

**City of Boyne City, Michigan**

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**BASIC FINANCIAL STATEMENTS**

**April 30, 2012**

**CITY OF BOYNE CITY, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE CITY COMMISSION**

MAYOR

RONALD GRUNCH

MAYOR PRO TEM

GENE TOWNE

COMMISSIONER

LAURA SANSOM

COMMISSIONER

DEREK GAYLORD

COMMISSIONER

TOM NEIDHAMER

**APPOINTED OFFICERS**

CITY MANAGER

MICHAEL CAIN

CLERK/TREASURER

CINDY GRICE

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT**

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

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, as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Boyne City's management. 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, a component unit of the City of Boyne City, which represent 28% of the assets, and 43% of the revenues of the discretely presented component units of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boyne City Housing Commission, is based 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our report and the report 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, Michigan, as of April 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report date August 15, 2012 on our consideration of the City of Boyne City, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 3 through 11, page 44 and pages 45 through 49 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 did 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Boyne City, Michigan's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

August 15, 2012

## **Management's Discussion and Analysis**

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As City Manager for the City of Boyne City, and head of the City's management team, it is my pleasure to welcome you to this review of our fiscal year ending April 30, 2012. This is the tenth of our annual financial audits that has incorporated the financial reporting changes called for in the GASB 34 standard. The goal of GASB 34 is to give the reviewer of this document a more balanced picture of the City's assets and liabilities. We hope that you will find that to be the case.

As management of the City of Boyne City, we offer readers of the City of Boyne City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City's primary government exceeded its liabilities at the close of the most recent fiscal year by \$19,210,448 (net assets). Of this amount, \$5,239,828 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,008,363.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,060,533 an increase of \$155,117 in comparison with the prior year. Approximately 71% of the ending fund balances, or \$2,175,164 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,175,164 or 93% of the total general fund expenditures, not including transfers out.
- The City's total debt not including the component units' activities decreased by \$465,000 during the current fiscal year. No significant new debt was issued this year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

**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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, 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 the city council, general government, public safety, public works, health and welfare, community development, recreation and culture, and marina. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City (known as the *primary government*), but also three legally separate authorities – the Downtown Development Authority, the 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 in the supplementary information to these financial statements.

The government-wide financial statements can be found on pages 12-13 of this report.

**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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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. 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, Major and Local Streets, Ambulance, and Vibrant Small Cities Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

In April of each year the City adopts an annual appropriated budget for general and special revenue funds for the coming fiscal year, which begins May 1st. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets for the major funds.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

**Proprietary funds.** The City maintains two different 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 its motor pool. Because the service benefits the General, Major and Local Streets, Fire and Water and Sewer Fund functions, the services have been allocated between the governmental and business-type 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 information for the Water and Sewer Fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

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

The basic fiduciary fund financial statement can be found on page 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-43 of this report.

**Other information.** The required supplementary information as well as the combining statements referred to earlier in connection with nonmajor governmental funds and component units are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 44-57 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$19,210,448 at the close of the most recent fiscal year.

By far the largest portion of the City’s net assets reflects its investment in capital assets (for example land, buildings, vehicles, equipment, and infrastructure (roads, water and sewer mains, etc.)); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot themselves be used to liquidate these liabilities.

**City of Boyne City  
Condensed Statement of Net Assets**

|   | Governmental<br>Activities  |                             | Business-Type<br>Activities |                            | Total                       |                             |
|---|-----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|
|   | 2012                        | 2011                        | 2012                        | 2011                       | 2012                        | 2011                        |
| <b>Assets</b>   |                             |                             |                             |                            |                             |                             |
| Cash and Other Assets   | \$ 4,058,197                | \$ 3,857,252                | \$ 2,241,153                | \$ 2,179,316               | \$ 6,299,350                | \$ 6,036,568                |
| Capital Assets, net of<br>Accumulated Depreciation,<br>where applicable | <u>6,702,500</u>            | <u>6,596,961</u>            | <u>13,929,559</u>           | <u>13,888,583</u>          | <u>20,632,059</u>           | <u>20,485,544</u>           |
| <b>Total assets</b>   | <b><u>10,760,697</u></b>    | <b><u>10,454,213</u></b>    | <b><u>16,170,712</u></b>    | <b><u>16,067,899</u></b>   | <b><u>26,931,409</u></b>    | <b><u>26,522,112</u></b>    |
| <b>Liabilities</b>  |                             |                             |                             |                            |                             |                             |
| Current and Other Liabilities   | 224,408                     | 243,888                     | 538,003                     | 610,389                    | 762,411                     | 854,277                     |
| Long-term Debt,<br>net of Current Portion                               | <u>118,933</u>              | <u>151,123</u>              | <u>6,839,617</u>            | <u>7,314,627</u>           | <u>6,958,550</u>            | <u>7,465,750</u>            |
| <b>Total Liabilities</b>  | <b><u>343,341</u></b>       | <b><u>395,011</u></b>       | <b><u>7,377,620</u></b>     | <b><u>7,925,016</u></b>    | <b><u>7,720,961</u></b>     | <b><u>8,320,027</u></b>     |
| <b>Net assets</b>   |                             |                             |                             |                            |                             |                             |
| Invested in Capital Assets,<br>net of Related Debt                      | 6,702,500                   | 6,596,961                   | 6,636,468                   | 6,130,492                  | 13,338,968                  | 12,727,453                  |
| Restricted  | 67,412                      | 268,962                     | 564,240                     | 564,497                    | 631,652                     | 833,459                     |
| Unrestricted  | <u>3,647,444</u>            | <u>3,193,279</u>            | <u>1,592,384</u>            | <u>1,447,894</u>           | <u>5,239,828</u>            | <u>4,641,173</u>            |
| <b>Total Net Assets</b>   | <b><u>\$ 10,417,356</u></b> | <b><u>\$ 10,059,202</u></b> | <b><u>\$ 8,793,092</u></b>  | <b><u>\$ 8,142,883</u></b> | <b><u>\$ 19,210,448</u></b> | <b><u>\$ 18,202,085</u></b> |

A portion of the City’s net assets (3.29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (27.28% or \$5,239,828) may be used to meet the City’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City’s net assets increased by \$1,008,363 during the current fiscal year. A substantial portion of this increase came from cash and equivalents.

Following is a comparison of the City’s changes in net assets for the current and prior years:

**City of Boyne City  
Condensed Statement of Changes in Net Assets**

|                                    | Governmental<br>Activities |                      | Business-Type<br>Activities |                     | Total                |                      |
|------------------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
|                                    | 2012                       | 2011                 | 2012                        | 2011                | 2012                 | 2011                 |
| <b>Revenues</b>                    |                            |                      |                             |                     |                      |                      |
| <b>Program Revenues</b>            |                            |                      |                             |                     |                      |                      |
| Charges for Services               | \$ 1,064,984               | \$ 1,093,648         | \$ 1,486,954                | \$ 1,478,760        | \$ 2,551,938         | \$ 2,572,408         |
| Operating Grants and Contributions | 398,057                    | 770,680              | -                           | -                   | 398,057              | 770,680              |
| Capital Grants and Contributions   | 116,250                    | -                    | 223,488                     | 436,045             | 339,738              | 436,045              |
| <b>General Revenue</b>             |                            |                      |                             |                     |                      |                      |
| Property Taxes                     | 2,875,010                  | 3,015,991            | -                           | -                   | 2,875,010            | 3,015,991            |
| State Shared Revenues              | 277,449                    | 250,368              | -                           | -                   | 277,449              | 250,368              |
| Investment Earnings                | 12,671                     | 11,601               | 1,002                       | 2,392               | 13,673               | 13,993               |
| Transfers                          | -                          | 194,816              | -                           | 130,000             | -                    | 324,816              |
| Other                              | 595,047                    | 571,928              | 365,507                     | 213,189             | 960,554              | 785,117              |
| <b>Total Revenues</b>              | <b>5,339,468</b>           | <b>5,909,032</b>     | <b>2,076,951</b>            | <b>2,260,386</b>    | <b>7,416,419</b>     | <b>8,169,418</b>     |
| <b>Expenses</b>                    |                            |                      |                             |                     |                      |                      |
| Legislative                        | 17,665                     | 16,612               | -                           | -                   | 17,665               | 16,612               |
| General Government                 | 1,219,421                  | 1,139,799            | -                           | -                   | 1,219,421            | 1,139,799            |
| Public Safety                      | 808,776                    | 852,170              | -                           | -                   | 808,776              | 852,170              |
| Public Works                       | 1,785,072                  | 2,282,830            | -                           | -                   | 1,785,072            | 2,282,830            |
| Health and Welfare                 | 715,324                    | 692,163              | -                           | -                   | 715,324              | 692,163              |
| Recreation and Culture             | 264,033                    | 250,120              | -                           | -                   | 264,033              | 250,120              |
| Other Expenses                     | 171,023                    | 153,086              | -                           | -                   | 171,023              | 153,086              |
| Water and Sewer                    | -                          | -                    | 1,426,742                   | 1,476,528           | 1,426,742            | 1,476,528            |
| <b>Total expenses</b>              | <b>4,981,314</b>           | <b>5,386,780</b>     | <b>1,426,742</b>            | <b>1,476,528</b>    | <b>6,408,056</b>     | <b>6,863,308</b>     |
| <b>Changes in net assets</b>       | <b>358,154</b>             | <b>522,252</b>       | <b>650,209</b>              | <b>783,858</b>      | <b>1,008,363</b>     | <b>1,306,110</b>     |
| Net assets – beginning of year     | 10,059,202                 | 9,536,950            | 8,142,883                   | 7,359,025           | 18,202,085           | 16,895,975           |
| <b>Net assets – end of year</b>    | <b>\$ 10,417,356</b>       | <b>\$ 10,059,202</b> | <b>\$ 8,793,092</b>         | <b>\$ 8,142,883</b> | <b>\$ 19,210,448</b> | <b>\$ 18,202,085</b> |

**Governmental activities:** Governmental activities increased the City’s net assets by \$358,154. Key elements of this increase are due to an increase in capital grants and contributions and state shared revenues.

**Business-type activities:** Business-type activities increased the City’s net assets by \$650,209. Much of this increase was due to an increase in charges for services and capital assets.

### Financial Analysis of the City's 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, *unrestricted fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,060,533 an increase of \$155,117 in comparison with the prior year. Approximately \$2,175,380 constitutes *unassigned fund balance*, which is available for use at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, of the total fund balance in the General Fund \$2,175,380 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, not including transfers to other funds. Unassigned fund balance represents 93% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$649,320 during the current fiscal year.

**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 assets at the end of the year amounted to \$1,592,384 with capital assets net of related debt of \$6,636,468 and restricted net assets of \$564,240. The Wastewater and Water Funds had an increase in net assets of \$650,209. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights:

The original expenditures budgeted for the fiscal year end 2012 budget were \$2,598,092. The amended expenditures were \$2,491,367. Actual expenditures were \$2,345,627, a positive variance of \$145,740 from the amended budget.

### Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of April 30, 2012, amounted to \$20,632,059 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems improvements, machinery and equipment, park facilities and roads. The total net increase in the City's investment in capital assets for the current fiscal year was \$146,515.

Major capital asset events during the current fiscal year included the following:

- Various repairs and maintenance.
- Building and water system.
- Street construction.
- Various equipment purchases.

Additional information on the City’s capital assets can be found Note 4 on pages 33-36 of this report.

**City of Boyne City  
Capital Assets (Net of Depreciation)**

|                            | Governmental<br>Activities |                            | Business-Type<br>Activities |                             | Total                       |                             |
|----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                            | 2012                       | 2011                       | 2012                        | 2011                        | 2012                        | 2011                        |
| Land                       | \$ 937,870                 | \$ 937,870                 | \$ -                        | \$ -                        | \$ 937,870                  | \$ 937,870                  |
| Construction in Progress   | -                          | 427,684                    | -                           | 911,006                     | -                           | 1,338,690                   |
| Land Improvements          | 298,459                    | 305,461                    | -                           | -                           | 298,459                     | 305,461                     |
| Infrastructure             | 4,048,913                  | 3,397,537                  | -                           | -                           | 4,048,913                   | 3,397,537                   |
| Buildings and Improvements | 624,709                    | 652,252                    | 13,712,059                  | 12,977,028                  | 14,336,768                  | 13,629,280                  |
| Equipment                  | 790,299                    | 871,468                    | 217,500                     | 549                         | 1,007,799                   | 872,017                     |
| Furniture and Fixtures     | 2,250                      | 4,689                      | -                           | -                           | 2,250                       | 4,689                       |
| <b>Total Net Assets</b>    | <b><u>\$ 6,702,500</u></b> | <b><u>\$ 6,596,961</u></b> | <b><u>\$ 13,929,559</u></b> | <b><u>\$ 13,888,583</u></b> | <b><u>\$ 20,632,059</u></b> | <b><u>\$ 20,485,544</u></b> |

**Note Payable Long-Term Debt.** At the end of the current fiscal year, the City had total bonded debt payable outstanding of \$7,293,091 which comprises debt backed by the full faith and credit of the City. The City has also pledged its full faith and credit to the Downtown Development and Local Development Finance Authority Component Units bonded debt, note, and loan payable debt agreements of \$208,839.

The City and Component Units total debt decreased by \$538,716 during the current fiscal year, with no new debt issued during the fiscal year.

State statute limits the amount of general obligation debt a governmental entity may issue to ten percent of the local unit’s total equalized valuation. The current debt limitation for the City is \$18,463,042, which is significantly greater than the City’s outstanding general obligation debt.

Additional information on the City’s long-term debt can be found in Note 6 on pages 37-39 of this report.

**Economic Factors and Next Year's Budget Considerations**

All things taken into consideration the City of Boyne City has weathered the economic storms and downturns of recent years well and as reflected in this, and previous reviews, remains in excellent financial condition.

While the outlook for Boyne City remains good for the foreseeable future a number of external factors continue to cloud that picture. The big unknown is whether these issues are really being addressed the way they need to be or whether there is some impending cliff that some or all of the economy is going to go over. Unfortunately only time will tell.

First, the world economy appears to remain very fragile with continued weaknesses in Europe and an economic slowdown appearing to take shape in China. In this new global economy the impacts from halfway around the world could be felt here very quickly.

While the national economy is supposedly out of the recession this recovery is being described as one of the weakest in recent history. With this year's Presidential election a little over a month away there is very little compromise to be found in Washington as the parties promote their vastly different visions of what America needs. There is concern that if automatic cuts built into the Federal budget are allowed to go into effect and existing tax breaks expire that the economy could falter and be pushed back into recession. Until the results of November's elections are known little will be done and there no clear course will likely be charted. Even then it will take time to see if or how issues will be addressed, and then even more time to see if those economic policies bear fruit.

Things are looking quite a bit brighter here in Michigan. Good news from several fronts from the private sector, including the auto industry, and the public sector seems to have been the norm for the last years. The State under Governor, Rick Snyder seems to have gotten its fiscal house in order. Its budgets were on time and balanced. They even ended their most recent fiscal year with an unexpected surplus they were trying to figure out what to do with. They've looked at options from cutting taxes more, to investing into capital improvements, to building up the state's depleted rainy day fund. This is a big improvement from the recent years of massive state deficits and rolling cuts throughout their fiscal years to keep up with ever declining revenues. Whether this is the start of a continuing new long term trend of fiscal stability on the part of the State or not remains to be seen. One thing I am fairly certain about is that we should not expect any significant additional funds coming from the state above what we currently receive. They have balanced their books in large part with cuts to local revenue sharing and keep attaching more strings on the funds they do pass along. That is a trend I do not see reversing anytime soon.

A continuing threat to local finances is the State's interest in phasing out Personal Property taxes as a mechanism to help encourage business growth in Michigan. A big unknown is what, if any, plans there will be to offset the loss of those revenues to local governments. Here in Boyne the loss of Personal Property taxes would create a nearly \$200,000 hole in our budget. We will continue to watch and respond to this issue as necessary.

The past year has brought visits to Boyne City from both Governor Snyder and Lt. Governor Calley to learn from and celebrate Boyne City's achievements. Although we don't always agree we look to continue to be good partners with the State wherever possible and be Michigan's bright spot.

Throughout all the turmoil in the world, nation, and state Boyne City has bucked the trends and not only held its own but made significant progress. During the fiscal year reported in this document significant public and private investment has taken place. The Bay Winds Federal Credit Union, Classic Instruments, The Thirsty Goat and Precision Edge all moved into their new homes within the City. Others like Boyne Country Provisions and the adjacent Wine Emporium and Lexamar made huge investments in their existing facilities. The City rebuilt Charlevoix and portions of Bay Streets to better meet the community's needs.

The City continues to invest heavily in its infrastructure to meet its current and future needs. One of the reasons why the City has such a sizeable fund balance is to help address the needs and desires expressed by our community and City Commission. Continued improvements to the City's existing paved road, water, sanitary sewer, storm sewer, sidewalk and park systems and expansion of those systems as well, along with rebuilding the City Hall campus and marina all require good planning and significant public money. We will continue to build on our good track record of obtaining grants wherever possible but the need for significant local dollars cannot be avoided if these projects are to be undertaken. The projects, and others, would much more than consume our available fund balances. As they say timing is everything and we will have to continue to be wise in when and how we use the resources the public has entrusted to us to best match the needs and resources available.

Taken together these efforts and results speak well for Boyne City's long term outlook. New jobs, tax base and people only build on the high quality natural environment we enjoy and can use in our efforts to build and maintain a sustainable local community.

We hope you find this audit helpful as you assess for yourself Boyne City's condition. Another tool you may wish to review is our 'dashboard'. Boyne City in complying with the State's revenue sharing mandate in providing a "dashboard" to give interested persons yet another tool to help evaluate the condition of our community. The "dashboard" gives a quick overview of the City's condition by looking at a number of factors, including financial performance. We encourage you to visit [www.boynecity.com](http://www.boynecity.com) and follow the link to our home page and our "dashboard" and related information. Let us know what you think.

Thanks to the many members of the community who help Boyne be such a special place. It's a team effort. With the City Commission, staff, businesses, residents, visitors, and countless volunteers continuing to work together for the greater good of our future conditions, financial and otherwise, will continue to remain strong.

### **Requests for Information**

This discussion and analysis is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael Cain, Boyne City, City Manager, by mail at Boyne City, City Hall, 319 North Lake Street, Boyne City, Michigan 49712; phone at 231.582.0377 or via email at [mcain@boynecity.com](mailto:mcain@boynecity.com).

## **Basic Financial Statements**

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# City of Boyne City, Michigan

## Statement of Net Assets April 30, 2012

|  | Primary Government         |                             | Totals               | Component<br>Units  |
|--|----------------------------|-----------------------------|----------------------|---------------------|
|  | Governmental<br>Activities | Business-type<br>Activities |                      |                     |
| <b>ASSETS:</b>                                   |                            |                             |                      |                     |
| Current Assets:                                  |                            |                             |                      |                     |
| Cash & Equivalents - Unrestricted                | \$ 3,742,582               | \$ 943,342                  | \$ 4,685,924         | \$ 1,280,079        |
| Cash & Equivalents - Restricted                  | -                          | 564,240                     | 564,240              | -                   |
| Accounts Receivable                              | 271,037                    | 573,388                     | 844,425              | 432,342             |
| Internal Loans                                   | (102,150)                  | 102,150                     | -                    | -                   |
| Due From Governmental Units                      | 96,204                     | -                           | 96,204               | -                   |
| Inventory  | 50,524                     | 7,904                       | 58,428               | 4,505               |
| Prepays  | -                          | -                           | -                    | 13,460              |
| Noncurrent Assets:                               |                            |                             |                      |                     |
| Bond Issuance Costs                              | -                          | 11,596                      | 11,596               | -                   |
| Notes Receivable                                 | -                          | 38,533                      | 38,533               | -                   |
| Capital Assets Not Depreciated                   | 937,870                    | -                           | 937,870              | 1,087,686           |
| Capital Assets (Net of Accumulated Depreciation) | 5,764,630                  | 13,929,559                  | 19,694,189           | 4,322,827           |
| <b>TOTAL ASSETS</b>                              | <b>\$ 10,760,697</b>       | <b>\$ 16,170,712</b>        | <b>\$ 26,931,409</b> | <b>\$ 7,140,899</b> |
| <b>LIABILITIES:</b>                              |                            |                             |                      |                     |
| Current Liabilities:                             |                            |                             |                      |                     |
| Accounts Payable                                 | \$ 219,514                 | \$ 29,389                   | \$ 248,903           | \$ 101,365          |
| Accrued Liabilities                              | 4,216                      | 1,431                       | 5,647                | 140,332             |
| Accrued Interest Payable                         | 678                        | 13,256                      | 13,934               | -                   |
| Customer Deposits                                | -                          | 18,927                      | 18,927               | -                   |
| Deferred Revenue                                 | -                          | -                           | -                    | 11,349              |
| Notes Payable                                    | -                          | -                           | -                    | 76,729              |
| Bonds Payable                                    | -                          | 475,000                     | 475,000              | -                   |
| Non-current Liabilities:                         |                            |                             |                      |                     |
| OPEB Liability                                   | 9,388                      | -                           | 9,388                | -                   |
| Notes Payable                                    | -                          | -                           | -                    | 227,573             |
| Bonds Payable                                    | -                          | 6,818,091                   | 6,818,091            | -                   |
| Compensated Absences                             | 109,545                    | 21,526                      | 131,071              | 7,226               |
| <b>TOTAL LIABILITIES</b>                         | <b>343,341</b>             | <b>7,377,620</b>            | <b>7,720,961</b>     | <b>564,574</b>      |
| <b>NET ASSETS:</b>                               |                            |                             |                      |                     |
| Invested in Capital Assets (net of related debt) | 6,702,500                  | 6,636,468                   | 13,338,968           | 5,106,211           |
| Restricted                                       | 67,412                     | 564,240                     | 631,652              | 38,388              |
| Unrestricted                                     | 3,647,444                  | 1,592,384                   | 5,239,828            | 1,431,726           |
| <b>TOTAL NET ASSETS</b>                          | <b>\$ 10,417,356</b>       | <b>\$ 8,793,092</b>         | <b>\$ 19,210,448</b> | <b>\$ 6,576,325</b> |

# City of Boyne City, Michigan

## Statement of Activities For the Year Ended April 30, 2012

| Functions/Programs                   | Expenses     | Program Revenues        |  |  | Net (Expense) Revenue and<br>Changes in Net Assets |   |               | Component<br>Units |
|--------------------------------------|--------------|-------------------------|--|--|--|---|---------------|--------------------|
|                                      |              | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                         | Primary Government<br>Business-Type<br>Activities | Total         |                    |
| <b>Primary Government:</b>           |              |                         |  |  |  |   |               |                    |
| <b>Governmental Activities:</b>      |              |                         |  |  |  |   |               |                    |
| Legislative                          | \$ 17,665    | \$ -                    | \$ -                                     | \$ -                                   | \$ (17,665)  | \$ -  | \$ (17,665)   | \$ -               |
| General Government                   | 1,219,421    | 139,960                 | 31,885                                   | -                                      | (1,047,576)  | -   | (1,047,576)   | -                  |
| Public Safety                        | 808,776      | 188,153                 | -  | -                                      | (620,623)  | -   | (620,623)     | -                  |
| Public Works                         | 1,785,072    | 264,608                 | 321,908                                  | 116,250                                | (1,082,306)  | -   | (1,082,306)   | -                  |
| Health and Welfare                   | 715,324      | 472,263                 | 44,264                                   | -                                      | (198,797)  | -   | (198,797)     | -                  |
| Recreation & Culture                 | 264,033      | -                       | -  | -                                      | (264,033)  | -   | (264,033)     | -                  |
| Other Expenses                       | 171,023      | -                       | -  | -                                      | (171,023)  | -   | (171,023)     | -                  |
| Total Governmental Activities        | 4,981,314    | 1,064,984               | 398,057                                  | 116,250                                | (3,402,023)  | -   | (3,402,023)   | -                  |
| <b>Business-type activities:</b>     |              |                         |  |  |  |   |               |                    |
| Sewer                                | 840,332      | 872,533                 | -  | 4,718                                  | -  | 36,919  | 36,919        | -                  |
| Water                                | 586,410      | 614,421                 | -  | 218,770                                | -  | 246,781   | 246,781       | -                  |
| Total Business-type Activities       | 1,426,742    | 1,486,954               | -  | 223,488                                | -  | 283,700   | 283,700       | -                  |
| Total Primary Government             | \$ 6,408,056 | \$ 2,551,938            | \$ 398,057                               | \$ 339,738                             | (3,402,023)  | 283,700   | (3,118,323)   | -                  |
| <b>Component Units:</b>              |              |                         |  |  |  |   |               |                    |
| Local Development Finance Authority  | \$ 95,464    | \$ -                    | \$ -                                     | \$ -                                   |  |   |               | (95,464)           |
| Downtown Development Authority       | 545,457      | 4,463                   | 212,485                                  | 165,160                                |  |   |               | (163,349)          |
| Boyne City Housing Commission        | 854,521      | 235,150                 | 419,479                                  | 1,153                                  |  |   |               | (198,739)          |
| Total Component Units                | 1,495,442    | 239,613                 | 631,964                                  | 166,313                                |  |   |               | (457,552)          |
| Total                                | \$ 7,903,498 | \$ 2,791,551            | \$ 1,030,021                             | \$ 506,051                             |  |   |               |                    |
| <b>General Revenues:</b>             |              |                         |  |  |  |   |               |                    |
| Property Taxes                       |              |                         |  |  | 2,875,010  | -   | 2,875,010     | 490,806            |
| State Shared Revenue                 |              |                         |  |  | 277,449  | -   | 277,449       | -                  |
| Investment Earnings (Loss)           |              |                         |  |  | 12,671   | 1,002   | 13,673        | (6,241)            |
| Other Revenue                        |              |                         |  |  | 595,047  | 365,507   | 960,554       | 1,418              |
| Total General Revenues and Transfers |              |                         |  |  | 3,760,177  | 366,509   | 4,126,686     | 485,983            |
| Changes in Net Assets                |              |                         |  |  | 358,154  | 650,209   | 1,008,363     | 28,431             |
| Net Assets - Beginning               |              |                         |  |  | 10,059,202   | 8,142,883   | 18,202,085    | 6,305,032          |
| Prior Period Adjustment              |              |                         |  |  | -  | -   | -             | 242,862            |
| Net Assets - Ending                  |              |                         |  |  | \$ 10,417,356                                      | \$ 8,793,092                                      | \$ 19,210,448 | \$ 6,576,325       |

See accompanying notes to financial statements.

# City of Boyne City, Michigan

## Balance Sheet Governmental Funds April 30, 2012

|   |    | General             | Major Street      | Local Street     | Ambulance        | Capital Project Fund<br>Vibrant Small Cities | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----|---------------------|-------------------|------------------|------------------|--|-----------------------------|--------------------------|
| <b>ASSETS:</b>  |    |                     |                   |                  |                  |  |                             |                          |
| Cash & Equivalents - Unrestricted   | \$ | 1,517,396           | \$ 172,555        | \$ 8,302         | \$ 163           | \$ 721,161                                   | \$ 572,319                  | \$ 2,991,896             |
| Accounts Receivable   |    | 143,133             | 40                | -                | 37,527           | -  | 90,143                      | 270,843                  |
| Inventory   |    | -                   | -                 | -                | -                | -  | 13,489                      | 13,489                   |
| Due from Other Funds  |    | 721,161             | -                 | -                | -                | -  | -                           | 721,161                  |
| Due from Governmental Units   |    | 43,631              | 37,863            | 14,710           | -                | -  | -                           | 96,204                   |
| <b>TOTAL ASSETS</b>   |    | <b>\$ 2,425,321</b> | <b>\$ 210,458</b> | <b>\$ 23,012</b> | <b>\$ 37,690</b> | <b>\$ 721,161</b>                            | <b>\$ 675,951</b>           | <b>\$ 4,093,593</b>      |
| <b>LIABILITIES:</b>   |    |                     |                   |                  |                  |  |                             |                          |
| Accounts Payable  | \$ | 126,836             | \$ 40,567         | \$ 22,821        | \$ 4,393         | \$ -   | \$ 11,226                   | \$ 205,843               |
| Accrued Liabilities   |    | 3,173               | 329               | 191              | 213              | -  | -                           | 3,906                    |
| Due to Other Funds  |    | -                   | 102,150           | -                | -                | 721,161                                      | -                           | 823,311                  |
| <b>TOTAL LIABILITIES</b>  |    | <b>130,009</b>      | <b>143,046</b>    | <b>23,012</b>    | <b>4,606</b>     | <b>721,161</b>                               | <b>11,226</b>               | <b>1,033,060</b>         |
| <b>FUND BALANCES:</b>   |    |                     |                   |                  |                  |  |                             |                          |
| Nonspendable  |    | -                   | -                 | -                | -                | -  | 13,489                      | 13,489                   |
| Restricted  |    | -                   | 67,412            | -                | -                | -  | -                           | 67,412                   |
| Committed   |    | 118,933             | -                 | -                | -                | -  | -                           | 118,933                  |
| Assigned  |    | 1,215               | -                 | -                | 33,084           | -  | 651,236                     | 685,535                  |
| Unassigned  |    | 2,175,164           | -                 | -                | -                | -  | -                           | 2,175,164                |
| <b>TOTAL FUND BALANCES</b>  |    | <b>2,295,312</b>    | <b>67,412</b>     | <b>-</b>         | <b>33,084</b>    | <b>-</b>                                     | <b>664,725</b>              | <b>3,060,533</b>         |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>  |    | <b>\$ 2,425,321</b> | <b>\$ 210,458</b> | <b>\$ 23,012</b> | <b>\$ 37,690</b> | <b>\$ 721,161</b>                            | <b>\$ 675,951</b>           |                          |
| <b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b> |    |                     |                   |                  |                  |  |                             |                          |
| Capital assets used by governmental activities  |    |                     |                   |                  |                  |  |                             | 6,607,817                |
| Compensated absences liability  |    |                     |                   |                  |                  |  |                             | (109,545)                |
| OPEB Liability  |    |                     |                   |                  |                  |  |                             | (9,388)                  |
| Accrued interest expense  |    |                     |                   |                  |                  |  |                             | (678)                    |
| Internal service funds included in governmental activities  |    |                     |                   |                  |                  |  |                             | 868,617                  |
| <b>Net assets of governmental activities</b>  |    |                     |                   |                  |                  |  |                             | <b>\$ 10,417,356</b>     |

# City of Boyne City, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended April 30, 2012

|   | General             | Major<br>Street  | Local<br>Street  | Ambulance        | Capital Project<br>Fund<br>Vibrant<br>Small<br>Cities | Nonmajor<br>Governmental<br>Funds | Totals<br>Governmental<br>Funds |
|---|---------------------|------------------|------------------|------------------|---|-----------------------------------|---------------------------------|
| <b>REVENUES:</b>  |                     |                  |                  |                  |   |                                   |                                 |
| Taxes   | \$ 2,708,034        | \$ 83,488        | \$ 83,488        | \$ -             | \$ -  | \$ -                              | \$ 2,875,010                    |
| Federal Sources   | -                   | 15,077           | 15,713           | -                | -   | -                                 | 30,790                          |
| State Revenues  | 309,334             | 273,787          | 133,581          | -                | -   | -                                 | 716,702                         |
| Local Revenues  | -                   | -                | -                | 44,264           | -   | -                                 | 44,264                          |
| Charges for Services  | 159,786             | 40               | 5,000            | 472,263          | -   | 427,895                           | 1,064,984                       |
| Interest & Rent   | 12,671              | -                | -                | -                | -   | -                                 | 12,671                          |
| Other Revenue   | 527,720             | -                | -                | 2,670            | -   | 432                               | 530,822                         |
| <b>TOTAL REVENUES</b>   | <b>3,717,545</b>    | <b>372,392</b>   | <b>237,782</b>   | <b>519,197</b>   | <b>-</b>  | <b>428,327</b>                    | <b>5,275,243</b>                |
| <b>EXPENDITURES:</b>  |                     |                  |                  |                  |   |                                   |                                 |
| Legislative   | 17,665              | -                | -                | -                | -   | -                                 | 17,665                          |
| General Government  | 1,197,877           | -                | -                | -                | -   | -                                 | 1,197,877                       |
| Public Safety   | 586,014             | -                | -                | -                | -   | 177,058                           | 763,072                         |
| Public Works  | 130,437             | 542,763          | 1,176,058        | -                | -   | 199,887                           | 2,049,145                       |
| Health & Welfare  | 1,000               | -                | -                | 678,733          | -   | -                                 | 679,733                         |
| Recreation & Cultural   | 233,727             | -                | -                | -                | -   | -                                 | 233,727                         |
| Other Expenditures  | 178,907             | -                | -                | -                | -   | -                                 | 178,907                         |
| <b>TOTAL EXPENDITURES</b>   | <b>2,345,627</b>    | <b>542,763</b>   | <b>1,176,058</b> | <b>678,733</b>   | <b>-</b>  | <b>376,945</b>                    | <b>5,120,126</b>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>  | <b>1,371,918</b>    | <b>(170,371)</b> | <b>(938,276)</b> | <b>(159,536)</b> | <b>-</b>  | <b>51,382</b>                     | <b>155,117</b>                  |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                     |                  |                  |                  |   |                                   |                                 |
| Operating Transfers In  | 47,113              | -                | 634,300          | 88,298           | -   | -                                 | 769,711                         |
| Operating Transfers Out   | (769,711)           | -                | -                | -                | -   | -                                 | (769,711)                       |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>(722,598)</b>    | <b>-</b>         | <b>634,300</b>   | <b>88,298</b>    | <b>-</b>  | <b>-</b>                          | <b>769,711</b>                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>649,320</b>      | <b>(170,371)</b> | <b>(303,976)</b> | <b>(71,238)</b>  | <b>-</b>  | <b>51,382</b>                     | <b>155,117</b>                  |
| <b>FUND BALANCES, MAY 1</b>   | <b>1,645,992</b>    | <b>237,783</b>   | <b>303,976</b>   | <b>104,322</b>   | <b>-</b>  | <b>613,343</b>                    | <b>2,905,416</b>                |
| <b>FUND BALANCES, APRIL 30</b>  | <b>\$ 2,295,312</b> | <b>\$ 67,412</b> | <b>\$ -</b>      | <b>\$ 33,084</b> | <b>\$ -</b>   | <b>\$ 664,725</b>                 | <b>\$ 3,060,533</b>             |

See accompanying notes to financial statements.

# City of Boyne City, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended April 30, 2012

|  |                          |
|--|--------------------------|
| Net Changes in fund balances - total governmental funds  | \$ 155,117               |
| The change in net assets reported for governmental activities in the statement of activities is different because:   |                          |
| Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$573,906 was more than depreciation expense of (\$460,557) in the current period. | 113,349                  |
| An internal service fund is used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.  | 68,930                   |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:   |                          |
| Compensated absences   | 25,605                   |
| Deferred Revenue   | (4,921)                  |
| Accrued Interest   | <u>74</u>                |
| Changes in net assets of governmental activities   | <u><u>\$ 358,154</u></u> |

# City of Boyne City, Michigan

## Statement of Net Assets Proprietary Funds April 30, 2012

|  | Business - type Activities |                     | Governmental Activities |                             |
|--|----------------------------|---------------------|-------------------------|-----------------------------|
|  | Enterprise Funds           |                     | Total Business-Type     | Internal Service-Motor Pool |
|  | Sewer                      | Water               |                         |                             |
| <b>ASSETS:</b>                                   |                            |                     |                         |                             |
| <b>Current Assets</b>                            |                            |                     |                         |                             |
| Cash & Equivalents - Unrestricted                | \$ 830,279                 | \$ 113,063          | \$ 943,342              | \$ 750,686                  |
| Due from Other Funds                             | 102,150                    | -                   | 102,150                 | -                           |
| Accounts Receivable                              | 343,017                    | 230,371             | 573,388                 | 194                         |
| Inventory  | 1,352                      | 6,552               | 7,904                   | 37,035                      |
| Total Current Assets                             | <u>1,276,798</u>           | <u>349,986</u>      | <u>1,626,784</u>        | <u>787,915</u>              |
| Restricted Cash & Equivalents                    |                            |                     |                         |                             |
| Bond Reserve                                     | 521,172                    | -                   | 521,172                 | -                           |
| Bond and Interest Redemption                     | 43,068                     | -                   | 43,068                  | -                           |
| Total Restricted Cash & Equivalents              | <u>564,240</u>             | <u>-</u>            | <u>564,240</u>          | <u>-</u>                    |
| <b>Noncurrent Assets</b>                         |                            |                     |                         |                             |
| Bond Issuance Costs                              | 11,596                     | -                   | 11,596                  | -                           |
| Notes Receivable                                 | 38,533                     | -                   | 38,533                  | -                           |
| Capital Assets (Net of Accumulated Depreciation) | 10,819,714                 | 3,109,845           | 13,929,559              | 94,683                      |
| Total Noncurrent Assets                          | <u>10,869,843</u>          | <u>3,109,845</u>    | <u>13,979,688</u>       | <u>94,683</u>               |
| <b>TOTAL ASSETS</b>                              | <u>\$ 12,710,881</u>       | <u>\$ 3,459,831</u> | <u>\$ 16,170,712</u>    | <u>\$ 882,598</u>           |
| <b>LIABILITIES:</b>                              |                            |                     |                         |                             |
| <b>Current Liabilities</b>                       |                            |                     |                         |                             |
| Accounts Payable                                 | \$ 23,363                  | \$ 6,026            | \$ 29,389               | \$ 13,671                   |
| Accrued Liabilities                              | 11,220                     | 3,467               | 14,687                  | 310                         |
| Customer Deposits                                | 12,193                     | 6,734               | 18,927                  | -                           |
| Bonds Payable                                    | 385,000                    | 90,000              | 475,000                 | -                           |
| Total Current Liabilities                        | <u>431,776</u>             | <u>106,227</u>      | <u>538,003</u>          | <u>13,981</u>               |
| <b>Noncurrent Liabilities</b>                    |                            |                     |                         |                             |
| Compensated Absences                             | 4,066                      | 17,460              | 21,526                  | -                           |
| Bonds Payable                                    | 5,818,091                  | 1,000,000           | 6,818,091               | -                           |
| Total Noncurrent Liabilities                     | <u>5,822,157</u>           | <u>1,017,460</u>    | <u>6,839,617</u>        | <u>-</u>                    |
| <b>TOTAL LIABILITIES</b>                         | <u>6,253,933</u>           | <u>1,123,687</u>    | <u>7,377,620</u>        | <u>13,981</u>               |
| <b>NET ASSETS:</b>                               |                            |                     |                         |                             |
| Invested in Capital Assets (net of related debt) | 4,616,623                  | 2,019,845           | 6,636,468               | 94,683                      |
| Restricted                                       | 564,240                    | -                   | 564,240                 | -                           |
| Unrestricted                                     | 1,276,085                  | 316,299             | 1,592,384               | 773,934                     |
| <b>TOTAL NET ASSETS</b>                          | <u>\$ 6,456,948</u>        | <u>\$ 2,336,144</u> | <u>\$ 8,793,092</u>     | <u>\$ 868,617</u>           |

**Statement of Revenues, Expenses, and  
Changes in Net Assets - Proprietary Funds  
For the Year Ended April 30, 2012**

|   | Business - type Activities |                     |                            | Governmental<br>Activities         |
|---|----------------------------|---------------------|----------------------------|------------------------------------|
|   | Enterprise<br>Funds        |                     | Total<br>Business-<br>Type | Internal<br>Service-<br>Motor Pool |
|   | Sewer                      | Water               |                            |                                    |
| <b>OPERATING REVENUES:</b>                |                            |                     |                            |                                    |
| Charges for Services                      | \$ 872,533                 | \$ 614,421          | \$ 1,486,954               | \$ 318,211                         |
| Total Operating Revenues                  | 872,533                    | 614,421             | 1,486,954                  | 318,211                            |
| <b>OPERATING EXPENSES:</b>                |                            |                     |                            |                                    |
| Personal Services                         | 107,859                    | 191,665             | 299,524                    | 56,335                             |
| Contracted Services                       | 61,802                     | 49,523              | 111,325                    | 24,056                             |
| Supplies                                  | 36,408                     | 55,471              | 91,879                     | 47,650                             |
| Utilities                                 | 143,887                    | 37,192              | 181,079                    | 16,551                             |
| Repair and Maintenance                    | 49,229                     | 11,046              | 60,275                     | 73,531                             |
| Depreciation Expense                      | 294,903                    | 212,138             | 507,041                    | 38,333                             |
| Total Operating Expenses                  | 694,088                    | 557,035             | 1,251,123                  | 256,456                            |
| <b>OPERATING INCOME (LOSS)</b>            | 178,445                    | 57,386              | 235,831                    | 61,755                             |
| <b>NON-OPERATING REVENUES (EXPENSES):</b> |                            |                     |                            |                                    |
| Interest Income                           | -                          | 1,002               | 1,002                      | 624                                |
| Sale of Equipment                         | -                          | -                   | -                          | 6,551                              |
| Capital Grants                            | 4,718                      | 218,770             | 223,488                    | -                                  |
| Other Revenue                             | 365,507                    | -                   | 365,507                    | -                                  |
| Bond Issue Expense                        | (6,353)                    | -                   | (6,353)                    | -                                  |
| Interest Expense                          | (139,891)                  | (29,375)            | (169,266)                  | -                                  |
| Total Non-operating Revenues (Expenses)   | 223,981                    | 190,397             | 414,378                    | 7,175                              |
| <b>CHANGES IN NET ASSETS</b>              | 402,426                    | 247,783             | 650,209                    | 68,930                             |
| NET ASSETS, MAY 1                         | 6,054,522                  | 2,088,361           | 8,142,883                  | 799,687                            |
| <b>NET ASSETS, APRIL 30</b>               | <u>\$ 6,456,948</u>        | <u>\$ 2,336,144</u> | <u>\$ 8,793,092</u>        | <u>\$ 868,617</u>                  |

# City of Boyne City, Michigan

## Statement of Cash Flows Proprietary Fund Types For the Year Ended April 30, 2012

|   | Business - Type Activities |                   | Governmental Activities |                             |
|---|----------------------------|-------------------|-------------------------|-----------------------------|
|   | Enterprise Funds           |                   | Total Business-Type     | Internal Service-Motor Pool |
|   | Sewer                      | Water             |                         |                             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                            |                   |                         |                             |
| Receipts from Customers   | \$ 995,655                 | \$ 621,066        | \$ 1,616,721            | \$ 318,211                  |
| Payments to Suppliers   | (272,126)                  | (238,976)         | (511,102)               | (133,020)                   |
| Payments to Employees   | (115,486)                  | (195,156)         | (310,642)               | (64,668)                    |
| Internal Activity - Payments/Receipts with Other Funds  | 14,657                     | -                 | 14,657                  | -                           |
| Net Cash Provided (Used) by Operating Activities  | <u>622,700</u>             | <u>186,934</u>    | <u>809,634</u>          | <u>120,523</u>              |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                                      |                            |                   |                         |                             |
| Capital Grants  | 4,718                      | 218,770           | 223,488                 | -                           |
| Other Revenue   | 365,507                    | -                 | 365,507                 | -                           |
| Purchase of Assets  | (509,158)                  | (949,865)         | (1,459,023)             | (38,554)                    |
| Sale of Assets  | 251,457                    | 659,549           | 911,006                 | 14,581                      |
| Bond Principal  | (380,000)                  | (85,000)          | (465,000)               | -                           |
| Notes Receivable  | 5,270                      | -                 | 5,270                   | -                           |
| Interest Payments   | (139,891)                  | (29,375)          | (169,266)               | -                           |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                  | <u>(402,097)</u>           | <u>(185,921)</u>  | <u>(588,018)</u>        | <u>(23,973)</u>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                            |                   |                         |                             |
| Interest Income   | -                          | 1,002             | 1,002                   | 624                         |
| Net Cash Provided (Used) by Investing Activities  | <u>-</u>                   | <u>1,002</u>      | <u>1,002</u>            | <u>624</u>                  |
| Net Increase (Decrease) in Cash and Equivalents   | 220,603                    | 2,015             | 222,618                 | 97,174                      |
| Balances - Beginning of the Year  | 1,173,916                  | 111,048           | 1,284,964               | 653,512                     |
| Balances - End of the Year  | <u>\$ 1,394,519</u>        | <u>\$ 113,063</u> | <u>\$ 1,507,582</u>     | <u>\$ 750,686</u>           |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                            |                   |                         |                             |
| Operating Income (Loss)   | \$ 178,445                 | \$ 57,386         | \$ 235,831              | \$ 61,755                   |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |                            |                   |                         |                             |
| Depreciation Expense  | 294,903                    | 212,138           | 507,041                 | 38,333                      |
| (Increase) Decrease in Assets:  |                            |                   |                         |                             |
| Accounts Receivable   | 122,790                    | 6,378             | 129,168                 | -                           |
| Inventory   | 1,946                      | 3,388             | 5,334                   | 18,877                      |
| Due from Other funds  | 14,657                     | -                 | 14,657                  | -                           |
| Increase (Decrease) in Liabilities:   |                            |                   |                         |                             |
| Accounts Payable  | 17,254                     | (89,132)          | (71,878)                | 9,891                       |
| Accrued Liabilities   | (7,440)                    | (3,668)           | (11,108)                | (1,533)                     |
| Customer Deposits   | 332                        | 267               | 599                     | -                           |
| Compensated Absences  | (187)                      | 177               | (10)                    | (6,800)                     |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 622,700</u>          | <u>\$ 186,934</u> | <u>\$ 809,634</u>       | <u>\$ 120,523</u>           |

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
April 30, 2012**

|                                   | <u>Agency Funds</u>   |
|-----------------------------------|-----------------------|
| <b>ASSETS:</b>                    |                       |
| Cash & Equivalents - Unrestricted | \$ 103,515            |
| <br>TOTAL ASSETS                  | <br><u>\$ 103,515</u> |
| <br><b>LIABILITIES:</b>           |                       |
| Deposits Payable                  | \$ 12,850             |
| Due to Other Governmental Units   | <u>90,665</u>         |
| <br>TOTAL LIABILITIES             | <br><u>\$ 103,515</u> |

# **Component Units**

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# City of Boyne City, Michigan

## Statement of Net Assets Component Units April 30, 2012

|  | Local<br>Development<br>Finance<br>Authority | Downtown<br>Development<br>Authority | Boyne City<br>Housing<br>Commission | Totals              |
|--|--|--------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS:</b>                                   |  |                                      |                                     |                     |
| Current Assets:                                  |  |                                      |                                     |                     |
| Cash & Equivalents - Unrestricted                | \$ 973,682                                   | \$ 211,098                           | \$ 95,299                           | \$ 1,280,079        |
| Accounts Receivable                              | -  | 140,820                              | 291,522                             | 432,342             |
| Prepaid Expense                                  | -  | -                                    | 13,460                              | 13,460              |
| Inventory  | -  | -                                    | 4,505                               | 4,505               |
| Noncurrent Assets:                               |  |                                      |                                     |                     |
| Capital Assets Not Depreciated                   | 291,419                                      | -                                    | 796,267                             | 1,087,686           |
| Capital Assets (Net of Accumulated Depreciation) | 1,396,672                                    | 2,134,661                            | 791,494                             | 4,322,827           |
| <b>TOTAL ASSETS</b>                              | <b>\$ 2,661,773</b>                          | <b>\$ 2,486,579</b>                  | <b>\$ 1,992,547</b>                 | <b>\$ 7,140,899</b> |
| <b>LIABILITIES:</b>                              |  |                                      |                                     |                     |
| Current Liabilities:                             |  |                                      |                                     |                     |
| Accounts Payable                                 | \$ 7,222                                     | \$ 41,567                            | \$ 52,576                           | \$ 101,365          |
| Accrued Liabilities                              | -  | 169                                  | 140,163                             | 140,332             |
| Notes Payable - Current                          | 60,183                                       | 5,732                                | 10,814                              | 76,729              |
| Deferred Revenue                                 | -  | -                                    | 11,349                              | 11,349              |
| Non-Current Liabilities:                         |  |                                      |                                     |                     |
| Notes Payable                                    | 110,123                                      | 32,801                               | 84,649                              | 227,573             |
| Compensated Absences                             | -  | -                                    | 7,226                               | 7,226               |
| <b>TOTAL LIABILITIES</b>                         | <b>177,528</b>                               | <b>80,269</b>                        | <b>306,777</b>                      | <b>564,574</b>      |
| <b>NET ASSETS:</b>                               |  |                                      |                                     |                     |
| Invested in Capital Assets, net of related debt  | 1,517,785                                    | 2,096,128                            | 1,492,298                           | 5,106,211           |
| Restricted                                       | -  | -                                    | 38,388                              | 38,388              |
| Unrestricted                                     | 966,460                                      | 310,182                              | 155,084                             | 1,431,726           |
| <b>TOTAL NET ASSETS</b>                          | <b>2,484,245</b>                             | <b>2,406,310</b>                     | <b>1,685,770</b>                    | <b>6,576,325</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>          | <b>\$ 2,661,773</b>                          | <b>\$ 2,486,579</b>                  | <b>\$ 1,992,547</b>                 | <b>\$ 7,140,899</b> |

**Statement of Activities  
Component Units  
For the Year Ended April 30, 2012**

| Functions/Programs                          | Expenses            | Program Revenues        |  |  | Net (Expense) Revenue and<br>Changes in Net Assets |                                      |                                     |                     |
|---|---------------------|-------------------------|--|--|--|--------------------------------------|-------------------------------------|---------------------|
|   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Local<br>Development<br>Finance<br>Authority       | Downtown<br>Development<br>Authority | Boyne City<br>Housing<br>Commission | Total               |
| <b>Local Development Finance Authority:</b> |                     |                         |  |  |  |                                      |                                     |                     |
| Economic Development                        | \$ 95,464           | \$ -                    | \$ -                                     | \$ -                                   | \$ (95,464)  | \$ -                                 | \$ -                                | \$ (95,464)         |
| <b>Downtown Development Authority:</b>      |                     |                         |  |  |  |                                      |                                     |                     |
| Economic Development                        | 545,457             | 4,463                   | 212,485                                  | 165,160                                | -  | (163,349)                            | -                                   | (163,349)           |
| <b>Boyne City Housing Commission</b>        |                     |                         |  |  |  |                                      |                                     |                     |
| Health and Welfare                          | 854,521             | 235,150                 | 419,479                                  | 1,153                                  | -  | -                                    | (198,739)                           | (198,739)           |
| <b>Total Component Units</b>                | <b>\$ 1,495,442</b> | <b>\$ 239,613</b>       | <b>\$ 631,964</b>                        | <b>\$ 166,313</b>                      | <b>(95,464)</b>                                    | <b>(163,349)</b>                     | <b>(198,739)</b>                    | <b>(457,552)</b>    |
| <b>General Revenues:</b>                    |                     |                         |  |  |  |                                      |                                     |                     |
| Taxes                                       |                     |                         |  |  | 179,365  | 311,441                              | -                                   | 490,806             |
| Interest Income                             |                     |                         |  |  | -  | -                                    | (6,241)                             | (6,241)             |
| Other                                       |                     |                         |  |  | -  | -                                    | 1,418                               | 1,418               |
| <b>Total General Revenues</b>               |                     |                         |  |  | <b>179,365</b>                                     | <b>311,441</b>                       | <b>(4,823)</b>                      | <b>485,983</b>      |
| Changes in Net Assets                       |                     |                         |  |  | 83,901   | 148,092                              | (203,562)                           | 28,431              |
| Net Assets - Beginning                      |                     |                         |  |  | 2,400,344  | 2,258,218                            | 1,646,470                           | 6,305,032           |
| Prior Period Adjustment                     |                     |                         |  |  | -  | -                                    | 242,862                             | 242,862             |
| <b>Net Assets - Ending</b>                  |                     |                         |  |  | <b>\$ 2,484,245</b>                                | <b>\$ 2,406,310</b>                  | <b>\$ 1,685,770</b>                 | <b>\$ 6,576,325</b> |

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Reporting Entity**

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

***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 Council. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA. A complete financial statement of the DDA can be obtained from the City Treasurer, City of Boyne City 319 North Lake Street, Boyne City, Michigan 49712.

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 Council. The budgets and expenditures of the LDFA must be approved by the City Council. The City also has the ability to significantly influence operations of the LDFA. A complete financial statement of the LDFA can be obtained from the City Treasurer, City of Boyne City, 319 North Lake Street, Boyne City, Michigan 49712.

The Boyne City Housing 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 Council. The budgets and expenditures of the Commission must be approved by the City Council. The City also has the ability to significantly influence operations of the Commission. A complete financial statement of the Commission can be obtained from Sheila Smith, Executive Director, Boyne City Housing Commission, 829 South Park Street, Boyne City, Michigan 49712.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

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*.

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

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 proprietary funds are reported as separate columns in the fund financial statements.

**Fund Financial Statements.** The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

The *Major Street Fund* accounts for the use of motor fuel taxes which are restricted by State statutes for major street and highway purposes.

The *Local Street Fund* accounts for the use of motor fuel taxes which are restricted by State statute for local street purposes.

The *Ambulance Fund* accounts for the activities of the City's ambulance department.

The *Vibrant Small Cities Fund* accounts for City's match of grant funds.

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the City's sewage disposal and sewer treatment system.

The *Water Fund* accounts for the activities of the City's water distribution and water treatment system.

Additionally, the City reports the following fund types:

**Special Revenue Funds.** These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

**Debt Service Funds.** These funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

**Capital Project Funds.** These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

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

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

*Agency Funds.* These funds account for assets held for others in an agency capacity.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

***Government-wide, Proprietary and Fiduciary Fund Financial Statements.*** The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash is received.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

***Governmental Fund Financial Statements.*** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, state revenue, and interest are considered to be susceptible to accrual. Grant revenues are considered to be available when all eligibility requirements imposed by the grantor have been met.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The government-wide financial statements and proprietary funds of the City follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary type funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Assets, Liabilities, and Equity**

***Deposits and Investments***

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

State statutes authorize and the City's investment policy allows, the City to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The City Commissioners have designated four banks for the deposit of City funds. The investment policy adopted by the commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and certificated of deposit. Investments are stated at fair value.

***Receivables and Payables***

All receivables are reported at their gross value.

The ambulance fund receivables are shown net of an allowance for uncollectible accounts. It is composed of expected Medicaid and Medicare write-offs and accounts receivable in excess of 120 days, which amounted to \$26,637.

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

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

***Inventory***

Inventory held by general, enterprise and internal service funds are valued at cost utilizing the first-in, first-out method of accounting. The cost value of such inventories has been treated as an expenditure at the time of purchase.

***Property Taxes***

The City’s property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Charlevoix County.

Assessed values as established annually by the City, and subject to acceptance by the County, are equalized by the state at an estimated 50% of current market value. Real and personal property in the City for the 2011 levy were assessed and equalized at \$184,630,417, representing 50% of estimated current market value. The government’s general operating tax rate for fiscal year 2011 was 15.51 mills.

Property taxes for the DDA and LDFA are derived by capturing the taxes assessed on the increase in taxable value of the property located within the DDA and LFDA City.

Property taxes are recognized in the fiscal year in which they are levied.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 assets lives are not capitalized.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

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

|                                |             |
|--------------------------------|-------------|
| Buildings                      | 20-50 years |
| Land improvements              | 10-40 years |
| Equipment                      | 5-20 years  |
| Vehicles                       | 5-10 years  |
| Public domain infrastructure   | 20 years    |
| Sewer and water infrastructure | 20-50 years |

***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 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds 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.

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

*Fund Balance Classification*

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Inventories and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City. These amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has committed compensated absences.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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

*Interfund Transfers*

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management.

*Use of Estimates*

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

*Subsequent Events*

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary Information*

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The City Commission, by resolution, adopts a budget for the next fiscal year no later than the third week in April of each year.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. 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.
- d. 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 Council. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. 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.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the City’s deposits and investments were reported in the basic financial statements in the following categories:

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total Primary<br/>Government</u> | <u>Fiduciary<br/>Funds</u> | <u>Component<br/>Units</u> |
|--|------------------------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|
| Cash and Equivalents -<br>Unrestricted | \$ 3,742,582                       | \$ 943,342                          | \$ 4,685,924                        | \$ 103,515                 | \$ 1,280,079               |
| Cash and Equivalents –<br>Restricted   | -                                  | 564,240                             | 564,240                             | -                          | -                          |
| Total                                  | <u>\$ 3,742,582</u>                | <u>\$ 1,507,582</u>                 | <u>\$ 5,250,164</u>                 | <u>\$ 103,515</u>          | <u>\$ 1,280,079</u>        |

Cash is restricted in the amount of \$564,240 for the Bond Reserve Account within the Wastewater and Water Funds.

The breakdown between deposits and investments is as follows:

|  | <u>Primary<br/>Government</u> | <u>Fiduciary<br/>Funds</u> | <u>Component<br/>Units</u> |
|--|-------------------------------|----------------------------|----------------------------|
| Bank Deposits (checking and savings<br>accounts, certificates of deposit and<br>money market accounts) | \$ 5,249,864                  | \$ 103,515                 | \$ 1,279,929               |
| Petty Cash and Cash on Hand  | 300                           | -                          | 150                        |
| Total  | <u>\$ 5,250,164</u>           | <u>\$ 103,515</u>          | <u>\$ 1,280,079</u>        |

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Interest rate risk.* The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has an investment policy that would further limit its investment choices.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require but the City does have a policy for deposit custodial credit risk. As of year end, \$134,139 of the City's bank balance of \$6,605,848 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the City to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The City’s deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the City and specific funds. They are recorded in City records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balances</u> |
|---|-------------------------------|-------------------|---------------------|----------------------------|
| <b>Governmental Activities:</b>                                 |                               |                   |                     |                            |
| <i>Capital assets not being depreciated:</i>                    |                               |                   |                     |                            |
| Land  | \$ 937,870                    | \$ -              | \$ -                | \$ 937,870                 |
| Construction in progress  | <u>427,684</u>                | <u>-</u>          | <u>(427,684)</u>    | <u>-</u>                   |
| Subtotal  | <u>1,365,554</u>              | <u>-</u>          | <u>(427,684)</u>    | <u>937,870</u>             |
| <i>Capital assets being depreciated:</i>                        |                               |                   |                     |                            |
| Land improvements   | 1,374,756                     | 47,327            | -                   | 1,422,083                  |
| Infrastructure  | 4,095,959                     | 856,173           | -                   | 4,952,132                  |
| Buildings and improvements                                      | 1,559,054                     | 9,395             | -                   | 1,568,449                  |
| Equipment   | 3,594,084                     | 80,885            | (33,945)            | 3,641,024                  |
| Furniture and fixtures  | <u>137,545</u>                | <u>-</u>          | <u>-</u>            | <u>137,545</u>             |
| Subtotal  | <u>10,761,398</u>             | <u>993,780</u>    | <u>(33,945)</u>     | <u>11,721,233</u>          |
| <i>Less accumulated depreciation for:</i>                       |                               |                   |                     |                            |
| Land improvements   | (1,069,295)                   | (54,329)          | -                   | (1,123,624)                |
| Infrastructure  | (698,422)                     | (204,797)         | -                   | (903,219)                  |
| Buildings and improvements                                      | (906,802)                     | (36,938)          | -                   | (943,740)                  |
| Equipment   | (2,722,616)                   | (162,054)         | 33,945              | (2,850,725)                |
| Furniture and fixtures  | <u>(132,856)</u>              | <u>(2,439)</u>    | <u>-</u>            | <u>(135,295)</u>           |
| Subtotal  | <u>(5,529,991)</u>            | <u>(460,557)</u>  | <u>33,945</u>       | <u>(5,956,603)</u>         |
| Net capital assets being depreciated                            | <u>5,231,407</u>              | <u>533,223</u>    | <u>-</u>            | <u>5,764,630</u>           |
| Governmental Activities Capital Assets –<br>Net of Depreciation | <u>\$ 6,596,961</u>           | <u>\$ 533,223</u> | <u>\$ (427,684)</u> | <u>\$ 6,702,500</u>        |

**NOTE 4 - CAPITAL ASSETS (Continued)**

**Governmental Activities:**

|   |                   |
|---|-------------------|
| General government                                      | \$ 78,721         |
| Public Safety   | 110,723           |
| Public Works  | 205,216           |
| Health and Welfare                                      | 35,591            |
| Recreation and Culture                                  | <u>30,306</u>     |
| Total Depreciation Expense -<br>Governmental Activities | <u>\$ 460,557</u> |

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balances</u> |
|--|-------------------------------|-------------------|---------------------|----------------------------|
| <b>Business-type activities:</b>                                 |                               |                   |                     |                            |
| <i>Capital assets not being depreciated:</i>                     |                               |                   |                     |                            |
| Land   | \$ 251,457                    | \$ -              | \$ (251,457)        | \$ -                       |
| Construction in progress   | <u>659,549</u>                | <u>-</u>          | <u>(659,549)</u>    | <u>-</u>                   |
| Subtotal   | <u>911,006</u>                | <u>-</u>          | <u>(911,006)</u>    | <u>-</u>                   |
| <i>Capital assets being depreciated:</i>                         |                               |                   |                     |                            |
| Water system plant   | 6,044,003                     | 949,865           | -                   | 6,993,868                  |
| Sanitary sewer disposal  | 13,168,834                    | 291,658           | -                   | 13,460,492                 |
| Equipment  | <u>352,638</u>                | <u>217,500</u>    | <u>-</u>            | <u>570,138</u>             |
| Subtotal   | <u>19,565,475</u>             | <u>1,459,023</u>  | <u>-</u>            | <u>21,024,498</u>          |
| <i>Less accumulated and improvements</i>                         |                               |                   |                     |                            |
| Water system plant   | (3,672,159)                   | (211,864)         | -                   | (3,884,023)                |
| Sanitary sewer disposal  | (2,563,650)                   | (294,628)         | -                   | (2,858,278)                |
| Equipment  | <u>(352,089)</u>              | <u>(549)</u>      | <u>-</u>            | <u>(352,638)</u>           |
| Subtotal   | <u>(6,587,898)</u>            | <u>(507,041)</u>  | <u>-</u>            | <u>(7,094,939)</u>         |
| Net capital assets being depreciated                             | <u>12,977,577</u>             | <u>951,982</u>    | <u>-</u>            | <u>13,929,559</u>          |
| Business-type Activities Capital Assets -<br>Net of Depreciation | <u>\$ 13,888,583</u>          | <u>\$ 951,982</u> | <u>\$ (911,006)</u> | <u>\$ 13,929,559</u>       |

**Business-type Activities**

|  |                   |
|--|-------------------|
| Sewer  | \$ 294,903        |
| Water  | <u>212,138</u>    |
| Total Depreciation Expense -<br>Business-type Activities | <u>\$ 507,041</u> |

**NOTE 4 - CAPITAL ASSETS (Continued)**

**Component Units:**

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balances</u> |
|--|-------------------------------|---------------------|---------------------|----------------------------|
| <b>Downtown Development Authority</b>        |                               |                     |                     |                            |
| <i>Capital assets being depreciated:</i>     |                               |                     |                     |                            |
| Infrastructure                               | \$ 2,837,193                  | \$ -                | \$ -                | \$ 2,837,193               |
| <i>Less accumulated depreciation</i>         | <u>(575,573)</u>              | <u>(126,959)</u>    | <u>-</u>            | <u>(702,532)</u>           |
| Net capital assets being depreciated         | <u>2,261,620</u>              | <u>(126,959)</u>    | <u>-</u>            | <u>2,134,661</u>           |
| Net Capital Assets                           | <u>\$ 2,261,620</u>           | <u>\$ (126,959)</u> | <u>\$ -</u>         | <u>\$ 2,134,661</u>        |
| <br>   |                               |                     |                     |                            |
|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balances</u> |
| <b>Local Development Finance Authority</b>   |                               |                     |                     |                            |
| <i>Capital assets not being depreciated:</i> |                               |                     |                     |                            |
| Land   | \$ 291,419                    | \$ -                | \$ -                | \$ 291,419                 |
| <i>Capital assets being depreciated:</i>     |                               |                     |                     |                            |
| Infrastructure                               | <u>1,997,920</u>              | <u>-</u>            | <u>-</u>            | <u>1,997,920</u>           |
| <i>Less accumulated depreciation</i>         | <u>(559,100)</u>              | <u>(42,148)</u>     | <u>-</u>            | <u>(601,248)</u>           |
| Net capital assets being depreciated         | <u>1,438,820</u>              | <u>(42,148)</u>     | <u>-</u>            | <u>1,396,672</u>           |
| Net Capital Assets                           | <u>\$ 1,730,239</u>           | <u>\$ (42,148)</u>  | <u>\$ -</u>         | <u>\$ 1,688,091</u>        |
| <br>   |                               |                     |                     |                            |
|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balances</u> |
| <b>Boyne City Housing Commission</b>         |                               |                     |                     |                            |
| <i>Capital assets not being depreciated:</i> |                               |                     |                     |                            |
| Land   | \$ 796,267                    | \$ -                | \$ -                | \$ 796,267                 |
| Construction in Progress                     | <u>113,460</u>                | <u>1,153</u>        | <u>(114,613)</u>    | <u>-</u>                   |
| Subtotal                                     | <u>909,727</u>                | <u>1,153</u>        | <u>(114,613)</u>    | <u>796,267</u>             |
| <i>Capital assets being depreciated:</i>     |                               |                     |                     |                            |
| Buildings and Improvements                   | 3,184,622                     | 127,318             | -                   | 3,311,940                  |
| Furniture, Fixtures, Equipment               | <u>207,483</u>                | <u>-</u>            | <u>-</u>            | <u>207,483</u>             |
| Subtotal                                     | <u>3,392,105</u>              | <u>127,318</u>      | <u>-</u>            | <u>3,519,423</u>           |
| <i>Less accumulated depreciation</i>         | <u>(2,601,979)</u>            | <u>(125,950)</u>    | <u>-</u>            | <u>(2,727,929)</u>         |
| Net capital assets being depreciated         | <u>790,126</u>                | <u>1,368</u>        | <u>-</u>            | <u>791,494</u>             |
| Net Capital Assets                           | <u>\$ 1,699,854</u>           | <u>\$ 2,521</u>     | <u>\$ (114,613)</u> | <u>\$ 1,587,761</u>        |

**NOTE 4 - CAPITAL ASSETS (Continued)**

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

**Component Units**

|   |                       |
|---|-----------------------|
| Downtown Development Authority                      | \$ 126,959            |
| Local Development Finance Authority                 | 42,148                |
| Boyne City Housing Commission                       | <u>125,950</u>        |
| <br>Total Depreciation Expense -<br>Component Units | <br><u>\$ 295,057</u> |

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The City reports interfund balances between its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund Receivables and Payables are as follows:

|                         |                      | DUE TO OTHER FUNDS |                   |                   |
|-------------------------|----------------------|--------------------|-------------------|-------------------|
|                         |                      | General<br>Fund    | Sewer<br>Funds    | Totals            |
| DUE FROM<br>OTHER FUNDS | Major Street Fund    | \$ -               | \$ 102,150        | \$ 102,150        |
|                         | Vibrant Small Cities | <u>721,161</u>     | <u>-</u>          | <u>721,161</u>    |
|                         | Totals               | <u>\$ 721,161</u>  | <u>\$ 102,150</u> | <u>\$ 823,311</u> |

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

**Interfund Transfers:**

|               |              | TRANSFERS IN     |                   |                  |                   |
|---------------|--------------|------------------|-------------------|------------------|-------------------|
|               |              | General<br>Fund  | Local<br>Street   | Ambulance        | Totals            |
| TRANSFERS OUT | General Fund | \$ 47,113        | \$ 634,300        | \$ 88,298        | \$ 769,711        |
|               | Totals       | <u>\$ 47,113</u> | <u>\$ 634,300</u> | <u>\$ 88,298</u> | <u>\$ 769,711</u> |

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

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

**NOTE 6 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. City contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases/<br/>Adjustments</u> | <u>Decreases</u>     | <u>Ending<br/>Balance</u> | <u>Due<br/>Within<br/>One Year</u> |
|---|------------------------------|-----------------------------------|----------------------|---------------------------|------------------------------------|
| <u>Component Units:</u>   |                              |                                   |                      |                           |                                    |
| <b>Component Unit - DDA</b>   |                              |                                   |                      |                           |                                    |
| <b>Notes Payable</b>  |                              |                                   |                      |                           |                                    |
| 2008 note payable for improvement projects, maturing serially in 2017 in annual amounts of \$7,300 and bearing interest at 4.25%. | 43,803                       | -                                 | 5,270                | 38,533                    | 5,732                              |
| <b>Component Unit – LDFA</b>  |                              |                                   |                      |                           |                                    |
| <b>Notes Payable</b>  |                              |                                   |                      |                           |                                    |
| 2005 general government note payable, maturing serially 2015 in annual amounts of \$64,989 and bearing interest at 0%.            | 228,573                      | -                                 | 58,267               | 170,306                   | 60,183                             |
| <b>Component Unit – Housing Commission</b>  |                              |                                   |                      |                           |                                    |
| <b>Note Payable</b>   |                              |                                   |                      |                           |                                    |
| 2008 bank loan payable, maturing serially 2017 in annual amounts of \$3,990 and bearing interest at 5.88%.                        | 24,450                       | -                                 | 2,207                | 22,243                    | 2,376                              |
| <b>Component Unit – Housing Commission</b>  |                              |                                   |                      |                           |                                    |
| <b>Note Payable</b>   |                              |                                   |                      |                           |                                    |
| 2008 bank loan payable, maturing serially 2017 in annual amounts of \$12,493 and bearing interest at 4.13%.                       | 81,192                       | -                                 | 7,972                | 73,220                    | 8,438                              |
| <b>Total Component Units</b>  | <b><u>378,018</u></b>        | <b><u>-</u></b>                   | <b><u>73,716</u></b> | <b><u>304,302</u></b>     | <b><u>76,729</u></b>               |

**NOTE 6 - LONG-TERM DEBT (Continued)**

|  | Beginning<br>Balance       | Increases/<br>Adjustments | Decreases                | Ending<br>Balance          | Due<br>Within<br>One Year |
|--|----------------------------|---------------------------|--------------------------|----------------------------|---------------------------|
| <u>Business Type Activities:</u>   |                            |                           |                          |                            |                           |
| <b>Business-type Activities – Bond Payable</b><br>Series 2003, Water Supply and Sewage<br>Disposal System Revenue Bonds, maturing<br>serially in 2023 in annual amounts ranging from<br>\$70,000 to \$110,000 and bearing interest at<br>2.50%.  | 1,175,000                  | -                         | 85,000                   | 1,090,000                  | 90,000                    |
| <b>Business-type Activities – Bond Payable</b><br>Series 2004, Water Supply and Sewage<br>Disposal System Revenue Bonds, maturing<br>serially in 2026 in annual amounts ranging<br>from \$340,000 to \$510,000 and bearing<br>interest at 2.13%. | <u>6,583,091</u>           | <u>-</u>                  | <u>380,000</u>           | <u>6,203,091</u>           | <u>385,000</u>            |
| <b>Total Business-type Activities –<br/>Bond Payable</b>   | <b><u>7,758,091</u></b>    | <b><u>-</u></b>           | <b><u>465,000</u></b>    | <b><u>7,293,091</u></b>    | <b><u>475,000</u></b>     |
| Governmental Compensated Absences  | 141,951                    | -                         | 32,406                   | 109,545                    | -                         |
| Business-type Compensated Absences   | 21,536                     | -                         | 10                       | 21,526                     | -                         |
| Component Units Compensated Absences   | <u>20,435</u>              | <u>8,186</u>              | <u>21,395</u>            | <u>7,226</u>               | <u>7,226</u>              |
| <b>Total Long-Term Debt</b>  | <b><u>\$ 8,320,031</u></b> | <b><u>\$ 8,186</u></b>    | <b><u>\$ 592,527</u></b> | <b><u>\$ 7,735,690</u></b> | <b><u>\$ 558,955</u></b>  |

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

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

|               | <b>Business-type Activities</b> |                            | <b>Component Units</b>   |                         |
|---------------|---------------------------------|----------------------------|--------------------------|-------------------------|
|               | <u>Bond Payable</u>             |                            | <u>Notes Payable</u>     |                         |
|               | <u>Principal</u>                | <u>Interest</u>            | <u>Principal</u>         | <u>Interest</u>         |
| Fiscal:       |                                 |                            |                          |                         |
| 2013          | \$ 475,000                      | \$ 159,066                 | \$ 87,019                | \$ 19,503               |
| 2014          | 485,000                         | 148,634                    | 79,230                   | 9,543                   |
| 2015          | 495,000                         | 137,991                    | 86,732                   | 7,921                   |
| 2016          | 505,000                         | 127,134                    | 12,877                   | 3,606                   |
| 2017          | 515,000                         | 116,047                    | 16,761                   | 429                     |
| 2018-2022     | 2,190,000                       | 348,187                    | 21,683                   | 3,910                   |
| 2023-2026     | <u>2,628,091</u>                | <u>162,640</u>             | <u>-</u>                 | <u>-</u>                |
| <b>TOTALS</b> | <b><u>\$ 7,293,091</u></b>      | <b><u>\$ 1,199,699</u></b> | <b><u>\$ 304,302</u></b> | <b><u>\$ 44,912</u></b> |

**NOTE 6 - LONG-TERM DEBT (Continued)**

**Accumulated Sick and Vacation Pay**

Employees of the City earn sick and vacation time at varying rates based on the following:

Under the terms of the City’s personnel policies, sick leave is accumulated at the rate of one day for each month of service, with a maximum accumulation of 90 days. Employees who have accumulated more than 90 days will not be allowed additional accumulation. All regular employees are credited with 1 ½ percent per year of employment up to 90 days and are paid this 1 ½ percent per year of service upon reaching retirement.

Any employee not using sick leave during the year will be given the following personal days off:

| <u>Sick Leave Days Taken</u> | <u>Personal Days Earned</u> |
|------------------------------|-----------------------------|
| 0-3                          | 3                           |
| 4-6                          | 2                           |
| 7-12                         | 0                           |

Vacation leave is earned based on the following schedule for all employees:

| <u>Years of Service</u> | <u>Vacation Days</u> |
|-------------------------|----------------------|
| 1                       | 5                    |
| 2-5                     | 10                   |

After 5 years of service, 1 vacation day is added for each additional year employed.

Vacation time accrues and is credited to eligible employees on their anniversary date of hire based upon their years of continuous service with the City. Vacation time not used within the employee’s anniversary year it is earned will be lost at the end of that year; unless under a written request for unusual circumstances.

The accumulated sick and vacation pay liability is \$131,071 at April 30, 2012.

**NOTE 7 - RISK MANAGEMENT**

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

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

**Plan Description**

The City’s defined benefit pension plan provides retirement, death and disability benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917-9755 or by calling (800) 767-6377.

**Funding Policy**

The City is required to contribute at an actuarially determined rate; the current rate ranges from 6.40% to 11.18% of annual covered payroll. City employees are required to contribute 4.7% of all covered wages. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

**Annual Pension Cost**

For the year ended April 30, 2012, the City’s annual pension cost of \$187,978 for MERS was equal to the City’s required and actual contributions. The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8%, (b) additional projected salary increases up to 4.2% per year, depending on age, attributable to seniority/merit, and (c) an inflationary rate of 4.5%. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, the date of the last actuarial valuation, was 25 years.

| <b>Three-year Trend Information</b> |                                  |                                      |                               |
|-------------------------------------|----------------------------------|--------------------------------------|-------------------------------|
| <b>Year Ended April 30</b>          | <b>Annual Pension Cost (APC)</b> | <b>Percentage of APC Contributed</b> | <b>Net Pension Obligation</b> |
| 2010                                | \$ 166,539                       | 100%                                 | 0                             |
| 2011                                | 178,879                          | 100%                                 | 0                             |
| 2012                                | 187,978                          | 100%                                 | 0                             |

**NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS**

**Primary Government**

*Plan Description.* The City administers a single-employer healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and employees. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy.* Contribution requirements also are negotiated between the City and employees. The City contributes 27% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2012, the City contributed \$5,400 to the plan. Total member contributions were \$24,543.

*Annual OPEB Cost and Net OPEB Obligation.* The City’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to 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 to the Retiree Health Plan:

|  |                 |
|--|-----------------|
| Annual required contribution               | \$ 29,481       |
| Interest on net OPEB obligation            | 678             |
| Adjustment to annual required contribution | -               |
| Annual OPEB cost (expense)                 | <u>30,159</u>   |
| Contributions made                         | <u>29,943</u>   |
| Increase in net OPEB obligation            | 216             |
| Net OPEB obligation – beginning of year    | <u>9,172</u>    |
| Net OPEB obligation – end of year          | <u>\$ 9,388</u> |

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 is as follows:

**Note:** The City is currently working with their retiree health plan consultants on a new actuarial. For reporting purposes we will use the OPEB obligation ending as of the last actuarial.

| <u>Fiscal Year End</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------|-------------------------|---|----------------------------|
| 2012                   | \$ 30,159               | 99%   | \$ 9,388                   |

*Funded Status and Funding Progress.* As of December 31, 2010, the actuarial accrued liability for benefits was \$374,894, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was unavailable, and the ratio of the unfunded actuarial accrued liability to the covered payroll was unavailable.

**NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (Continue)**

Actuarial valuation of an ongoing plan involve 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.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 8.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. Both rates included a percent inflation assumptions. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

**NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Segment information for the year ended April 30, 2012, is as follows:

|                                | <u>Sewer</u> | <u>Water</u> |
|--------------------------------|--------------|--------------|
| Nonoperating revenue (expense) | \$ 223,981   | \$ 190,397   |
| Operating income (loss)        | 178,445      | 57,386       |
| Changes in net assets          | 402,426      | 247,783      |
| Operating revenues             | 872,533      | 614,421      |
| Operating expenses             | 694,088      | 557,035      |
| Depreciation                   | 294,903      | 212,138      |
| Total assets                   | 12,710,881   | 3,459,831    |
| Current liabilities            | 431,776      | 106,227      |
| Noncurrent Liabilities         | 5,822,157    | 1,017,460    |
| Beginning net assets           | 6,054,522    | 2,088,361    |
| Ending net assets              | 6,456,948    | 2,336,144    |

NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

|                      | <u>Sewer</u> | <u>Water</u> |
|----------------------|--------------|--------------|
| Cash provided by:    |              |              |
| Operating activities | 622,700      | 186,934      |
| Capital financing    | (402,097)    | (185,921)    |
| Investing            | -            | 1,002        |
| Beginning cash       | 1,173,916    | 111,048      |
| Ending cash          | 1,394,519    | 113,063      |

## **Required Supplementary Information**

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**Pension:**

Three year trend information as of December 31 follows:

|  | <u>2009</u>  | <u>2010</u>  |
|--|--------------|--------------|
| Actuarial Value of Assets                  | \$ 6,878,657 | \$ 7,037,213 |
| Actuarial Accrued Liability                | 8,382,522    | 8,653,675    |
| Unfunded AAL                               | 1,503,865    | 1,616,462    |
| Funded Ratio                               | 82%          | 81%          |
| Covered Payroll                            | 1,306,338    | 1,318,808    |
| UAAL as a Percentage of<br>Covered Payroll | 115%         | 123%         |

**Note:** MERS is in the process of revising their actuarial reports so as of fiscal year 2012 no new actuarial was provided. For reporting purposes we will use the latest actuarial provided.

**Health Plan:**

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL) -<br/>Entry Age<br/>(b)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)<br/>(b - a)</u> | <u>Funded<br/>Ratio<br/>(a / b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>UAAL as a<br/>Percent of<br/>Covered<br/>Payroll<br/>((b - a) / c)</u> |
|---|--|--|--|-------------------------------------|------------------------------------|---|
| <b><i>Primary Government</i></b>        |  |  |  |                                     |                                    |   |
| 2010                                    | \$ -   | \$ 374,894   | \$ 374,894                                     | 0.0%                                | Not Available                      | -   |

# City of Boyne City, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended April 30, 2012

|                            | Budgeted Amounts    |                  | Actual Amounts   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|----------------------------|---------------------|------------------|------------------|---|
|                            | Original            | Final            |                  |   |
| <b>REVENUES:</b>           |                     |                  |                  |   |
| Taxes                      | \$ 2,708,367        | \$ 2,708,864     | \$ 2,708,034     | \$ (830)  |
| State Sources              | 264,055             | 266,857          | 309,334          | 42,477  |
| Charges for Services       | 139,500             | 143,575          | 159,786          | 16,211  |
| Interest & Rentals         | 9,700               | 13,470           | 12,671           | (799)   |
| Other Revenue              | 502,058             | 523,241          | 527,720          | 4,479   |
| <b>TOTAL REVENUES</b>      | <b>3,623,680</b>    | <b>3,656,007</b> | <b>3,717,545</b> | <b>61,538</b>   |
| <b>EXPENDITURES:</b>       |                     |                  |                  |   |
| Legislative:               |                     |                  |                  |   |
| City Commission            | 17,218              | 17,665           | 17,665           | -   |
| General Government:        |                     |                  |                  |   |
| General Administration     | 520,606             | 532,723          | 523,053          | 9,670   |
| Elections                  | 3,500               | 2,000            | 2,017            | (17)  |
| Legal & Accounting         | 73,000              | 65,000           | 65,469           | (469)   |
| Planning                   | 153,905             | 151,813          | 148,066          | 3,747   |
| Assessor                   | 83,700              | 100,048          | 100,649          | (601)   |
| Building and Grounds       | 164,038             | 142,391          | 123,713          | 18,678  |
| Housing Commission         | 305,000             | 255,000          | 234,910          | 20,090  |
| Total General Government   | 1,303,749           | 1,248,975        | 1,197,877        | 51,098  |
| Public Safety:             |                     |                  |                  |   |
| Police Department          | 645,257             | 600,839          | 586,014          | 14,825  |
| Total Public Safety        | 645,257             | 600,839          | 586,014          | 14,825  |
| Public Works:              |                     |                  |                  |   |
| Rubbish Collection         | 29,000              | 25,574           | 25,574           | -   |
| Cemetery                   | 83,067              | 82,213           | 80,707           | 1,506   |
| Sidewalk Construction      | 80,000              | 23,245           | 24,156           | (911)   |
| Total Public Works         | 192,067             | 131,032          | 130,437          | 595   |
| Health and Welfare:        |                     |                  |                  |   |
| Environmental              | 1,200               | 1,000            | 1,000            | -   |
| Total Health and Welfare   | 1,200               | 1,000            | 1,000            | -   |
| Recreation and Culture:    |                     |                  |                  |   |
| Parks and Recreation       | 276,360             | 253,287          | 230,787          | 22,500  |
| Museum                     | 2,742               | 3,039            | 2,940            | 99  |
| Total Recreation & Culture | 279,102             | 256,326          | 233,727          | 22,599  |
| Other Expenditures:        |                     |                  |                  |   |
| Other                      | 159,499             | 235,530          | 178,907          | 56,623  |
| Total Other Expenditures   | 159,499             | 235,530          | 178,907          | 56,623  |
| <b>TOTAL EXPENDITURES</b>  | <b>45 2,598,092</b> | <b>2,491,367</b> | <b>2,345,627</b> | <b>145,740</b>  |

# City of Boyne City, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended April 30, 2012

|  | Budgeted Amounts   |                   | Actual Amounts      | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|--------------------|-------------------|---------------------|---|
|  | Original           | Final             |                     |   |
| EXCESS OF REVENUES OVER EXPENDITURES   | 1,025,588          | 1,164,640         | 1,371,918           | 207,278   |
| OTHER FINANCING SOURCES (USES):  |                    |                   |                     |   |
| Operating Transfers In   | 64,000             | 60,574            | 47,113              | (13,461)  |
| Operating Transfers Out  | (1,137,595)        | (1,038,637)       | (769,711)           | 268,926   |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br>FINANCING SOURCES OVER EXPENDITURES AND OTHER<br>FINANCING USES | <u>\$ (48,007)</u> | <u>\$ 186,577</u> | 649,320             | <u>\$ 462,743</u>   |
| FUND BALANCE, MAY 1  |                    |                   | <u>1,645,992</u>    |   |
| FUND BALANCE, APRIL 30   |                    |                   | <u>\$ 2,295,312</u> |   |

# City of Boyne City, Michigan

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended April 30, 2012**

|   | Budgeted Amounts   |                  | Actual Amounts   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|--------------------|------------------|------------------|---|
|   | Original           | Final            |                  |   |
| <b>REVENUES:</b>  |                    |                  |                  |   |
| Taxes   | \$ 75,695          | \$ 83,488        | \$ 83,488        | \$ -  |
| Federal Sources   | -                  | 15,077           | 15,077           | -   |
| State Sources   | 223,400            | 242,020          | 273,787          | 31,767  |
| Charges for Services  | -                  | -                | 40               | 40  |
| Interest  | 250                | -                | -                | -   |
| <b>TOTAL REVENUES</b>   | <b>299,345</b>     | <b>340,585</b>   | <b>372,392</b>   | <b>31,807</b>   |
| <b>EXPENDITURES:</b>  |                    |                  |                  |   |
| Public Works  | 579,887            | 565,304          | 542,763          | 22,541  |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b>   | <b>(280,542)</b>   | <b>(224,719)</b> | <b>(170,371)</b> | <b>54,348</b>   |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                    |                  |                  |   |
| Operating Transfers In  | 224,206            | 224,206          | -                | (224,206)   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>224,206</b>     | <b>224,206</b>   | <b>-</b>         | <b>(224,206)</b>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER EXPENDITURES AND<br/>OTHER FINANCING USES</b> | <b>\$ (56,336)</b> | <b>\$ (513)</b>  | <b>(170,371)</b> | <b>\$ (169,858)</b>                                       |
| <b>FUND BALANCE, MAY 1</b>  |                    |                  | <b>237,783</b>   |   |
| <b>FUND BALANCE, APRIL 30</b>   |                    |                  | <b>\$ 67,412</b> |   |

# City of Boyne City, Michigan

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Street Fund**  
**For the Year Ended April 30, 2012**

|  | Budgeted Amounts    |                     | Actual Amounts   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|---------------------|---------------------|------------------|---|
|  | Original            | Final               |                  |   |
| REVENUES:  |                     |                     |                  |   |
| Taxes  | \$ 75,695           | \$ 83,488           | \$ 83,488        | \$ -  |
| Federal Sources  | -                   | 15,713              | 15,713           | -   |
| State Sources  | 92,300              | 107,020             | 133,581          | 26,561  |
| Charges for Services   | -                   | 5,000               | 5,000            | -   |
| TOTAL REVENUES   | <u>167,995</u>      | <u>211,221</u>      | <u>237,782</u>   | <u>26,561</u>   |
| EXPENDITURES:  |                     |                     |                  |   |
| Public Works   | <u>1,201,337</u>    | <u>1,176,951</u>    | <u>1,176,058</u> | <u>893</u>  |
| EXCESS OF REVENUES OVER EXPENDITURES   | (1,033,342)         | (965,730)           | (938,276)        | 27,454  |
| OTHER FINANCING SOURCES (USES):  |                     |                     |                  |   |
| Operating Transfers In   | <u>732,049</u>      | <u>585,444</u>      | <u>634,300</u>   | <u>48,856</u>   |
| TOTAL OTHER FINANCING SOURCES (USES)   | <u>732,049</u>      | <u>585,444</u>      | <u>634,300</u>   | <u>48,856</u>   |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br>FINANCING SOURCES OVER EXPENDITURES AND<br>OTHER FINANCING USES | <u>\$ (301,293)</u> | <u>\$ (380,286)</u> | (303,976)        | <u>\$ 76,310</u>  |
| FUND BALANCE, MAY 1  |                     |                     | <u>303,976</u>   |   |
| FUND BALANCE, APRIL 30   |                     |                     | <u>\$ -</u>      |   |

# City of Boyne City, Michigan

**Required Supplementary Information  
Budgetary Comparison Schedule  
Ambulance Fund  
For the Year Ended April 30, 2012**

|   | Budgeted Amounts |                    | Actual Amounts   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|------------------|--------------------|------------------|---|
|   | Original         | Final              |                  |   |
| <b>REVENUES:</b>  |                  |                    |                  |   |
| Charges for Services  | \$ 435,600       | \$ 466,080         | \$ 472,263       | \$ 6,183  |
| Local Revenues  | 100,000          | 54,000             | 44,264           | (9,736)   |
| Interest  | 100              | -                  | -                | -   |
| Other Revenue   | 5,000            | 2,670              | 2,670            | -   |
| <b>TOTAL REVENUES</b>   | <b>540,700</b>   | <b>522,750</b>     | <b>519,197</b>   | <b>(3,553)</b>  |
| <b>EXPENDITURES:</b>  |                  |                    |                  |   |
| Health & Welfare  | 594,268          | 684,176            | 678,733          | 5,443   |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b>   | <b>(53,568)</b>  | <b>(161,426)</b>   | <b>(159,536)</b> | <b>1,890</b>  |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                  |                    |                  |   |
| Operating Transfers In  | 55,340           | 90,000             | 88,298           | (1,702)   |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER EXPENDITURES AND<br/>OTHER FINANCING USES</b> | <b>\$ 1,772</b>  | <b>\$ (71,426)</b> | <b>(71,238)</b>  | <b>\$ 188</b>   |
| <b>FUND BALANCE, MAY 1</b>  |                  |                    | <b>104,322</b>   |   |
| <b>FUND BALANCE, APRIL 30</b>   |                  |                    | <b>\$ 33,084</b> |   |

## **Other Supplementary Information**

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# City of Boyne City, Michigan

## Combining Balance Sheet General Funds April 30, 2012

|  | General             | Rubbish<br>Collection<br>Fund | Creative<br>Playground | Cemetery      | Totals              |
|--|---------------------|-------------------------------|------------------------|---------------|---------------------|
| <b>ASSETS:</b>                             |                     |                               |                        |               |                     |
| Cash & Investments - Unrestricted          | \$ 1,516,766        | \$ -                          | \$ 630                 | \$ -          | \$ 1,517,396        |
| Accounts Receivable                        | 142,488             | -                             | -                      | 645           | 143,133             |
| Due from Other Funds                       | 721,161             | -                             | -                      | -             | 721,161             |
| Due from Governmental Units                | 43,631              | -                             | -                      | -             | 43,631              |
| <b>TOTAL ASSETS</b>                        | <b>\$ 2,424,046</b> | <b>\$ -</b>                   | <b>\$ 630</b>          | <b>\$ 645</b> | <b>\$ 2,425,321</b> |
| <b>LIABILITIES:</b>                        |                     |                               |                        |               |                     |
| Accounts Payable                           | \$ 126,776          | \$ -                          | \$ -                   | \$ 60         | \$ 126,836          |
| Accrued Liabilities                        | 3,173               | -                             | -                      | -             | 3,173               |
| <b>TOTAL LIABILITIES</b>                   | <b>129,949</b>      | <b>-</b>                      | <b>-</b>               | <b>60</b>     | <b>130,009</b>      |
| <b>FUND BALANCES:</b>                      |                     |                               |                        |               |                     |
| Committed                                  | 118,933             | -                             | -                      | -             | 118,933             |
| Assigned                                   | -                   | -                             | 630                    | 585           | 1,215               |
| Unassigned                                 | 2,175,164           | -                             | -                      | -             | 2,175,164           |
| <b>TOTAL FUND BALANCES</b>                 | <b>2,294,097</b>    | <b>-</b>                      | <b>630</b>             | <b>585</b>    | <b>2,295,312</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 2,424,046</b> | <b>\$ -</b>                   | <b>\$ 630</b>          | <b>\$ 645</b> | <b>\$ 2,425,321</b> |

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance - General Funds  
For the Year Ended April 30, 2012**

|  | General          | Rubbish<br>Collection<br>Fund | Creative<br>Playground | Cemetery      | Totals           |
|--|------------------|-------------------------------|------------------------|---------------|------------------|
| <b>REVENUES:</b>   |                  |                               |                        |               |                  |
| Taxes  | \$ 2,708,034     | \$ -                          | \$ -                   | \$ -          | \$ 2,708,034     |
| State Sources  | 309,334          | -                             | -                      | -             | 309,334          |
| Charges for Services   | 145,046          | -                             | -                      | 14,740        | 159,786          |
| Interest & Rentals   | 12,671           | -                             | -                      | -             | 12,671           |
| Other Revenue  | 522,585          | -                             | 180                    | 4,955         | 527,720          |
| <b>TOTAL REVENUES</b>  | <b>3,697,670</b> | <b>-</b>                      | <b>180</b>             | <b>19,695</b> | <b>3,717,545</b> |
| <b>EXPENDITURES:</b>   |                  |                               |                        |               |                  |
| Legislative  | 17,665           | -                             | -                      | -             | 17,665           |
| General Government   | 1,197,877        | -                             | -                      | -             | 1,197,877        |
| Public Safety  | 586,014          | -                             | -                      | -             | 586,014          |
| Public Works   | 24,156           | 25,574                        | -                      | 80,707        | 130,437          |
| Health & Welfare   | 1,000            | -                             | -                      | -             | 1,000            |
| Recreation and Culture   | 233,727          | -                             | -                      | -             | 233,727          |
| Other Expenditures   | 178,907          | -                             | -                      | -             | 178,907          |
| <b>TOTAL EXPENDITURES</b>  | <b>2,239,346</b> | <b>25,574</b>                 | <b>-</b>               | <b>80,707</b> | <b>2,345,627</b> |
| EXCESS (DEFICIENCY) OF<br>REVENUES OVER EXPENDITURES   | 1,458,324        | (25,574)                      | 180                    | (61,012)      | 1,371,918        |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                  |                               |                        |               |                  |
| Operating Transfers In   | -                | 25,574                        | -                      | 21,539        | 47,113           |
| Operating Transfers Out  | (769,711)        | -                             | -                      | -             | (769,711)        |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br>FINANCING SOURCES OVER EXPENDITURES<br>AND OTHER FINANCING USES | 688,613          | -                             | 180                    | (39,473)      | 649,320          |
| FUND BALANCES, JANUARY 1   | 1,605,484        | -                             | 450                    | 40,058        | 1,645,992        |
| FUND BALANCES, DECEMBER 31   | \$ 2,294,097     | \$ -                          | \$ 630                 | \$ 585        | \$ 2,295,312     |

**Combining Balance Sheet  
Nonmajor Governmental Funds  
April 30, 2012**

|  | Special Revenue Funds |                   |                  |                   |
|--|-----------------------|-------------------|------------------|-------------------|
|  | Fire                  | Marina            | Airport          | Total             |
| <b>ASSETS:</b>                             |                       |                   |                  |                   |
| Cash & Equivalents - Unrestricted          | \$ 347,627            | \$ 203,581        | \$ 21,111        | \$ 572,319        |
| Accounts Receivable                        | 83,303                | -                 | 6,840            | 90,143            |
| Inventory                                  | -                     | -                 | 13,489           | 13,489            |
| <b>TOTAL ASSETS</b>                        | <b>\$ 430,930</b>     | <b>\$ 203,581</b> | <b>\$ 41,440</b> | <b>\$ 675,951</b> |
| <b>LIABILITIES:</b>                        |                       |                   |                  |                   |
| Accounts Payable                           | \$ 6,789              | \$ 3,103          | \$ 1,334         | \$ 11,226         |
| <b>TOTAL LIABILITIES</b>                   | <b>6,789</b>          | <b>3,103</b>      | <b>1,334</b>     | <b>11,226</b>     |
| <b>FUND BALANCES:</b>                      |                       |                   |                  |                   |
| Nonspendable                               | -                     | -                 | 13,489           | 13,489            |
| Assigned                                   | 424,141               | 200,478           | 26,617           | 651,236           |
| <b>TOTAL FUND BALANCES</b>                 | <b>424,141</b>        | <b>200,478</b>    | <b>40,106</b>    | <b>664,725</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 430,930</b>     | <b>\$ 203,581</b> | <b>\$ 41,440</b> | <b>\$ 675,951</b> |

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended April 30, 2012**

|  | Special Revenue Funds    |                          |                         |                          |
|--|--------------------------|--------------------------|-------------------------|--------------------------|
|  | Fire                     | Marina                   | Airport                 | Total                    |
| <b>REVENUES:</b>   |                          |                          |                         |                          |
| Charges for Services   | \$ 183,077               | \$ 144,010               | \$ 100,808              | \$ 427,895               |
| Other Revenue  | -                        | 432                      | -                       | 432                      |
| <b>TOTAL REVENUES</b>  | <u>183,077</u>           | <u>144,442</u>           | <u>100,808</u>          | <u>428,327</u>           |
| <b>EXPENDITURES:</b>   |                          |                          |                         |                          |
| Public Safety  | 177,058                  | -                        | -                       | 177,058                  |
| Public Works   | -                        | 103,336                  | 96,551                  | 199,887                  |
| <b>TOTAL EXPENDITURES</b>                                    | <u>177,058</u>           | <u>103,336</u>           | <u>96,551</u>           | <u>376,945</u>           |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | 6,019                    | 41,106                   | 4,257                   | 51,382                   |
| <b>FUND BALANCES, MAY 1</b>                                  | <u>418,122</u>           | <u>159,372</u>           | <u>35,849</u>           | <u>613,343</u>           |
| <b>FUND BALANCES, APRIL 30</b>                               | <u><u>\$ 424,141</u></u> | <u><u>\$ 200,478</u></u> | <u><u>\$ 40,106</u></u> | <u><u>\$ 664,725</u></u> |

# City of Boyne City, Michigan

## Combining Balance Sheet Component Units April 30, 2012

|   | Governmental Type Activities                 |                     |                            |                                      |                     |                            | Business Type Activities            |             |                            |
|---|--|---------------------|----------------------------|--------------------------------------|---------------------|----------------------------|-------------------------------------|-------------|----------------------------|
|   | Local<br>Development<br>Finance<br>Authority | Adjustments         | Statement of<br>Net Assets | Downtown<br>Development<br>Authority | Adjustments         | Statement of<br>Net Assets | Boyne City<br>Housing<br>Commission | Adjustments | Statement of<br>Net Assets |
| <b>ASSETS:</b>                                  |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Cash & Equivalents - Unrestricted               | \$ 973,682                                   | \$ -                | \$ 973,682                 | \$ 211,098                           | \$ -                | \$ 211,098                 | \$ 95,299                           | \$ -        | \$ 95,299                  |
| Receivables                                     | -  | -                   | -                          | 140,820                              | -                   | 140,820                    | 291,522                             | -           | 291,522                    |
| Prepaid Expenses                                | -  | -                   | -                          | -                                    | -                   | -                          | 13,460                              | -           | 13,460                     |
| Inventory                                       | -  | -                   | -                          | -                                    | -                   | -                          | 4,505                               | -           | 4,505                      |
| Capital Assets, not depreciated                 | -  | 291,419             | 291,419                    | -                                    | -                   | -                          | 796,267                             | -           | 796,267                    |
| Capital Assets, net of depreciation             | -  | 1,396,672           | 1,396,672                  | -                                    | 2,134,661           | 2,134,661                  | 791,494                             | -           | 791,494                    |
| <b>TOTAL ASSETS</b>                             | <b>\$ 973,682</b>                            | <b>\$ 1,688,091</b> | <b>\$ 2,661,773</b>        | <b>\$ 351,918</b>                    | <b>\$ 2,134,661</b> | <b>\$ 2,486,579</b>        | <b>\$ 1,992,547</b>                 | <b>\$ -</b> | <b>\$ 1,992,547</b>        |
| <b>LIABILITIES:</b>                             |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Current Liabilities:                            |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Accounts Payable                                | \$ 7,222                                     | \$ -                | \$ 7,222                   | \$ 41,567                            | \$ -                | \$ 41,567                  | \$ 52,576                           | \$ -        | \$ 52,576                  |
| Accrued Liabilities                             | -  | -                   | -                          | 169                                  | -                   | 169                        | 140,163                             | -           | 140,163                    |
| Note Payable                                    | -  | 60,183              | 60,183                     | -                                    | 5,732               | 5,732                      | 10,814                              | -           | 10,814                     |
| Deferred Revenues                               | -  | -                   | -                          | -                                    | -                   | -                          | 11,349                              | -           | 11,349                     |
| Noncurrent Liabilities:                         |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Note Payable                                    | -  | 110,123             | 110,123                    | -                                    | 32,801              | 32,801                     | 84,649                              | -           | 84,649                     |
| Compensated Absences                            | -  | -                   | -                          | -                                    | -                   | -                          | 7,226                               | -           | 7,226                      |
| <b>TOTAL LIABILITIES</b>                        | <b>7,222</b>                                 | <b>170,306</b>      | <b>177,528</b>             | <b>41,736</b>                        | <b>38,533</b>       | <b>80,269</b>              | <b>306,777</b>                      | <b>-</b>    | <b>306,777</b>             |
| <b>FUND BALANCE:</b>                            |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Unreserved                                      | 966,460                                      | (966,460)           | -                          | 310,182                              | (310,182)           | -                          | -                                   | -           | -                          |
| <b>TOTAL LIABILITIES &amp; FUND BALANCE</b>     | <b>\$ 973,682</b>                            | <b>(796,154)</b>    | <b>\$ 177,528</b>          | <b>\$ 351,918</b>                    | <b>(271,649)</b>    | <b>\$ 80,269</b>           | <b>\$ 306,777</b>                   | <b>\$ -</b> | <b>\$ 306,777</b>          |
| <b>NET ASSETS:</b>                              |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Invested in capital assets, net of related debt |  | 1,517,785           | 1,517,785                  |                                      | 2,096,128           | 2,096,128                  | 1,492,298                           | -           | 1,492,298                  |
| Restricted                                      |  | -                   | -                          |                                      | -                   | -                          | 38,388                              | -           | 38,388                     |
| Unrestricted                                    |  | 966,460             | 966,460                    |                                      | 310,182             | 310,182                    | 155,084                             | -           | 155,084                    |
| <b>Total net assets</b>                         |  | <b>\$ 2,484,245</b> | <b>\$ 2,484,245</b>        |                                      | <b>\$ 2,406,310</b> | <b>\$ 2,406,310</b>        | <b>\$ 1,685,770</b>                 | <b>-</b>    | <b>\$ 1,685,770</b>        |

Total All Component Units

|   | Component<br>Units         | Adjustments                  | Statement of<br>Net Assets |
|---|----------------------------|------------------------------|----------------------------|
| <b>ASSETS:</b>                                  |                            |                              |                            |
| Cash & Equivalents - Unrestricted               | \$ 1,280,079               | \$ -                         | \$ 1,280,079               |
| Receivables                                     | 432,342                    | -                            | 432,342                    |
| Prepaid Expenses                                | 13,460                     | -                            | 13,460                     |
| Inventory                                       | 4,505                      | -                            | 4,505                      |
| Capital Assets, not depreciated                 | 796,267                    | 291,419                      | 1,087,686                  |
| Capital Assets, net of depreciation             | <u>791,494</u>             | <u>3,531,333</u>             | <u>4,322,827</u>           |
| <b>TOTAL ASSETS</b>                             | <u><u>\$ 3,318,147</u></u> | <u><u>\$ 3,822,752</u></u>   | <u><u>\$ 7,140,899</u></u> |
| <b>LIABILITIES:</b>                             |                            |                              |                            |
| Current Liabilities:                            |                            |                              |                            |
| Accounts Payable                                | \$ 101,365                 | \$ -                         | \$ 101,365                 |
| Accrued Liabilities                             | 140,332                    | -                            | 140,332                    |
| Note Payable                                    | 10,814                     | 65,915                       | 76,729                     |
| Deferred Revenues                               | 11,349                     | -                            | 11,349                     |
| Noncurrent Liabilities:                         |                            |                              |                            |
| Note Payable                                    | 84,649                     | 142,924                      | 227,573                    |
| Compensated Absences                            | <u>7,226</u>               | <u>-</u>                     | <u>7,226</u>               |
| <b>TOTAL LIABILITIES</b>                        | <u>355,735</u>             | <u>208,839</u>               | <u>564,574</u>             |
| <b>FUND BALANCE:</b>                            |                            |                              |                            |
| Unreserved                                      | <u>1,276,642</u>           | <u>(1,276,642)</u>           | <u>-</u>                   |
| <b>TOTAL LIABILITIES &amp; FUND BALANCE</b>     | <u><u>\$ 1,632,377</u></u> | <u><u>\$ (1,067,803)</u></u> | <u><u>\$ 564,574</u></u>   |
| <b>NET ASSETS:</b>                              |                            |                              |                            |
| Invested in capital assets, net of related debt | 1,492,298                  | 3,613,913                    | 5,106,211                  |
| Restricted                                      | 38,388                     | -                            | 38,388                     |
| Unrestricted                                    | <u>155,084</u>             | <u>1,276,642</u>             | <u>1,431,726</u>           |
| <b>Total net assets</b>                         | <u><u>\$ 1,685,770</u></u> | <u><u>\$ 4,890,555</u></u>   | <u><u>\$ 6,576,325</u></u> |

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance/Net Assets  
Component Units  
April 30, 2012**

|  | Governmental Type Activities                 |                     |                            |                                      |                     |                            | Business Type Activities            |             |                            |
|--|--|---------------------|----------------------------|--------------------------------------|---------------------|----------------------------|-------------------------------------|-------------|----------------------------|
|  | Local<br>Development<br>Finance<br>Authority | Adjustments         | Statement of<br>Activities | Downtown<br>Development<br>Authority | Adjustments         | Statement of<br>Activities | Boyne City<br>Housing<br>Commission | Adjustments | Statement of<br>Activities |
| <b>OPERATING REVENUES:</b>                         |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Property Taxes                                     | \$ 179,365                                   | \$ -                | \$ 179,365                 | \$ 311,441                           | \$ -                | \$ 311,441                 | \$ -                                | \$ -        | \$ -                       |
| Charges for Services                               | -  | -                   | -                          | 4,463                                | -                   | 4,463                      | 235,150                             | -           | 235,150                    |
| Capital Grants and Contributions                   | -  | -                   | -                          | 165,160                              | -                   | 165,160                    | 1,153                               | -           | 1,153                      |
| Operating Grants and Contributions                 | -  | -                   | -                          | 212,485                              | -                   | 212,485                    | 419,479                             | -           | 419,479                    |
| <b>TOTAL OPERATING REVENUES</b>                    | <b>179,365</b>                               | <b>-</b>            | <b>179,365</b>             | <b>693,549</b>                       | <b>-</b>            | <b>693,549</b>             | <b>655,782</b>                      | <b>-</b>    | <b>655,782</b>             |
| <b>OPERATING EXPENSES:</b>                         |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Economic Development                               | 46,593                                       | -                   | 46,593                     | -                                    | -                   | -                          | -                                   | -           | -                          |
| Health and Welfare                                 | -  | -                   | -                          | -                                    | -                   | -                          | 728,571                             | -           | 728,571                    |
| Other  | -  | -                   | -                          | 416,468                              | -                   | 416,468                    | -                                   | -           | -                          |
| Depreciation Expense                               | -  | 42,148              | 42,148                     | -                                    | 126,959             | 126,959                    | 125,950                             | -           | 125,950                    |
| Debt Service                                       |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Principal  | 58,267                                       | (58,267)            | -                          | 5,270                                | (5,270)             | -                          | -                                   | -           | -                          |
| Interest   | 6,723  | -                   | 6,723                      | 2,030                                | -                   | 2,030                      | -                                   | -           | -                          |
| <b>TOTAL OPERATING EXPENSES</b>                    | <b>111,583</b>                               | <b>(16,119)</b>     | <b>95,464</b>              | <b>423,768</b>                       | <b>121,689</b>      | <b>545,457</b>             | <b>854,521</b>                      | <b>-</b>    | <b>854,521</b>             |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>          |  |                     |                            |                                      |                     |                            |                                     |             |                            |
| Investment Earnings (Expense)                      | -  | -                   | -                          | -                                    | -                   | -                          | (6,241)                             | -           | (6,241)                    |
| Other  | -  | -                   | -                          | -                                    | -                   | -                          | 1,418                               | -           | 1,418                      |
| <b>TOTAL NON-OPERATING<br/>REVENUES (EXPENSES)</b> | <b>-</b>                                     | <b>-</b>            | <b>-</b>                   | <b>-</b>                             | <b>-</b>            | <b>-</b>                   | <b>(4,823)</b>                      | <b>-</b>    | <b>(4,823)</b>             |
| <b>Change in Fund Balance/Net Assets</b>           | <b>67,782</b>                                | <b>(67,782)</b>     | <b>-</b>                   | <b>269,781</b>                       | <b>(269,781)</b>    | <b>-</b>                   | <b>-</b>                            | <b>-</b>    | <b>-</b>                   |
| Changes in Net Assets                              | -  | 83,901              | 83,901                     | -                                    | 148,092             | 148,092                    | (203,562)                           | -           | (203,562)                  |
| Fund Balance/Net Assets Beginning of Year          | 898,678                                      | 1,501,666           | 2,400,344                  | 40,401                               | 2,217,817           | 2,258,218                  | 1,646,470                           | -           | 1,646,470                  |
| Prior Period Adjustment                            | -  | -                   | -                          | -                                    | -                   | -                          | 242,862                             | -           | 242,862                    |
| <b>Fund Balance/Net Assets End of Year</b>         | <b>\$ 966,460</b>                            | <b>\$ 1,517,785</b> | <b>\$ 2,484,245</b>        | <b>\$ 310,182</b>                    | <b>\$ 2,096,128</b> | <b>\$ 2,406,310</b>        | <b>\$ 1,685,770</b>                 | <b>\$ -</b> | <b>\$ 1,685,770</b>        |

|  | <u>Total All Component Units</u> |                     |                                    |
|--|----------------------------------|---------------------|------------------------------------|
|  | <u>Component<br/>Units</u>       | <u>Adjustments</u>  | <u>Statement of<br/>Activities</u> |
| <b>OPERATING REVENUES:</b>                         |                                  |                     |                                    |
| Property Taxes                                     | \$ 490,806                       | \$ -                | \$ 490,806                         |
| Charges for Services                               | 239,613                          | -                   | 239,613                            |
| Capital Grants and Contributions                   | 166,313                          | -                   | 166,313                            |
| Operating Grants and Contributions                 | 631,964                          | -                   | 631,964                            |
| <b>TOTAL OPERATING REVENUES</b>                    | <u>1,528,696</u>                 | <u>-</u>            | <u>1,528,696</u>                   |
| <b>OPERATING EXPENSES:</b>                         |                                  |                     |                                    |
| Economic Development                               | 46,593                           | -                   | 46,593                             |
| Health and Welfare                                 | 728,571                          | -                   | 728,571                            |
| Other  | 416,468                          | -                   | 416,468                            |
| Depreciation Expense                               | 125,950                          | 169,107             | 295,057                            |
| Debt Service                                       |                                  |                     |                                    |
| Principal  | 63,537                           | (63,537)            | -                                  |
| Interest   | 8,753                            | -                   | 8,753                              |
| <b>TOTAL OPERATING EXPENSES</b>                    | <u>1,389,872</u>                 | <u>105,570</u>      | <u>1,495,442</u>                   |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>          |                                  |                     |                                    |
| Investment Earnings                                | (6,241)                          | -                   | (6,241)                            |
| Other  | 1,418                            | -                   | 1,418                              |
| <b>TOTAL NON-OPERATING<br/>REVENUES (EXPENSES)</b> | <u>(4,823)</u>                   | <u>-</u>            | <u>(4,823)</u>                     |
| <b>Change in Fund Balance/Net Assets</b>           | 337,563                          | (337,563)           | -                                  |
| Changes in Net Assets                              | (203,562)                        | 231,993             | 28,431                             |
| Fund Balance/Net Assets Beginning of Year          | 2,585,549                        | 3,719,483           | 6,305,032                          |
| Prior Period Adjustment                            | 242,862                          | -                   | 242,862                            |
| <b>Fund Balance/Net Assets End of Year</b>         | <u>\$ 2,962,412</u>              | <u>\$ 3,613,913</u> | <u>\$ 6,576,325</u>                |

## **Reports on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL

ROBERT L. HASKE, CPA  
AMBER N. MACK, CPA, EA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

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

We have audited 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 as of and for the year ended April 30, 2012, which collectively comprise the City of Boyne City, Michigan's basic financial statements and have issued our report thereon, dated August 15, 2012. Other auditors audited the financial statements of the Boyne City Housing Commission, as described in our report on the City of Boyne City, Michigan's financial statements. This report does not include results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those 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. Other auditors audited the financial statements of the Boyne City Housing Commission, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

Management of the City of Boyne City, Michigan, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Boyne City's, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Honorable Mayor and Members  
of the City Council

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Boyne City, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 12-1

We noted certain matters that we reported to management of the City of Boyne City, Michigan in a separate letter dated August 15, 2012.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, Management, federal awarding agencies, pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



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

August 15, 2012

*Noncompliance with State Statutes*

**Delinquent In Distributing Tax Revenues**

***Finding 12-1***

Condition/Criteria: The disbursement of current tax collections, to the respective agencies was not conducted in a timely manner. The disbursement was not performed within the time limit specified by regulation.

Effect: Current tax collections were not remitted in a timely manner to other taxing units.

Cause of Condition: Unknown.

Recommendation: To ensure timeliness of tax disbursements, disbursements should be made within 10 business days in accordance with Department of Treasury regulations.

Plan Corrective Action: The board has implemented compensating controls to reduce the risks discussed above.

- Contact Person(s) Responsible for Correction:  
Cindy Grice, Treasurer



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL

ROBERT L. HASKE, CPA  
AMBER N. MACK, CPA, EA

**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

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

We have audited the financial statements of the governmental activities, 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 for the year ended April 30, 2012, and have issued our report thereon dated August 15, 2012. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated July 13, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on July 13, 2012.

### **Significant Accounting Policies**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Boyne City, Michigan are described in Note 1 to the financial statements. GASB 54 accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$26,637.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

#### ***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 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 the financial statements taken as a whole.

### ***Disagreement with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated August 15, 2012.

### ***Management Consultations with Other Independent Accountants***

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

### ***Other Audit Findings or Issues***

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

### ***Comments and Recommendations***

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

### **Accounting and Financial Reporting for Intangible Assets (Prior Year)**

In June of 2007, the GASB issued Statement No. 51, to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments.

Status: Corrected.

### **Fixed Asset Listing (Prior Year)**

Currently the City does not maintain a listing of fixed assets. It is recommended that the City keep a fixed asset listing and update with any asset purchases and dispositions throughout the fiscal year.

Status: Corrected.

### **GASB 54 Fund Balance Components (Prior Year)**

The Governmental Accounting Standards Board has issued a pronouncement, GASB #54 – Fund Balance Reporting and Governmental Fund Type Definitions. GASB #54 eliminates the current use of the terms reserved and designated in the reporting of fund balance, and replaces those terms with five new categories for segregating fund balance. The Standard is effective for periods beginning after June 15, 2010.

Following are the new categories and related definitions to be used for describing the components of your fund balance:

- **Non-spendable** – Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaids, and non-current receivables.
- **Restricted** – Reflects the same definition as Restricted net assets: Constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds and debt service funds.
- **Committed** – Includes amounts that are committed for specific purposes by formal action of the government’s highest level of decision-making authority. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the government removes or changes the limitation by taking the same form of action it employed to previously imposed the limitation.
- **Assigned** – Amounts that are intended by the government to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the Board itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policies established by the board. This would include ANY activity reported in a fund other than the General Fund.

- **Unassigned** – Includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year’s budget would be included here and can no longer be described as “designated”.

The Standard also requires disclosure in the financial statements of any minimum fund balance policies. We encourage the City to become familiar with the new terms and definitions and work with the users of the financial statements to ensure a clear presentation and understanding of the new requirements.

Status: Implemented.

#### **Uniform Chart of Accounts (Prior Year)**

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

Status: In progress.

#### **Payroll (Prior Year)**

During test of controls for payroll, it was noted that some employees did not have authorized pay rates. In addition, some employees did not have their deductions authorized. It is recommended that each employee have pay rate authorization and all deduction authorizations in their personnel file.

Status: Corrected.

#### **Cash (Prior Year)**

During testing it was noted that there were multiple checks that were “stale” and still being accounted for on the bank reconciliation. It is recommended that bank reconciliations be checked for long outstanding checks and those checks be properly voided and reissued if necessary.

Status: Corrected.

#### **Conclusion**

This information is intended solely for the use of the Mayor, City Council 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.

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



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

August 15, 2012