\$ 7,074
Housing Commission - Lease purchase agreement, maturing in 2018 and bearing interest at 3.375%	9,493	-	3,722	5,771	3,852
Housing Commission - Lease purchase agreement, maturing in 2018 and bearing interest at 1.625%	29,891	-	12,092	17,799	12,293
Compensated Absences	2,804	1,038	1,920	1,922	1,038
Total Long-term Obligations, Component Units	\$ 56,045	\$ 1,038	\$ 24,517	\$ 32,566	\$ 24,257

Annual debt service requirements, exclusive of compensated absences and OPEB obligations, to maturity are as follows:

Year Ending April 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 220,000	\$ 183,338	\$ 403,338	\$ 530,000	\$ 104,747	\$ 634,747
2019	240,000	178,738	418,738	540,000	93,109	633,109
2020	265,000	173,688	438,688	555,000	81,259	636,259
2021	280,000	168,238	448,238	565,000	69,072	634,072
2022	290,000	162,538	452,538	580,000	56,672	636,672
2023-2027	1,640,000	711,019	2,351,019	2,048,091	105,969	2,154,060
2028-2032	2,025,000	457,350	2,482,350	-	-	-
2033-2037	1,940,000	124,438	2,064,438	-	-	-
Totals	\$ 6,900,000	\$ 2,159,344	\$ 9,059,344	\$ 4,818,091	\$ 510,829	\$ 5,328,920

Note 7 - Defined Benefit Pension Plan

Plan Description

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

City of Boyne City

Notes to the Financial Statements

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General - Closed	2.50%	80%	5	60	55/25	50/25 or 55/15	10
Police / Fire	2.50%	80%	5	60	50/25	55/15	10
AFSCME - Closed	2.50%	80%	5	60	55/25	50/25 or 55/15	10

Employees Covered by Benefit Terms

At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	35
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>14</u>
Total employees covered by MERS	<u><u>54</u></u>

Contributions

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

For the year ended April 30, 2017, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
General - Closed	4.70%	\$10,403 / month
Police / Fire	4.70%	11.35%
AFSCME - Closed	4.70%	\$9,298 / month

Net Pension Liability

The net pension liability reported at April 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of December 31, 2016.

City of Boyne City

Notes to the Financial Statements

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment expense, including inflation

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be

City of Boyne City

Notes to the Financial Statements

made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in Net Pension Liability	Increase (Decrease)		Net Pension Liability
	Total Pension Liability	Plan Net Position	
Balance at December 31, 2015	\$ 9,463,412	\$ 6,092,198	\$ 3,371,214
Service cost	92,362	-	92,362
Interest	738,755	-	738,755
Difference between expected and actual experience	(855,523)	-	(855,523)
Changes in assumptions	-	-	-
Contributions - Employer	-	252,664	(252,664)
Contributions - Employee	-	40,067	(40,067)
Net investment income	-	683,914	(683,914)
Benefit payments, including refunds	(550,319)	(550,319)	-
Administrative expenses	-	(13,509)	13,509
Net changes	<u>(574,725)</u>	<u>412,817</u>	<u>(987,542)</u>
Balance at December 31, 2016	<u>\$ 8,888,687</u>	<u>\$ 6,505,015</u>	<u>\$ 2,383,672</u>

The net pension liability was allocated to governmental activities (\$2,122,211), business-type activities (\$243,973), and the Downtown Development Authority (component unit, \$17,488).

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease	Current	1% Increase
	(7.00%)	Discount Rate (8.00%)	(9.00%)
Net pension liability of the City	<u>\$ 3,286,399</u>	<u>\$ 2,383,672</u>	<u>\$ 1,611,671</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

City of Boyne City

Notes to the Financial Statements

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

For the year ended April 30, 2017 the City recognized pension expense of \$352,210.

The City reported deferred outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 427,762
Excess (deficit) investment returns	203,193	-
* Employer contributions to the plan subsequent to the measurement date	87,494	-
Total	\$ 290,687	\$ 427,762

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending April 30, 2018.

The deferred outflows were allocated to governmental activities (\$258,803), business-type activities (\$29,752), and the Downtown Development Authority (component unit, \$2,132). Additionally, the deferred inflows were allocated to governmental activities (\$380,841), business-type activities (\$43,782), and the Downtown Development Authority (component unit, \$3,139).

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

Years Ending	Amount
March 31	
2018	\$ (258,711)
2019	81,557
2020	81,557
2021	(41,478)

Additional information about the Boyne City Housing Commission's (a separately audited component unit) defined benefit pension plan can be found in its separately issued financial statements.

City of Boyne City

Notes to the Financial Statements

Note 8 - Other Postemployment Benefits

Plan Description

The City of Boyne City administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 7, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with City policy, certain individuals and their beneficiaries receive medical, dental, prescription, and eyeglass coverage for varying periods of timing, depending on bargaining unit and years of service. As of April 30, 2017, the date of the last plan valuation, the Plan covered 33 members (26 active plan members and 7 retirees receiving benefits).

Funding policy

The City is required to contribute at an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The City 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 City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual Required Contribution	\$ 40,071
Interest on Net OPEB Obligation	729
Annual OPEB Cost (Expense)	40,800
Less: Contributions Made	27,553
<i>Increase in OPEB Obligation</i>	13,247
<i>Net OPEB Obligation - Beginning</i>	<u>43,625</u>
<i>Net OPEB Obligation - Ending</i>	<u>\$ 56,872</u>

City of Boyne City

Notes to the Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the previous years were as follows:

	Fiscal Year Ended April 30,		
	2017	2016	2015
Annual Required Contribution	\$ 40,071	\$ 39,479	\$ 38,195
Percentage of OPEB Cost Contributed	68%	63%	75%
Net OPEB Obligation	\$ 56,872	\$ 43,625	\$ 29,126

Funded Status and Funding Progress

As of April 30, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$460,827, all of which was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was not available and the ratio of the UAAL to the covered payroll was unknown as well.

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.

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 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 55.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

City of Boyne City

Notes to the Financial Statements

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 the City's management. A flat cost was used in these valuations as the total annual cost has been capped by management.

Health insurance premiums - 2016 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 3.3 percent 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 City's short-term investment portfolio, a discount rate of 2.50 percent 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 payrolls on an open basis. The remaining amortization period at April 30, 2017 was 24 years.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Claims have not exceeded annual premiums during any of the prior three fiscal years.

Note 10 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the City (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the City. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for

City of Boyne City

Notes to the Financial Statements

a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended April 30, 2017, the City's property taxes were reduced by \$47,387 under this program.

Note 11 - Fund Balances - Governmental Funds

The City reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

	<u>General Fund</u>	<u>Ambulance</u>	<u>City Facilities Construction Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable					
Prepaid Items	\$ 34,812	\$ 1,255	\$ -	\$ 5,331	\$ 41,398
Inventories	-	-	-	13,096	13,096
Total Nonspendable	<u>34,812</u>	<u>1,255</u>	<u>-</u>	<u>18,427</u>	<u>54,494</u>
Restricted for:					
Streets	-	-	-	126,956	126,956
Unspent Bond Proceeds	-	-	2,757,969	-	2,757,969
Health and Welfare	-	140,339	-	206,291	346,630
Public Safety	-	-	-	418,907	418,907
Public Works	-	-	-	32,400	32,400
	<u>-</u>	<u>140,339</u>	<u>2,757,969</u>	<u>784,554</u>	<u>3,682,862</u>
Assigned for:					
Cemetery	13,148	-	-	-	13,148
Creative Playground	14,587	-	-	-	14,587
Farmers Market	25,441	-	-	-	25,441
Debt Service	-	-	-	7,655	7,655
Total Assigned	<u>53,176</u>	<u>-</u>	<u>-</u>	<u>7,655</u>	<u>60,831</u>
Unassigned	<u>2,241,764</u>	<u>-</u>	<u>-</u>	<u>(223,119)</u>	<u>2,018,645</u>
Total Fund Balances - Governmental Funds	<u>\$ 2,329,752</u>	<u>\$ 281,933</u>	<u>\$ 2,757,969</u>	<u>\$ 587,517</u>	<u>\$ 5,816,832</u>

Note 13 - Commitment

As of April 30, 2017, the City has \$2,757,969 committed to various contractors to complete the construction of the new City hall facility.

City of Boyne City

Notes to the Financial Statements

Note 14 - Net Investment of Capital Assets

The following is a reconciliation of the City's net investment in capital assets:

	Governmental Activities	Internal Service Fund	Business-type Activities
Total Capital Assets as of April 30, 2017	\$ 16,769,046	\$ 841,046	\$ 11,254,562
Plus: Unspent bond proceeds	2,757,969	-	-
Less: Outstanding capital-related debt as of year-end	(7,063,201)	-	(4,818,091)
Net Investment in Capital Assets as of April 30, 2017	<u>\$ 12,463,814</u>	<u>\$ 841,046</u>	<u>\$ 6,436,471</u>

Required Supplementary Information

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year ending Ended April 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Tax Revenues	\$ 2,731,927	\$ 2,934,940	\$ 2,891,797	\$ (43,143)
Licenses and Permits	6,400	7,197	7,197	--
Intergovernmental Revenues	350,981	482,550	548,358	65,808
Charges for Services	416,180	372,445	353,806	(18,639)
Fines and Forfeitures	7,700	5,300	5,769	469
Other Revenues	80,082	131,420	122,877	(8,543)
Interest	10,100	7,100	7,276	176
Total Revenues	<u>3,603,370</u>	<u>3,940,952</u>	<u>3,937,080</u>	<u>(3,872)</u>
Other Financing Sources				
Transfers In	14,749	--	--	--
Total Revenues and Other Financing Sources	<u>3,618,119</u>	<u>3,940,952</u>	<u>3,937,080</u>	<u>(3,872)</u>
Expenditures				
Legislative Services	19,895	18,858	19,082	(224)
General Government				
General Services	616,590	635,408	632,284	3,124
Elections	3,300	2,890	2,890	--
Accounting / Audit	13,000	13,370	13,370	--
Assessment / Taxes	68,300	63,300	64,359	(1,059)
Legal	65,000	30,000	17,374	12,626
Public Buildings	176,839	224,784	138,483	86,301
Other General Government	85,000	87,872	100,567	(12,695)
Cemetery	54,489	41,587	40,000	1,587
Total General Government	<u>1,082,518</u>	<u>1,099,211</u>	<u>1,009,327</u>	<u>89,884</u>
Public Safety - Police Department	696,530	648,912	643,760	5,152
Health and Welfare - Environmental	2,035	--	--	--
Public Works				
Rubbish Collection	39,500	46,782	46,782	--
Sidewalk Construction	102,698	102,698	27,534	75,164
Total Public Works	<u>142,198</u>	<u>149,480</u>	<u>74,316</u>	<u>75,164</u>
Community and Economic Development				
Planning	185,921	182,110	179,615	2,495
Housing	--	102,768	102,783	(15)
Total Community and Economic Development	<u>185,921</u>	<u>284,878</u>	<u>282,398</u>	<u>2,480</u>
Recreation and Culture				
Parks and Recreation	398,385	348,321	350,884	(2,563)
Museum	10,000	10,015	8,771	1,244
Total Recreation and Culture	<u>408,385</u>	<u>358,336</u>	<u>359,655</u>	<u>(1,319)</u>
Other Functions - Contingency	40,927	51,526	40,691	10,835
Capital Outlay	206,103	304,990	305,803	(813)
Total Expenditures	<u>2,784,512</u>	<u>2,916,191</u>	<u>2,735,032</u>	<u>181,159</u>
Other Financing Uses				
Transfers Out	833,607	641,219	383,146	258,073
Total Expenditures and Other Financing Uses	<u>3,618,119</u>	<u>3,557,410</u>	<u>3,118,178</u>	<u>439,232</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	383,542	818,902	435,360
Net Change in Fund Balance	--	383,542	818,902	435,360
Fund Balance at Beginning of Period	1,510,850	1,510,850	1,510,850	--
Fund Balance at End of Period	<u>\$ 1,510,850</u>	<u>\$ 1,894,392</u>	<u>\$ 2,329,752</u>	<u>\$ 435,360</u>

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Ambulance
For the Year ending Ended April 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Charges for Services	\$ 885,985	\$ 854,932	\$ 755,020	\$ (99,912)
Other Revenues	2,000	636	696	60
Total Revenues	<u>887,985</u>	<u>855,568</u>	<u>755,716</u>	<u>(99,852)</u>
Other Financing Sources				
Transfers In	79,180	116,615	149,482	32,867
Total Revenues and Other Financing Sources	<u>967,165</u>	<u>972,183</u>	<u>905,198</u>	<u>(66,985)</u>
Expenditures				
Capital Outlay	61,975	--	--	--
Health & Welfare	905,190	902,083	945,481	(43,398)
Total Expenditures	<u>967,165</u>	<u>902,083</u>	<u>945,481</u>	<u>(43,398)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>--</u>	<u>70,100</u>	<u>(40,283)</u>	<u>(110,383)</u>
Net Change in Fund Balance	<u>--</u>	<u>70,100</u>	<u>(40,283)</u>	<u>(110,383)</u>
<i>Fund Balance at Beginning of Period</i>	181,877	181,877	181,877	--
Fund Balance at End of Period	<u>\$ 181,877</u>	<u>\$ 251,977</u>	<u>\$ 141,594</u>	<u>\$ (110,383)</u>

City of Boyne City
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Fiscal Year (Schedule is built prospectively upon implementation of GASB 68)

	2016	2015
Total Pension Liability		
Service Cost	\$ 92,362	\$ 106,360
Interest	738,755	679,506
Differences Between Expected & Actual Experience	(855,523)	340,288
Changes in Assumptions	-	400,488
Benefit Payments, Including Refunds	(550,319)	(492,966)
Net Change in Pension Liability	(574,725)	1,033,676
<i>Total Pension Liability - Beginning</i>	9,463,412	8,429,736
Total Pension Liability - Ending (a)	\$ 8,888,687	\$ 9,463,412
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 252,664	\$ 222,915
Contributions - Member	40,067	46,487
Net Investment Income	683,914	(94,930)
Benefit Payments, Including Refunds	(550,319)	(492,966)
Administrative Expenses	(13,509)	(13,953)
Net Change in Plan Fiduciary Net Position	412,817	(332,447)
<i>Plan Fiduciary Net Position - Beginning</i>	6,092,198	6,424,645
Plan Fiduciary Net Position - Ending (b)	\$ 6,505,015	\$ 6,092,198
 Net Pension Liability - Ending (a) - (b)	\$ 2,383,672	\$ 3,371,214
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.18%	64.38%
 Covered Employee Payroll	\$ 809,970	\$ 951,343
 Net Pension Liability as a Percentage of Covered Employee Payroll	294.29%	354.36%

Per GASB No. 68, the required supplementary information should include 10 year fiscal history built prospectively; historical information prior to implementation of GASB No. 68 is not available.

City of Boyne City
Required Supplementary Information
Schedule of Contributions
Last 10 Fiscal Years

	2017	2016	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 252,664	\$ 222,915	\$ 213,415	\$ 214,402	\$ 184,824	\$ 185,936	\$ 168,714	\$ 153,450	\$ 170,547	\$ 161,265
Contributions in Relation to the Actuarially Determined Contribution	252,664	222,915	213,415	214,402	184,824	185,936	168,714	153,450	170,547	161,265
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	809,970	951,343	1,003,608	971,917	965,300	931,311	1,110,967	1,122,292	1,137,909	1,152,129
Contributions as a Percentage of Covered Employee Payroll	31%	23%	21%	22%	19%	20%	15%	14%	15%	14%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 16 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay
Remaining amortization period	7 - 22 Years Division Specific
Asset valuation method	10-year smoothed
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment expense, including inflation
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Group Annuity Table of a 50% male and 50% female blend

**City of Boyne City
Other Post Employment Benefits
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
2015	-	441,674	441,674	0%	N/A	N/A
2016	-	438,140	438,140	0%	N/A	N/A
2017	-	460,827	460,827	0%	N/A	N/A

Schedule of Employer Contributions

Fiscal Year Ended April 30,

	2017	2016	2015
Annual Required Contribution	\$ 40,071	\$ 39,479	\$ 38,195
Percentage of OPEB Cost Contributed	68%	63%	75%
Net OPEB Obligation	\$ 56,872	\$ 43,625	\$ 29,126

Combining and Individual Fund Statements and Schedules

City of Boyne City

Nonmajor Governmental Fund Descriptions

SPECIAL REVENUE FUNDS

Major Streets Fund - is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended which are for use on major streets. Gas and weight taxes are distributed to cities and villages in Michigan on the basis of population and the number of miles of streets.

Local Streets Fund - This fund is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended which are for use on local streets within the City. Gas and weight taxes are distributed to cities and villages in Michigan on the basis of population and the number of miles of streets.

Fire Fund - This fund records the financial activities of running the fire department. Revenues from charges for services, along with transfers in from the general fund, finance these activities.

Boyne Thunder Fund - This fund records the financial activities of running the annual Boyne Thunder event. Revenues from charges for event registration finance these activities.

Marina Fund - This fund records the financial activities of running the City Marina. Revenues from charges for services finance these activities.

Airport Fund - This fund records the financial activities of running the City Airport. Revenues from charges for services and hangar rentals finance these activities.

DEBT SERVICE FUND

City Facilities Debt Fund - This fund is used to account for resources collected from the various departments / funds benefiting from the new city facilities and the expenditures of the funds for payments of principal and interest on the underlying bonds payable used to finance the construction of the city facilities.

**City of Boyne City
Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2017**

	Special Revenue						Debt Service	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Fire	Boyne Thunder	Marina	Airport	City Facilities Debt Fund	
ASSETS								
Cash and Cash Equivalents	\$ 74,840	\$ --	\$ 203,097	\$ 224,547	\$ 208,190	\$ 29,204	\$ 7,655	\$ 747,533
Due from Other Governmental Units	55,393	21,590	--	--	--	--	--	76,983
Accounts Receivable	--	248	216,048	--	--	3,816	--	220,112
Inventories	--	--	--	--	--	13,096	--	13,096
Prepaid Items	470	470	3,450	--	314	627	--	5,331
Due from Other Funds	995	2,697	--	--	--	--	--	3,692
Total Assets	131,698	25,005	422,595	224,547	208,504	46,743	7,655	1,066,747
LIABILITIES								
Accounts Payable	\$ 585	\$ 182	\$ 238	\$ 4,477	\$ 674	\$ 419	\$ --	\$ 6,575
Payroll Liabilities	1,985	1,967	--	--	--	201	--	4,153
Customer Deposits	--	--	--	--	1,225	--	--	1,225
Unearned Revenue	--	--	--	220,070	--	--	--	220,070
Due to Other Funds	1,702	245,505	--	--	--	--	--	247,207
Total Liabilities	4,272	247,654	238	224,547	1,899	620	--	479,230
FUND BALANCE								
Nonspendable	470	470	3,450	--	314	13,723	--	18,427
Restricted	126,956	--	418,907	--	206,291	32,400	--	784,554
Assigned	--	--	--	--	--	--	7,655	7,655
Unassigned	--	(223,119)	--	--	--	--	--	(223,119)
Total Fund Balance	127,426	(222,649)	422,357	--	206,605	46,123	7,655	587,517
Total Liabilities and Fund Balance	\$ 131,698	\$ 25,005	\$ 422,595	\$ 224,547	\$ 208,504	\$ 46,743	\$ 7,655	\$ 1,066,747

City of Boyne City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year ending Ended April 30, 2017

	Special Revenue						Debt Service	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Fire	Boyne Thunder	Marina	Airport	City Facilities Debt Fund	
Revenues								
Property Taxes	\$ 81,774	\$ 81,776	\$ --	\$ --	\$ --	\$ --	\$ 238,641	\$ 402,191
Intergovernmental Revenues	437,223	153,708	--	--	--	--	--	590,931
Charges for Services	--	36,664	216,049	293,097	159,986	79,101	--	784,897
Interest and Rentals	--	--	--	--	--	23,805	--	23,805
Total Revenues	518,997	272,148	216,049	293,097	159,986	102,906	238,641	1,801,824
Expenditures								
Public Safety	--	--	179,003	--	--	--	--	179,003
Public Works	506,790	417,276	--	--	--	94,097	--	1,018,163
Recreation and Culture	--	--	--	336,668	114,086	4,037	--	454,791
Capital Outlay	--	252,646	--	--	8,717	--	--	261,363
Debt Service - Principal	--	--	--	--	--	--	100,000	100,000
Debt Service - Interest	--	--	--	--	--	--	207,833	207,833
Total Expenditures	506,790	669,922	179,003	336,668	122,803	98,134	307,833	2,221,153
Excess of Revenues Over (Under) Expenditures	12,207	(397,774)	37,046	(43,571)	37,183	4,772	(69,192)	(419,329)
Other Financing Sources (Uses)								
Transfers In	7,416	163,248	63,000	--	--	--	76,847	310,511
Transfers Out	--	--	(350,000)	--	--	--	--	(350,000)
Net Other Financing Sources (Uses)	7,416	163,248	(287,000)	--	--	--	76,847	(39,489)
Net Change in Fund Balance	19,623	(234,526)	(249,954)	(43,571)	37,183	4,772	7,655	(458,818)
<i>Fund Balance at Beginning of Period</i>	107,803	11,877	672,311	43,571	169,422	41,351	--	1,046,335
Fund Balance at End of Period	\$ 127,426	\$ (222,649)	\$ 422,357	\$ --	\$ 206,605	\$ 46,123	\$ 7,655	\$ 587,517

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year ending Ended April 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Property Tax Revenues	\$ 89,000	\$ 81,500	\$ 81,774	\$ 274
Intergovernmental Revenues	382,206	403,828	437,223	33,395
Total Revenues	<u>471,206</u>	<u>485,328</u>	<u>518,997</u>	<u>33,669</u>
Other Financing Sources				
Transfers In	63,434	7,500	7,416	(84)
Total Revenues and Other Financing Sources	<u>534,640</u>	<u>492,828</u>	<u>526,413</u>	<u>33,585</u>
Expenditures				
Construction	37,900	64,153	51,940	12,213
Routine Maintenance	255,850	244,089	204,993	39,096
Traffic Service	19,950	29,150	26,030	3,120
Winter Maintenance	143,500	145,500	153,041	(7,541)
Administration	77,440	77,403	70,786	6,617
Total Expenditures	<u>534,640</u>	<u>560,295</u>	<u>506,790</u>	<u>53,505</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>--</u>	<u>(67,467)</u>	<u>19,623</u>	<u>87,090</u>
Net Change in Fund Balance	<u>--</u>	<u>(67,467)</u>	<u>19,623</u>	<u>87,090</u>
Fund Balance at Beginning of Period	<u>107,803</u>	<u>107,803</u>	<u>107,803</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 107,803</u>	<u>\$ 40,336</u>	<u>\$ 127,426</u>	<u>\$ 87,090</u>

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the Year ending Ended April 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Property Tax Revenues	\$ 89,000	\$ 81,500	\$ 81,776	\$ 276
Intergovernmental Revenues	160,990	156,910	153,708	(3,202)
Charges for Services	--	36,417	36,664	247
Total Revenues	<u>249,990</u>	<u>274,827</u>	<u>272,148</u>	<u>(2,679)</u>
Other Financing Sources				
Transfers In	545,373	476,539	163,248	(313,291)
Total Revenues and Other Financing Sources	<u>795,363</u>	<u>751,366</u>	<u>435,396</u>	<u>(315,970)</u>
Expenditures				
Capital Outlay	254,000	254,000	252,646	1,354
Construction	17,663	9,670	8,947	723
Routine Maintenance	307,100	288,846	186,857	101,989
Traffic Service	16,400	12,250	8,527	3,723
Winter Maintenance	127,100	128,610	144,686	(16,076)
Administration	73,100	73,299	68,259	5,040
Total Expenditures	<u>795,363</u>	<u>766,675</u>	<u>669,922</u>	<u>96,753</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>--</u>	<u>(15,309)</u>	<u>(234,526)</u>	<u>(219,217)</u>
Net Change in Fund Balance	<u>--</u>	<u>(15,309)</u>	<u>(234,526)</u>	<u>(219,217)</u>
Fund Balance at Beginning of Period	<u>11,877</u>	<u>11,877</u>	<u>11,877</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 11,877</u>	<u>\$ (3,432)</u>	<u>\$ (222,649)</u>	<u>\$ (219,217)</u>

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire
For the Year ending Ended April 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Charges for Services	\$ 561,745	\$ 535,245	\$ 216,049	\$ (319,196)
Total Revenues	<u>561,745</u>	<u>535,245</u>	<u>216,049</u>	<u>(319,196)</u>
Other Financing Sources				
Transfers In	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>	<u>--</u>
Total Revenues and Other Financing Sources	<u>624,745</u>	<u>598,245</u>	<u>279,049</u>	<u>(319,196)</u>
Expenditures				
Fire	214,745	200,571	179,003	21,568
Capital Outlay	<u>60,000</u>	<u>60,000</u>	<u>--</u>	<u>60,000</u>
Total Expenditures	<u>274,745</u>	<u>260,571</u>	<u>179,003</u>	<u>81,568</u>
Other Financing Uses				
Transfers Out	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>--</u>
Total Expenditures and Other Financing Uses	<u>624,745</u>	<u>610,571</u>	<u>529,003</u>	<u>81,568</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(12,326)</u>	<u>(249,954)</u>	<u>(237,628)</u>
Net Change in Fund Balance	<u>--</u>	<u>(12,326)</u>	<u>(249,954)</u>	<u>(237,628)</u>
Fund Balance at Beginning of Period	<u>672,311</u>	<u>672,311</u>	<u>672,311</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 672,311</u>	<u>\$ 659,985</u>	<u>\$ 422,357</u>	<u>\$ (237,628)</u>

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Boyne Thunder
For the Year ending Ended April 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Administrative Service Fees	\$ 270,500	\$ 335,070	\$ 293,097	\$ (41,973)
Total Revenues	<u>270,500</u>	<u>335,070</u>	<u>293,097</u>	<u>(41,973)</u>
Expenditures				
Recreation and Culture	270,500	292,059	336,668	(44,609)
Total Expenditures	<u>270,500</u>	<u>292,059</u>	<u>336,668</u>	<u>(44,609)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	--	43,011	(43,571)	(86,582)
Net Change in Fund Balance	--	43,011	(43,571)	(86,582)
<i>Fund Balance at Beginning of Period</i>	43,571	43,571	43,571	--
Fund Balance at End of Period	<u>\$ 43,571</u>	<u>\$ 86,582</u>	<u>\$ --</u>	<u>\$ (86,582)</u>

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Marina
For the Year ending Ended April 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
State Shared Revenues	\$ 22,000	\$ --	\$ --	\$ --
Charges for Services	130,100	165,761	159,986	(5,775)
Total Revenues	<u>152,100</u>	<u>165,761</u>	<u>159,986</u>	<u>(5,775)</u>
Expenditures				
Recreation and Culture	122,100	109,941	114,086	(4,145)
Capital Outlay	30,000	9,000	8,717	283
Total Expenditures	<u>152,100</u>	<u>118,941</u>	<u>122,803</u>	<u>(3,862)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	--	46,820	37,183	(9,637)
Net Change in Fund Balance	--	46,820	37,183	(9,637)
<i>Fund Balance at Beginning of Period</i>	169,422	169,422	169,422	--
Fund Balance at End of Period	<u>\$ 169,422</u>	<u>\$ 216,242</u>	<u>\$ 206,605</u>	<u>\$ (9,637)</u>

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Airport
For the Year ending Ended April 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Charges for Services	\$ 79,375	\$ 79,765	\$ 79,101	\$ (664)
Interest	22,000	22,000	23,805	1,805
Total Revenues	<u>101,375</u>	<u>101,765</u>	<u>102,906</u>	<u>1,141</u>
Other Financing Sources				
Transfers In	15,000	15,000	--	(15,000)
Total Revenues and Other Financing Sources	<u>116,375</u>	<u>116,765</u>	<u>102,906</u>	<u>(13,859)</u>
Expenditures				
Public Works	110,150	100,613	94,097	6,516
Recreation and Culture	5,725	10,000	4,037	5,963
Capital Outlay	500	--	--	--
Total Expenditures	<u>116,375</u>	<u>110,613</u>	<u>98,134</u>	<u>12,479</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>--</u>	<u>6,152</u>	<u>4,772</u>	<u>(1,380)</u>
Net Change in Fund Balance	<u>--</u>	<u>6,152</u>	<u>4,772</u>	<u>(1,380)</u>
Fund Balance at Beginning of Period	<u>41,351</u>	<u>41,351</u>	<u>41,351</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 41,351</u>	<u>\$ 47,503</u>	<u>\$ 46,123</u>	<u>\$ (1,380)</u>

City of Boyne City

Agency Fund Descriptions

AGENCY FUNDS

Trust & Agency Fund - This fund is used to account for short-term custodial collections on resources on behalf of another individual, entity, or government.

Current Tax Collection Fund - This fund is used to record the receipt and transfers of property taxes collected by the City on behalf of the state, county, school districts, and other governments.

City of Boyne City
Combining Statement of Fiduciary Net Position
Fiduciary Funds
April 30, 2017

	Agency		
	Trust & Agency	Current Tax Collection	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 14,834	\$ 100	\$ 14,934
<i>Total Assets</i>	14,834	100	14,934
LIABILITIES			
Due to Other Governmental Units	14,834	100	14,934
<i>Total Liabilities</i>	\$ 14,834	\$ 100	\$ 14,934

City of Boyne City
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended April 30, 2017

Trust & Agency

	<u>April 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>April 30, 2017</u>
ASSETS				
Cash and Cash Equivalents	\$ 14,482	\$ 56,167	\$ 55,815	\$ 14,834
<i>Total Assets</i>	<u>14,482</u>	<u>56,167</u>	<u>55,815</u>	<u>14,834</u>
LIABILITIES				
Due to Other Governmental Units	14,482	56,167	55,815	14,834
<i>Total Liabilities</i>	<u>\$ 14,482</u>	<u>\$ 56,167</u>	<u>\$ 55,815</u>	<u>\$ 14,834</u>

Current Tax Collection

	<u>April 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>April 30, 2017</u>
ASSETS				
Cash and Cash Equivalents	\$ 100	\$ 8,602,164	\$ 8,602,164	\$ 100
<i>Total Assets</i>	<u>100</u>	<u>8,602,164</u>	<u>8,602,164</u>	<u>100</u>
LIABILITIES				
Due to Other Governmental Units	100	8,602,164	8,602,164	100
<i>Total Liabilities</i>	<u>\$ 100</u>	<u>\$ 8,602,164</u>	<u>\$ 8,602,164</u>	<u>\$ 100</u>

Total Agency Funds

	<u>April 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>April 30, 2017</u>
ASSETS				
Cash and Cash Equivalents	\$ 14,582	\$ 8,658,331	\$ 8,657,979	\$ 14,934
<i>Total Assets</i>	<u>14,582</u>	<u>8,658,331</u>	<u>8,657,979</u>	<u>14,934</u>
LIABILITIES				
Due to Other Governmental Units	14,582	8,658,331	8,657,979	14,934
<i>Total Liabilities</i>	<u>\$ 14,582</u>	<u>\$ 8,658,331</u>	<u>\$ 8,657,979</u>	<u>\$ 14,934</u>

City of Boyne City

Component Unit Fund Descriptions

COMPONENT UNITS

Downtown Development Authority - This fund is designed to assist in the economic growth of the central business district. Recaptured property taxes are the primary source of income for the DDA.

Local Development Finance Authority Fund - This fund was established to provide a source of revenue for the LDFA to undertake various capital and public infrastructure improvements within the LDFA district. Recaptured property taxes are the primary source of income for the LDFA.

City of Boyne City
Combining Statement of Net Position / Balance Sheet
Component Units
April 30, 2017

	Governmental Activities					
	Downtown Development Authority	Adjustments	Statement of Net Position	Local Development Finance Authority	Adjustments	Statement of Net Position
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 328,218	\$ --	\$ 328,218	\$ 895,878	\$ --	\$ 895,878
Total Current Assets	328,218	--	328,218	895,878	--	895,878
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	--	--	--	--	291,419 1	291,419
Capital Assets being Depreciated	--	1,519,813 1	1,519,813	--	1,549,353 1	1,549,353
Total Assets	328,218	1,519,813	1,848,031	895,878	1,840,772	2,736,650
DEFERRED OUTFLOWS OF RESOURCES						
Pension	--	2,133 3	2,133	--	--	--
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	1,507	--	1,507	2,400	--	2,400
Payroll Liabilities	1,014	--	1,014	--	--	--
Current Portion of Long-term Debt	--	7,074 2	7,074	--	--	--
Total Current Liabilities	2,521	7,074	9,595	2,400	--	2,400
<i>Noncurrent Liabilities</i>						
Net Pension Liability	--	17,488 3	17,488	--	--	--
Total Liabilities	2,521	24,562	27,083	2,400	--	2,400
DEFERRED INFLWOS OF RESOURCES						
Pension	--	3,138 3	3,138	--	--	--
NET POSITION / FUND BALANCE						
Net Investment in Capital Assets	--	1,512,739	1,512,739	--	1,840,772	1,840,772
Unassigned / Unrestricted	325,697	(18,493)	307,204	893,478	--	893,478
Total Net Position / Fund Balance	\$ 325,697	\$ 1,512,739	\$ 1,819,943	\$ 893,478	\$ 1,840,772	\$ 2,734,250

1 General government capital assets net of accumulated depreciation are not financial resources, and accordingly are not reported in the funds.

2 Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

3 The City's net pension liability and deferred outflows of resources related to its participation in the MERS defined benefit pension plan are not recorded in the governmental funds but are recorded in the statement of net position.

City of Boyne City
Combining Statement of Activities / Statement of Revenues, Expenses and Changes in Fund Balance
Component Units
For the Year Ended April 30, 2017

Governmental Activities

	Downtown Development		Statement of Activities	Local Development Finance		Statement of Activities
	Authority	Adjustments		Authority	Adjustments	
Expenses						
Community & Economic Development	\$ 818,525	\$ (36,025)	1 \$ 782,500	\$ 45,533	\$ -	2 \$ 45,533
Debt Service - Principal	6,503	(6,503)	3 -	--	--	--
Debt Service - Interest	518	-	518	--	--	--
Depreciation Expense	--	128,009	2 128,009	-	61,793	2 61,793
Total Expenses	<u>825,546</u>	<u>121,506</u>	<u>911,027</u>	<u>45,533</u>	<u>61,793</u>	<u>107,326</u>
Program Revenues						
Charges for Services	102,997	--	102,997	--	--	--
Operating Grants and Contributions	525,780	--	525,780	--	--	--
Total Program Revenues	<u>628,777</u>	<u>--</u>	<u>628,777</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Program Revenues (Expenses)	<u>(196,769)</u>	<u>(121,506)</u>	<u>(282,250)</u>	<u>(45,533)</u>	<u>(61,793)</u>	<u>(107,326)</u>
General Revenue						
Property Taxes	288,975	--	288,975	144,232	--	144,232
Total General Revenues	<u>288,975</u>	<u>--</u>	<u>288,975</u>	<u>144,232</u>	<u>--</u>	<u>144,232</u>
Change in Net Position / Fund Balance	<u>92,206</u>	<u>(121,506)</u>	<u>6,725</u>	<u>98,699</u>	<u>(61,793)</u>	<u>36,906</u>
<i>Net Position / Fund Balance at Beginning of Period</i>	233,761	1,579,457	1,813,218	794,779	1,902,565	2,697,344
Net Position / Fund Balance at End of Period	<u>\$ 325,967</u>	<u>\$ 1,457,951</u>	<u>\$ 1,819,943</u>	<u>\$ 893,478</u>	<u>\$ 1,840,772</u>	<u>\$ 2,734,250</u>

1 Changes in the City's net pension liability and deferred outflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities.

2 Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

3 Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, long-term debt payments reduce long-term liabilities on the statement of net position

STATISTICAL SECTION

City of Boyne City

Statistical Section

This part of the City of Boyne City’s comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements and note disclosures says about the City’s overall financial health.

Contents	Table
Financial Trends	
These schedules contain information to help the reader understand how the City’s financial performance and well-being have changed over time.	A-1 to A-4
Revenue Capacity	
These schedules contain information to help the reader assess the city’s most significant local revenue source, the property tax.	B-1 to B-4
Debt Capacity	
These present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	C-1 to C-4
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment in which the City’s financial activities take place.	D-1 to D-2
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and activities it performs.	E-1 to E-3

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF BOYNE CITY

Table A-1

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2017	2016 *	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 12,463,814	\$ 12,501,782	\$ 9,390,960	\$ 8,164,779	\$ 7,825,004	\$ 6,702,500	\$ 6,596,961	\$ 5,735,843	\$ 5,410,919	\$ 5,550,265
Restricted	3,702,074	7,973,717	342,380	28,081	77,175	67,412	268,962	200,914	155,540	10,648
Unrestricted	(2,660,193)	(7,206,778)	4,806,478	4,545,273	4,207,938	3,647,444	3,193,279	3,600,193	2,890,917	2,506,631
Total governmental activities net position	\$ 13,505,695	\$ 13,268,721	\$ 14,539,818	\$ 12,738,133	\$ 12,110,117	\$ 10,417,356	\$ 10,059,202	\$ 9,536,950	\$ 8,457,376	\$ 8,067,544
Business-type activities										
Net investment in capital assets	\$ 6,436,471	\$ 6,472,651	\$ 6,522,574	\$ 6,588,280	\$ 6,635,833	\$ 6,636,468	\$ 6,130,492	\$ 5,241,435	\$ 5,325,977	\$ 5,431,896
Restricted	534,183	591,333	647,376	660,216	564,392	564,240	564,497	414,747	341,189	266,530
Unrestricted	3,444,114	2,829,455	2,417,042	1,998,813	1,725,378	1,592,384	1,447,894	1,702,843	1,772,147	1,271,567
Total business-type activities net position	\$ 10,414,768	\$ 9,893,439	\$ 9,586,992	\$ 9,247,309	\$ 8,925,603	\$ 8,793,092	\$ 8,142,883	\$ 7,359,025	\$ 7,439,313	\$ 6,969,993
Primary government										
Net investment in capital assets	\$ 18,900,285	\$ 18,974,433	\$ 15,913,534	\$ 14,753,059	\$ 14,460,837	\$ 13,338,968	\$ 12,727,453	\$ 10,977,278	\$ 10,736,896	\$ 10,982,161
Restricted	4,236,257	8,565,050	989,756	688,297	641,567	631,652	833,459	615,661	496,729	277,178
Unrestricted	783,921	(4,377,323)	7,223,520	6,544,086	5,933,316	5,239,828	4,641,173	5,303,036	4,663,064	3,778,198
Total primary government net position	\$ 23,920,463	\$ 23,162,160	\$ 24,126,810	\$ 21,985,442	\$ 21,035,720	\$ 19,210,448	\$ 18,202,085	\$ 16,895,975	\$ 15,896,689	\$ 15,037,537

Source: City Treasurer's office

* 2016 was the initial year that GASB 68 was implemented which recognized the net pension liability of the City.

CITY OF BOYNE CITY

Table A-2

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
General government	\$ 1,282,401	\$ 1,500,604	\$ 1,000,246	\$ 1,109,769	\$ 1,150,743	\$ 1,219,421	\$ 1,139,799	\$ 1,240,244	\$ 1,747,639	\$ 1,397,874
Public safety	925,056	965,164	876,459	815,770	659,376	808,776	852,170	875,309	861,606	849,557
Public works	1,711,115	1,558,262	1,443,188	1,597,029	1,647,620	1,785,072	2,282,830	1,354,473	1,493,864	852,260
Community and Economic Development	282,398	400,862	150,224	145,842	-	-	-	-	-	-
Recreation and culture	845,394	765,354	608,090	795,090	345,620	264,033	250,120	279,953	399,447	281,866
Other Functions	40,691	38,981	29,742	-	210,019	171,023	153,086	130,179	123,657	41,642
Interest on Long-term Debt	199,673	-	-	-	-	-	-	-	-	-
Health and Welfare	1,017,676	968,550	840,667	830,119	784,940	715,324	692,163	575,682	552,646	553,744
Legislative	19,082	17,556	21,910	16,149	18,980	17,665	16,612	15,911	14,055	16,438
Total governmental activities	6,323,486	6,215,333	4,970,526	5,309,768	4,817,298	4,981,314	5,386,780	4,471,751	5,192,914	3,993,381
Business-type activities										
Sewer	865,868	859,761	877,408	873,262	850,272	840,332	881,574	1,081,353	997,864	1,544,603
Water	642,610	672,251	612,442	619,161	613,370	586,410	594,954	688,377	660,916	^COMBINED^
Total business-type activities	1,508,478	1,532,012	1,489,850	1,492,423	1,463,642	1,426,742	1,476,528	1,769,730	1,658,780	1,544,603
Total primary government expenses	7,831,964	7,747,345	6,460,376	6,802,191	6,280,940	6,408,056	6,863,308	6,241,481	6,851,694	5,537,984
Program revenues										
Governmental activities										
Charges for services										
General Government	213,900	241,576	237,007	210,801	140,013	139,960	64,948	69,570	338,897	137,321
Public Safety	234,665	228,863	257,136	265,892	209,108	188,153	202,331	221,853	220,452	553,562
Public Works	278,165	207,290	274,630	397,711	267,388	264,608	351,380	273,497	236,906	265,818
Community and Economic Development	75,451	67,661	130,599	2,500	-	-	-	-	-	-
Recreation and Culture	498,405	501,079	288,077	401,578	124,777	-	-	-	-	-
Health & Welfare	755,656	845,807	681,978	617,335	570,179	472,263	474,989	470,316	427,309	-
Total charges for services	2,056,242	2,092,276	1,869,427	1,895,817	1,311,465	1,064,984	1,093,648	1,035,236	1,223,564	956,701
Operating grants and contributions	648,601	650,099	789,281	496,062	530,258	398,057	770,680	636,682	483,670	782,212
Capital grants and contributions	113,522	780,702	935,137	157,774	503,440	116,250	-	-	-	269,510
Total governmental activities program revenues	2,818,365	3,523,077	3,593,845	2,549,653	2,345,163	1,579,291	1,864,328	1,671,918	1,707,234	2,008,423
Business-type activities										
Charges for services										
Sewer	1,347,750	1,345,826	1,180,380	1,189,898	1,141,573	1,238,040	1,103,726	865,955	882,335	1,541,037
Water	678,387	668,684	676,461	616,173	509,677	614,421	588,223	574,898	588,917	^COMBINED^
Total charges for services	2,026,137	2,014,510	1,856,841	1,806,071	1,651,250	1,852,461	1,691,949	1,440,853	1,471,252	1,541,037
Operating grants and contributions	-	1,000	-	-	-	-	-	-	-	-
Capital grants and contributions	-	797	-	4,619	-	223,488	436,045	232,680	644,765	726,729
Total business-type activities program revenues	2,026,137	2,016,307	1,856,841	1,810,690	1,651,250	2,075,949	2,127,994	1,673,533	2,116,017	2,267,766
Total primary government program revenues	4,844,502	5,539,384	5,450,686	4,360,343	3,996,413	3,655,240	3,992,322	3,345,451	3,823,251	4,276,189

CITY OF BOYNE CITY

Table A-2

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (expense) revenue										
Governmental activities	\$ (3,505,121)	\$ (2,692,256)	\$ (1,376,681)	\$ (2,760,115)	\$ (2,472,135)	\$ (3,402,023)	\$ (3,522,452)	\$ (2,799,833)	\$ (3,485,680)	\$ (1,984,958)
Business-type activities	517,659	484,295	366,991	318,267	187,608	649,207	651,466	(96,197)	457,237	723,163
Total primary government net (expense) revenue	(2,987,462)	(2,207,961)	(1,009,690)	(2,441,848)	(2,284,527)	(2,752,816)	(2,870,986)	(2,896,030)	(3,028,443)	(1,261,795)
General revenues and other changes in net position										
Governmental activities										
Property taxes	3,293,985	2,863,397	2,791,309	2,779,574	2,803,775	2,875,010	3,015,991	3,141,347	2,978,762	2,930,801
Other Revenues	-	17,373	4,661	268,340	574,254	595,047	571,928	426,705	521,794	26,273
Interest and Rentals	39,136	3,601	1,248	998	8,272	12,671	11,601	19,954	36,599	65,203
State Revenue Sharing	408,974	337,273	351,138	339,219	288,660	277,449	250,368	298,118	338,357	341,642
Transfers	-	-	30,010	-	489,935	-	194,816	(6,717)	-	-
Total governmental activities	3,742,095	3,221,644	3,178,366	3,388,131	4,164,896	3,760,177	4,044,704	3,879,407	3,875,512	3,363,919
Business-type activities										
Interest and Rentals	3,670	495	2,702	3,439	-	1,002	2,392	5,368	12,083	37,719
Transfers	-	-	(30,010)	-	(55,097)	-	130,000	-	-	-
Total business-type activities	3,670	495	(27,308)	3,439	(55,097)	1,002	132,392	5,368	12,083	37,719
Total primary government	3,745,765	3,222,139	6,644,615	6,794,060	6,216,776	6,237,520	6,294,834	6,255,990	6,506,045	6,313,612
Change in net position										
Governmental activities	236,974	529,388	1,801,685	628,016	1,692,761	358,154	522,252	1,079,574	389,832	1,378,961
Business-type activities	521,329	484,790	339,683	321,706	132,511	650,209	783,858	(90,829)	469,320	760,882
Total primary government	\$ 758,303	\$ 1,014,178	\$ 2,141,368	\$ 949,722	\$ 1,825,272	\$ 1,008,363	\$ 1,306,110	\$ 988,745	\$ 859,152	\$ 2,139,843

CITY OF BOYNE CITY

Table A-3

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,962	\$ 129,481	\$ 100,000	\$ 66,526
Unreserved	-	-	-	-	-	-	1,446,522	1,517,721	1,532,070	1,436,241
Nonspendable	34,812	34,942	38,295	31,152	19,390	-	-	-	-	-
Committed	-	-	152,706	142,241	129,331	118,933	-	-	-	-
Assigned	53,176	45,460	317,947	276,189	232,392	1,215	-	-	-	-
Unassigned	2,241,764	1,430,448	2,673,178	2,485,027	2,052,058	2,175,164	-	-	-	-
Total general fund	\$ 2,329,752	\$ 1,510,850	\$ 3,182,126	\$ 2,934,609	\$ 2,433,171	\$ 2,295,312	\$ 1,605,484	\$ 1,647,202	\$ 1,632,070	\$ 1,502,767
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000	\$ 71,433	\$ 55,540	\$ 25,948
Unreserved reported in										
Special revenue funds	-	-	-	-	-	-	1,189,932	1,704,196	1,048,471	587,612
Nonspendable	19,682	29,147	22,761	11,958	11,205	13,489	-	-	-	-
Restricted	3,682,862	7,944,570	342,380	28,081	77,175	67,412	-	-	-	-
Committed	7,655	-	794,697	898,796	1,080,572	684,320	-	-	-	-
Unassigned	(223,119)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 3,487,080	\$ 7,973,717	\$ 1,159,838	\$ 938,835	\$ 1,168,952	\$ 765,221	\$ 1,299,932	\$ 1,775,629	\$ 1,104,011	\$ 613,560

Notes:

(1) Fund balance classification was changed in 2011 to comply with the requirements of GASB Statement Number 54.

CITY OF BOYNE CITY

Table A-4

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Property Taxes	\$ 3,293,988	\$ 2,863,397	\$ 2,791,309	\$ 2,779,574	\$ 2,803,775	\$ 2,875,010	\$ 3,015,991	\$ 3,141,347	\$ 2,978,762	\$ 2,930,801
Intergovernmental revenues										
Federal	-	903,388	822,211	-	503,440	30,790	337,267	149,545	-	269,510
State	1,095,531	819,278	960,988	931,421	724,633	716,702	619,836	735,628	807,840	769,650
Local	43,758	25,905	-	61,634	94,285	44,264	63,945	49,627	22,508	350,632
Licenses and permits	7,197	6,406	6,194	6,550	-	-	-	-	-	-
Charges for services	1,893,723	1,962,820	1,704,263	1,667,620	1,311,465	1,064,984	1,093,648	1,035,236	950,207	963,227
Fines and Forfeitures	5,769	5,755	8,260	5,866	-	-	-	-	-	-
Interest	45,094	36,717	34,529	422	8,272	12,671	11,601	19,954	32,549	74,656
Rents and royalties	-	-	-	30,007	-	-	-	-	-	-
Miscellaneous	123,573	91,589	331,830	262,527	477,552	530,822	471,379	401,189	499,947	21,292
Total revenues	6,508,633	6,715,255	6,659,584	5,745,621	5,923,422	5,275,243	5,613,667	5,532,526	5,291,813	5,379,768
Expenditures										
Current										
General government	1,016,527	1,224,149	951,789	1,063,767	1,090,443	1,197,877	1,220,523	1,256,741	1,398,945	1,373,336
Public safety	822,763	804,544	771,922	729,516	732,581	763,072	790,510	792,816	758,980	796,575
Public works	1,092,479	928,577	1,041,317	1,217,483	2,804,543	2,049,145	3,173,048	1,763,924	1,307,765	2,183,149
Community and Economic development	282,398	400,862	150,224	145,842	-	-	-	-	-	-
Recreation and Culture	814,446	732,821	582,031	776,451	325,413	233,727	220,790	243,505	363,434	254,254
Legislative	19,082	17,556	21,910	16,149	18,980	17,665	16,612	15,911	14,055	16,438
Health and Welfare	945,481	891,528	813,265	801,354	756,175	679,733	686,940	569,033	547,423	543,421
Other	40,691	38,981	29,742	-	143,632	178,907	146,766	134,974	113,320	24,474
Debt service										
Principal	100,000	-	-	-	-	-	70,709	62,155	168,137	152,788
Interest	207,833	-	-	-	-	-	-	-	-	17,401
Capital Outlay	4,834,668	3,633,440	1,858,874	723,738	-	-	-	-	-	-
Total expenditures	10,176,368	8,672,458	6,221,074	5,474,300	5,871,767	5,120,126	6,325,898	4,839,059	4,672,059	5,361,836
Excess of Revenues Over (Under) Expenditures	(3,667,735)	(1,957,203)	438,510	271,321	51,655	155,117	(712,231)	693,467	619,754	17,932
Other financing sources (uses)										
Bond/note proceeds	-	7,171,361	-	-	-	-	-	-	-	-
Transfers in	873,219	863,944	1,068,045	948,208	1,856,258	769,711	1,735,065	1,501,615	1,245,260	1,514,354
Transfers out	(873,219)	(863,944)	(1,038,035)	(948,208)	(1,366,323)	(769,711)	(1,540,249)	(1,508,332)	(1,245,260)	(1,514,354)
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	7,171,361	30,010	-	489,935	-	194,816	(6,717)	-	-
Net changes in fund balances	\$ (3,667,735)	\$ 5,214,158	\$ 468,520	\$ 271,321	\$ 541,590	\$ 155,117	\$ (517,415)	\$ 686,750	\$ 619,754	\$ 17,932
Debt service as a percentage of noncapital expenditures	5.8%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.3%	3.6%	3.2%

CITY OF BOYNE CITY

Table B-1

***ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS***

Fiscal Year Ended April 30	Real property				Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Industrial Property	Total			
2008	\$ 197,134,219	\$ 30,709,870	\$ 5,165,900	\$ 233,009,989	\$ 10,739,050	\$ 243,749,039	16.0100
2009	198,150,108	30,915,100	5,796,300	234,861,508	11,692,400	246,553,908	16.0100
2010	178,706,850	28,931,300	4,957,100	212,595,250	11,732,200	224,327,450	16.0100
2011	165,737,200	26,869,016	4,281,800	196,888,016	11,688,900	208,576,916	15.7600
2012	153,525,100	25,594,500	4,137,300	183,256,900	12,744,700	196,001,600	15.5100
2013	144,678,200	25,426,100	4,671,000	174,775,300	13,362,100	188,137,400	15.5100
2014	145,684,250	25,737,500	5,405,900	176,827,650	14,284,600	191,112,250	15.5100
2015	154,032,900	26,419,700	5,423,500	185,876,100	13,778,500	199,654,600	15.5100
2016	167,780,600	26,657,500	5,405,900	199,844,000	9,939,000	209,783,000	15.5100
2017	175,267,013	26,245,972	7,229,100	208,742,085	12,105,800	220,847,885	15.5100

Property is reassessed each year at actual value. Therefore, the assessed values are equal to the actual value.

Direct tax rate (millage) is per \$1,000 of taxable value, which is generally equal to one half of the assessed value.

Source: City of Boyne City Assessor

CITY OF BOYNE CITY

Table B-2

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of taxable value)

Fiscal Year Ended	City of Boyne City			Charlevoix County									Boyne City Public Schools (1)			Charlevoix ISD			State		Library	Total
	Operating	Debt	Total	Operating	MCF	Commission on Aging	Transit	Co Road	Recycling	Parks	Veterans	Total County	Non-Homestead	Debt	Total BRPS	Operating	Special Education	Vocational Education	Total MOISD	State Education Tax	Library Operating	
<u>April 30</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Education</u>	<u>Education</u>	<u>Millage</u>	<u>Millage</u>	<u>Operating</u>	
2008	16.0100	0.5980	16.6080	4.5288	1.2864	0.3853	0.2408	-	0.1444	-	-	6.5857	18.0000	3.5000	21.5000	0.1942	1.7985	0.7468	2.7395	6.0000	0.9696	54.4028
2009	16.0100	0.5750	16.5850	4.5288	1.2864	0.4000	0.2408	-	0.1500	-	-	6.6060	18.0000	3.5000	21.5000	0.1942	1.8313	0.7468	2.7723	6.0000	0.9696	54.4329
2010	16.0100	-	16.0100	4.7000	1.2864	0.4000	0.2500	1.0000	0.1500	-	-	7.7864	18.0000	3.5000	21.5000	0.2000	1.8313	0.7468	2.7781	6.0000	0.9696	55.0441
2011	15.7600	-	15.7600	4.7000	1.2864	0.4000	0.2500	1.0000	0.1500	-	-	7.7864	18.0000	3.5000	21.5000	0.2000	1.8313	0.7500	2.7813	6.0000	0.9696	54.7973
2012	15.5100	-	15.5100	4.7000	0.9250	0.4000	0.2500	1.0000	0.1500	-	-	7.4250	18.0000	3.3500	21.3500	0.2000	1.8313	0.7500	2.7813	6.0000	0.9696	54.0359
2013	15.5100	-	15.5100	4.7000	0.7500	0.6000	0.2500	1.0000	0.1500	-	-	7.4500	18.0000	3.3500	21.3500	0.2000	1.8313	0.7500	2.7813	6.0000	0.9696	54.0609
2014	15.5100	-	15.5100	4.7000	0.7500	0.6500	0.2500	1.0000	0.1500	-	-	7.5000	18.0000	3.3500	21.3500	0.2000	1.8313	0.7500	2.7813	6.0000	0.9696	54.1109
2015	15.5100	-	15.5100	4.7000	0.7500	0.6500	0.2500	1.0000	0.1500	0.1500	0.1000	7.7500	18.0000	3.3500	21.3500	0.2000	1.8313	0.7500	2.7813	6.0000	0.9696	54.3609
2016	15.5100	-	15.5100	4.7000	0.7500	0.6500	0.2500	1.0000	0.1500	0.1500	0.1000	7.7500	18.0000	3.3500	21.3500	0.2000	1.8313	0.7500	2.7813	6.0000	0.9696	54.3609
2017	15.5100	1.7000	17.2100	4.7000	0.7500	0.6494	0.2497	0.9991	0.1498	0.1498	0.0999	7.7477	18.0000	1.5700	19.5700	0.1996	1.8301	0.7487	2.7784	6.0000	0.9647	54.2708

Source: City of Boyne City Assessor

CITY OF BOYNE CITY

Table B-3

**PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2017			2008		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Consumers Energy	\$ 3,615,801	1	4.90%	\$ 1,632,066	4	0.64%
Decoma Intl	2,226,631	2	1.70%	1,411,956	5	0.55%
Integrity Land Company	2,125,296	3	1.50%	-		0.00%
Top O Michigan REA	1,715,139	4	1.10%	1,973,940	2	0.77%
Catt's Realty	1,363,662	5	0.80%	1,847,235	3	0.72%
DFC of Boyne City LLC	1,217,563	6	0.60%	1,347,600	5	0.53%
475 Lake Street LLC	1,075,500	7	0.60%	-		0.00%
Great Lakes Energy Cooperative	1,069,400	8	0.50%	1,297,700	6	0.51%
VanDam Marine Co	993,728	9	0.50%	1,042,507	10	0.41%
Allied/Bendix GSD	861,537	10	0.50%	1,113,124	8	0.44%
Precision Edge Surgical	2,001,768	11	0.40%	1,049,277	10	0.41%
Lexamar Inc	1,906,900	13	0.40%	8,270,266		3.24%
Federal Screw Works	-	-	0.00%	3,736,190	3	1.46%
Boyne Park View Limited	-	-	0.00%	1,215,852	7	0.48%
Devlon Properties	-	-	0.00%	1,084,500	9	0.43%
Total	\$ 20,172,925		13.50%	\$ 27,022,213		9.69%

Source: City of Boyne City Assessor

CITY OF BOYNE CITY

Table B-4

***PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS***

Fiscal Year Ended April 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	3,077,183	3,060,025	99.44%	7,623	3,067,648	99.69%
2009	3,124,443	3,114,266	99.67%	6,251	3,120,517	99.87%
2010	3,240,358	3,233,390	99.78%	2,770	3,236,160	99.87%
2011	3,066,529	3,058,746	99.75%	2,823	3,061,569	99.84%
2012	2,928,447	2,921,136	99.75%	2,965	2,924,101	99.85%
2013	2,877,829	2,874,308	99.88%	844	2,875,152	99.91%
2014	2,843,698	2,821,935	99.23%	18,764	2,840,699	99.89%
2015	2,849,496	2,827,460	99.23%	11,284	2,838,745	99.62%
2016	2,903,749	2,885,040	99.36%	14,866	2,899,906	99.87%
2017	2,906,183	2,824,995	97.21%	57,617	2,882,612	99.19%

Source: City Treasurer

CITY OF BOYNE CITY

Table C-1

**RATIO OF GENERAL OBLIGATION BONDED DEBT TO ESTIMATED ACTUAL VALUE OF TAXABLE
PROPERTY AND BONDED DEBT PER CAPITA
AND RATIOS OF OUTSTANDING DEBT TO TOTAL PERSONAL INCOME AND DEBT PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year Ended April 30	Governmental Activities				Business-type Activities	Total		
	General Obligation Bonds	Loans Payable	Percentage of Property Value	Per Capita (1)	Revenue Bonds	Total Debt	Percentage of Personal Income	Per Capita
2008	\$ -	\$ 301,001	0.06%	80	\$ 9,093,091	\$ 9,394,092	8.95%	\$ 2,487
2009	-	132,864	0.03%	42	8,658,091	8,790,955	9.93%	2,760
2010	-	70,709	0.02%	19	8,213,091	8,283,800	8.31%	2,203
2011	-	-	0.00%	-	7,758,091	7,758,091	8.22%	2,062
2012	-	-	0.00%	-	7,293,091	7,293,091	9.03%	1,940
2013	-	-	0.00%	-	6,818,091	6,818,091	8.80%	1,823
2014	-	-	0.00%	-	6,333,091	6,333,091	7.01%	1,687
2015	-	-	0.00%	-	5,838,091	5,838,091	6.24%	1,550
2016	7,171,361	-	1.71%	1,911	5,333,091	12,504,452	13.37%	3,320
2017	7,063,201	-	1.60%	1,876	4,818,091	11,881,292	12.70%	3,155

Note:

(1) Includes only bonds serviced from property tax revenues.

CITY OF BOYNE CITY

Table C-2

***DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF APRIL 30, 2017***

Governmental Unit	Debt Outstanding	Percentage Applicable To City	Amount Applicable To City
Overlapping Debt			
Boyne City School District	\$ 10,155,000	31.20%	\$ 3,168,360
Boyne Falls School District	4,055,000	1.39%	56,365
<i>Total Overlapping Debt</i>			<u>3,224,725</u>
Direct Debt - City of Boyne City - General Obligation		100%	<u>7,171,361</u>
<i>Total Direct and Overlapping Debt</i>			<u><u>\$ 10,396,086</u></u>

Note:

The portion of the taxable value for each governmental unit located within the City of Boyne City over the taxable value of the governmental unit as a whole is utilized to calculate overlapping debt percentages.

Source: Michigan Advisory Council (MAC)

CITY OF BOYNE CITY

Table C-3

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Total state equalized value (1)	\$ 220,060,218
Debt limitation - 10 percent of SEV	<u>\$ 22,006,022</u>
Debt applicable to limitation	
Total bonded debt	11,881,292
Less:	
Revenue bonds	<u>4,818,091</u>
Total Debt Applicable to Limitation	<u>7,063,201</u>
Legal Debt Margin	<u>\$ 14,942,821</u>

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit	\$ 22,006,022	\$ 20,978,300	\$ 19,965,460	\$ 19,111,225	\$ 18,813,740	\$ 19,600,160	\$ 20,857,692	\$ 22,432,745	\$ 24,655,391	\$ 24,374,904
Total net debt applicable to limit	7,063,201	7,171,361	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 14,942,821</u>	<u>\$ 13,806,939</u>	<u>\$ 19,965,460</u>	<u>\$ 19,111,225</u>	<u>\$ 18,813,740</u>	<u>\$ 19,600,160</u>	<u>\$ 20,857,692</u>	<u>\$ 22,432,745</u>	<u>\$ 24,655,391</u>	<u>\$ 24,374,904</u>
Total net debt applicable to limit as a percentage of debt limit	32.1%	34.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

(1) Source: City assessors office

CITY OF BOYNE CITY

Table C-4

**PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended April 30	Sewer Revenue Bonds						Water Revenue Bonds					
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2008	\$ 941,546	\$ 438,027	\$ 503,519	\$ 350,000	\$ 169,301	0.97	\$ 579,544	\$ 364,271	\$ 215,273	\$ 75,000	\$ 37,725	1.91
2009	882,335	528,661	353,674	355,000	163,053	0.68	588,917	376,396	212,521	80,000	35,500	1.84
2010	865,955	619,866	246,089	365,000	155,509	0.47	574,898	408,547	166,351	80,000	33,500	1.47
2011	890,537	429,813	460,724	370,000	147,753	0.89	588,223	345,400	242,823	85,000	31,500	2.08
2012	872,533	399,185	473,348	380,000	139,891	0.91	615,423	344,897	270,526	85,000	29,375	2.37
2013	906,662	397,646	509,016	385,000	131,816	0.98	509,677	328,624	181,053	90,000	27,250	1.54
2014	962,426	437,541	524,885	395,000	128,178	1.00	616,173	337,723	278,450	90,000	24,813	2.43
2015	956,777	455,791	500,986	405,000	114,524	0.96	676,461	336,268	340,193	90,000	22,562	3.02
2016	1,122,382	446,959	675,423	410,000	105,908	1.31	668,684	403,920	264,764	95,000	20,302	2.30
2017	1,126,124	462,710	663,414	420,000	96,860	1.28	678,387	379,738	298,649	95,000	17,990	2.64

Note:
 Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expense.
 Service charges include interest income and operating expenses include transfers out for indirect costs.

CITY OF BOYNE CITY

Table D-1

***DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS***

Year	Population (1) (3)	Personal Income	Per Capita Personal Income (1)	Median Age (1)	Unemployment Rate (1) (2)	School Enrollment (4)
2008	3,777	\$ 104,951,499	\$ 27,787	39.9	9.7	1,276
2009	3,185	88,501,595	27,787	39.9	8.4	1,272
2010	3,760	99,696,400	26,515	40.7	6.8	1,272
2011	3,763	94,432,485	25,095	39.1	6.3	1,309
2012	3,759	80,773,392	21,488	35.0	6.2	1,310
2013	3,741	77,513,520	20,720	34.5	6.3	1,317
2014	3,753	90,304,686	24,062	37.4	5.6	1,330
2015	3,766	93,536,142	24,837	41.8	4.6	1,329
*2016	3,766	93,536,142	24,837	41.8	4.6	1,378
*2017	3,766	93,536,142	24,837	41.8	4.6	1,375

Notes

* Data unavailable as of the date of this report. Used most recent data.

(1) Per American Community Survey (5 year estimates)

(2) Per U.S. Department of Labor, Bureau of Statistics - Charlevoix County for 2007 and 2008

(3) Per Michigan Department of Technology, Management, and Budget for 2007 and 2008

(4) Boyne City Public Schools (FTE - October count)

CITY OF BOYNE CITY

Table D-2

***PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO***

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
LexaMar Corporation	750	1	40.96%	400	1	23.16%
Precision Edge	178	2	9.72%	-	-	0.00%
Honeywell Precision Aerospace Products	160	3	8.74%	194	2	11.23%
Great Lakes Energy	90	4	4.92%	90	3	5.21%
Industrial Magnetics, Inc.	68	5	3.71%	73	4	4.23%
Jervis B. Webb (Daifuku Webb) Boyne City	54	6	2.95%	60	5	3.47%
Michigan Community Dental Centers	40	7	2.18%	-	-	0.00%
Classic Instruments	27	8	1.47%	18	8	1.04%
Stiggs Microbrewery	23	9	1.26%	-	-	0.00%
Temprel	22	10	1.20%	25	6	1.45%
Van Dam Marine Co	22	11	1.20%	22	7	1.27%
Arete Industries	15	12	0.82%	15	9	0.87%

Source: City offices

CITY OF BOYNE CITY

Table E-1

***CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS***

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government										
Administration										
Full time	7	7	7	7	7	8	8	8	8	8
Part time	1	1	-	-	1	1	1	1	1	1
Finance										
Full time	2	2	2	2	2	2	2	2	2	2
Part time	-	-	-	-	-	-	-	-	-	-
Public works										
Full time	10	10	10	10	11	11	12	12	12	12
Part time	3	3	3	3	3	3	3	3	3	3
Library										
Full time	4	4	2	2	3	3	3	3	3	3
Part time	7	7	8	8	8	8	8	8	8	8
Public Safety										
Police										
Full time	8	8	8	8	8	8	8	8	8	8
Part time	2	2	2	2	2	2	2	2	2	2
Fire										
Full time	-	-	-	-	-	-	-	-	-	-
Part time	24	22	22	22	22	22	22	22	22	22
Total	68	66	64	64	67	68	69	69	69	69

Source: City clerks office

CITY OF BOYNE CITY

Table E-2

**OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Arrests	128	68	136	132	149	141	125	84	151	195
Accident responses	130	127	190	154	170	144	145	149	174	167
Fire/EMS										
Fire calls	204	155	188	172	154	241	155	162	139	173
Rescue calls	4	4	8	3	2	4	3	3	4	5
Patient care responses	1,112	945	932	938	953	886	787	801	797	799
Public works and streets										
Street resurfacing (in miles)	2.57	2.50	2.90	3.70	3.20	2.60	3.00	2.40	1.80	0.50
Culture and recreation										
Library books	42,000	42,890	42,890	41,500	38,880	38,771	37,180	34,830	31,324	31,295
Sewer system										
Number of service connections	1,651	1,651	1,643	1,638	1,628	1,628	1,627	1,626	1,626	1,626
Daily average treatment in millions of gallons	0.662	0.670	0.673	0.677	0.499	0.394	0.391	0.525	0.543	0.399
Water system										
Number of service connections	1,748	1,748	1,741	1,736	1,726	1,726	1,725	1,724	1,724	1,722
Daily average consumption in millions of gallons	0.778	0.807	0.806	0.715	0.632	0.656	0.621	0.558	0.503	0.539

Source: Various City departments

CITY OF BOYNE CITY

Table E-3

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	3	3	3	3	3	3	3	3	3
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Emergency response vehicles	7	7	7	7	7	7	7	7	7	7
Public works and streets										
Buildings	26	27	26	26	26	26	26	26	26	26
Miles of streets	36.33	36.33	36.33	36.33	36.33	36.33	36.33	36.10	36.10	36.10
Number of street lights	309	309	309	300	294	284	270	258	258	251
Culture and recreation										
Park acreage	514	514	514	514	514	514	514	514	514	514
Sewer system										
Miles of sanitary sewers	32.91	32.91	30.91	30.91	30.91	30.91	30.91	30.91	30.91	30.91
Miles of storm sewers	22.80	22.80	22.00	22.00	21.60	21.60	21.10	21.10	20.70	20.70
Maximum daily capacity in millions of gallons	0.662	0.670	0.619	0.677	0.499	0.394	0.391	0.525	0.543	0.399
Water system										
Miles of water mains	35	35	35	35	35	35	35	35	35	35
Fire hydrants	271	271	271	271	271	271	271	271	271	271
Maximum daily capacity in millions of gallons	0.778	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750

Source: City finance office

October 27, 2017

Honorable Mayor and Members of the City Commission
City of Boyne City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boyne City, Michigan (the "City") for the year ended April 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you July 13, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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 City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the City's capital assets.
- Management's estimate of the accrued compensated absences and the related pay rates as of April 30, 2017.
- Management's assumptions used to calculate the actuarial report and the net present value of post-employment benefits, including health and pension benefits.

- Management’s assumptions used to calculate the net pension liability and related items.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements as a whole.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2017

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

We were not engaged to report on the introductory or statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,



Gabridge & Company, PLC
Grand Rapids, MI

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*

To the Honorable Mayor and Members of the City Commission
City of Boyne 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 units, each major fund, and the aggregate remaining fund information of the City of Boyne City, Michigan, (the "City") as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Gabridge & Company, PLC
Grand Rapids, MI
October 27, 2017