



CITY OF BOYNE CITY
CHARLEVIOX COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED APRIL 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boyne City, Michigan (the "City") as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Boyne City Housing Commission which represents 25 percent of the assets, 24 percent net position, and 57 percent revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boyne City Housing Commission is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boyne City, as of April 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, along with the transportation fund schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC
Grand Rapids, Michigan
July 31, 2015

Management's Discussion and Analysis

As management of the City of Boyne City, Michigan (The "City" or "government") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$24,126,810 (net position). Of this amount, \$7,223,520 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,341,964, an increase of \$468,520 in comparison with the prior year. Approximately 61% of this amount (\$2,673,178) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,673,178, or approximately 82% of total general fund expenditures and transfers out.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 16 – 17 of this report.

The government-wide financial statements include not only the City of Boyne City itself (known as the primary government), but also a legally separate Downtown Development Authority, Local Development Finance Authority, and the Boyne City Housing Commission for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The combining component unit financial statements can be found on pages 27 – 28 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 assessing a government's near-term financing requirements.

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

The City maintains eight 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 streets, and ambulance funds, which are considered to be major funds. Data from the fire, Boyne Thunder, local streets, fire, marina, and airport funds is presented as a separate column as they are considered nonmajor funds.

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

The basic governmental fund financial statements can be found on pages 18 – 21 of this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 22 – 25 of this report.

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

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

The fiduciary fund financial statement can be found on page 26 of this report.

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

The notes to the financial statements can be found on pages 29 - 49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary comparison schedules and the City's schedules of funding progress and employer contributions for the pension and other postemployment benefits plans.

Required supplementary information can be found on pages 50 - 54 of this report.

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

Combining and individual fund statements and schedules can be found on pages 56 - 62 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$24,126,810, at the close of the most recent fiscal year.

City of Boyne City Statement of Net Position as of April 30, 2015 and April 30, 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 4,918,271	\$ 4,397,725	\$ 2,076,774	\$ 1,534,390	\$ 6,995,045	\$ 5,932,115
Due from Other Governmental Units	125,567	103,400	-	-	125,567	103,400
Accounts Receivable	349,729	374,940	387,704	419,697	737,433	794,637
Inventories	54,166	20,990	58,629	22,456	112,795	43,446
Prepaid Items	54,982	39,467	2,962	2,857	57,944	42,324
Note Receivable	-	-	6,503	6,235	6,503	6,235
Total Current Assets	5,502,715	4,936,522	2,532,572	1,985,635	8,035,287	6,922,157
<i>Noncurrent Assets</i>						
Note Receivable	-	-	13,857	20,360	13,857	20,360
Restricted Cash	-	-	647,376	660,216	647,376	660,216
Capital Assets, net	9,390,960	8,164,779	12,360,665	12,921,371	21,751,625	21,086,150
Total Assets	14,893,675	13,101,301	15,554,470	15,587,582	30,448,145	28,688,883
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	59,788	119,753	27,126	12,896	86,914	132,649
Payroll Liabilities	22,577	14,266	3,305	2,442	25,882	16,708
Customer Deposits	1,050	2,655	15,554	19,903	16,604	22,558
Unearned Revenue	138,610	-	-	-	138,610	-
Accrued Interest	-	-	10,594	11,499	10,594	11,499
Current Portion of Long-term Debt	-	-	505,000	495,000	505,000	495,000
Internal Balances	(50,000)	70,921	50,000	(70,921)	-	-
Total Current Liabilities	172,025	207,595	611,579	470,819	783,604	678,414
<i>Noncurrent Liabilities</i>						
Other Post Employment Benefits	29,126	13,332	-	-	29,126	13,332
Compensated Absences	152,706	142,241	22,808	31,363	175,514	173,604
Long-term Debt	-	-	5,333,091	5,838,091	5,333,091	5,838,091
Total Liabilities	353,857	363,168	5,967,478	6,340,273	6,321,335	6,703,441
NET POSITION						
Net Investment in Capital Assets	9,390,960	8,164,779	6,522,574	6,588,280	15,913,534	14,753,059
Restricted	342,380	28,081	647,376	660,216	989,756	688,297
Unrestricted	4,806,478	4,545,273	2,417,042	1,998,813	7,223,520	6,544,086
Total Net Position	\$ 14,539,818	\$ 12,738,133	\$ 9,586,992	\$ 9,247,309	\$ 24,126,810	\$ 21,985,442

By far, the largest portion of the City's net position (\$15,913,534, or 66%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related

debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$989,756, or 4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,223,520 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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

Cash and cash equivalents increased significantly during the year, from \$5,932,115 as of April 30, 2014 to \$6,995,045 as of April 30, 2015. This is a direct result of the City actively monitoring the expenditure side of its ledger to keep costs down during the year, which yielded an overall increase in net position for the year of \$2,148,368.

Also, unearned revenue changed significantly during the year, from zero as of April 30, 2014 to \$138,610 as of April 30, 2015. This is the result of the City collecting registrations and sponsorships for the July 2015 Boyne Thunder poker run.

The City's overall net position increased \$2,148,368 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. Governmental activities increased the City's net position by \$1,801,685. The total increase was the result of total revenues of \$6,772,211 less total expenses of \$4,970,526.

The large increase in net position is due to two capital grants in the major streets fund for \$817,211. Total expenses also decreased by \$339,247 with the majority of the expenses decreasing in recreation and culture and public works.

Business-type Activities. Business-type activities increased the City's net position by \$339,683. The total revenues and expenses were consistent with previous years.

City of Boyne City
Change in Net Position for Fiscal Years Ended April 30, 2015 and April 30, 2014

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenue						
Program Revenues						
Charges for Services	\$ 1,869,427	\$ 1,895,817	\$ 1,856,841	\$ 1,806,071	\$ 3,726,268	\$ 3,701,888
Operating Grants & Contributions	789,281	746,062	-	-	789,281	746,062
Capital Grants & Contributions	935,137	157,774	-	4,619	935,137	162,393
Total Program Revenues	3,593,845	2,799,653	1,856,841	1,810,690	5,450,686	4,610,343
General Revenues						
Property Taxes	2,791,309	2,779,574	-	-	2,791,309	2,779,574
State Revenue Sharing	351,138	339,219	-	-	351,138	339,219
Other Revenue	4,661	18,340	-	-	4,661	18,340
Interest Income	1,248	998	2,702	3,439	3,950	4,437
Transfers In (Out)	30,010	-	(30,010)	-	-	-
Total General Revenues & Transfers	3,178,366	3,138,131	(27,308)	3,439	3,151,058	3,141,570
Total Revenues	6,772,211	5,937,784	1,829,533	1,814,129	8,601,744	7,751,913
Expenses						
Legislative	21,910	16,149	-	-	21,910	16,149
General Government	1,029,988	1,109,769	-	-	1,029,988	1,109,769
Public Safety	876,459	815,770	-	-	876,459	815,770
Public Works	1,443,188	1,597,029	-	-	1,443,188	1,597,029
Community & Economic Development	150,224	145,842	-	-	150,224	145,842
Recreation & Culture	608,090	795,090	-	-	608,090	795,090
Health & Welfare	840,667	830,119	-	-	840,667	830,119
Water & Sewer Operations	-	-	1,489,850	1,492,423	1,489,850	1,492,423
Total Expenses	4,970,526	5,309,768	1,489,850	1,492,423	6,460,376	6,802,191
Change in Net Position	1,801,685	628,016	339,683	321,706	2,141,368	949,722
<i>Net Position at the Beginning of Period</i>	<i>12,738,133</i>	<i>12,110,117</i>	<i>9,247,309</i>	<i>8,925,603</i>	<i>21,985,442</i>	<i>21,035,720</i>
Net Position at the End of Period	\$ 14,539,818	\$ 12,738,133	\$ 9,586,992	\$ 9,247,309	\$ 24,126,810	\$ 21,985,442

Financial Analysis of Governmental Funds

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

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

At April 30, 2015, the City's governmental funds reported combined fund balances of \$4,341,964, an increase of \$468,520 in comparison with the prior year. Approximately 61% of this amount (\$2,673,178) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *assigned*, or *restricted* to indicate that it is 1) not in spendable form (\$61,056 for inventories and prepaid items), or 2) restricted for particular purposes (\$342,380 for major and local streets), or 3)

committed (\$152,706 for compensated absences), or 4) assigned (\$1,112,644 for various purposes).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,673,178, while total fund balance increased to \$3,182,126. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 82 percent of total general fund expenditures and transfers out, while total fund balance represents approximately 98 percent of that same amount.

The fund balance of the City's general fund increased by \$247,517 during the current fiscal year. The City Commission monitors the expenditures of the general fund closely to ensure that spending does not exceed the City's available resources.

The major streets fund, a major fund, had a \$291,703 increase in fund balance during the current fiscal year which put the overall fund balance at \$307,649.

The ambulance fund, a major fund, had a \$57,541 decrease in fund balance during the current fiscal year which put the overall fund balance at \$55,382.

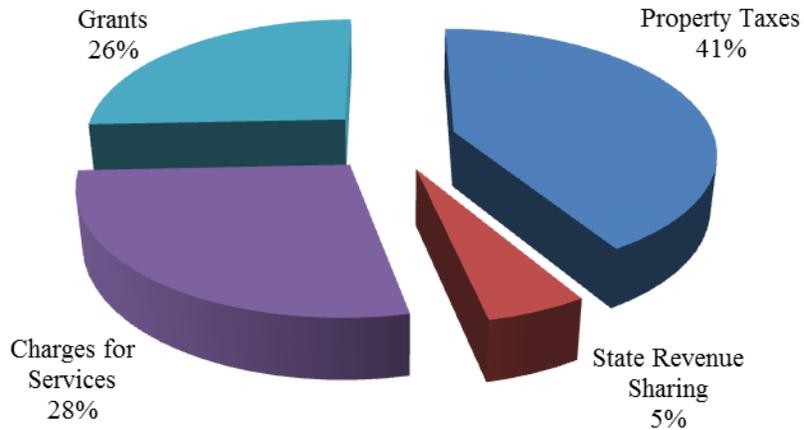
Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year was \$591,709 for the water fund and \$1,825,333 for the sewer fund. The increase in net position was \$49,014 for the water fund and \$290,669 for the sewer fund.

Governmental Activities

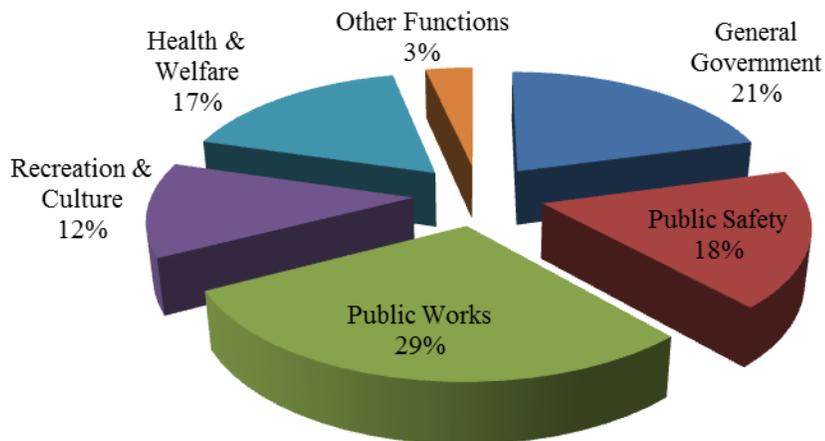
The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year end.

Governmental Activities Revenues



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

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need to adjust expenditures in the final budget to \$2,260,715 from the originally budgeted expenditures of \$4,233,155. This is a result of decreased estimated expenditures in capital outlay of \$960,450. All other budget amendments during the year were relatively minor.

Final budget compared to actual results. During the current fiscal year the City had the following expenditures in excess of the appropriated amounts in the general fund.

	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Legislative	\$ 19,852	\$ 21,910	\$ (2,058)
Assessment / Taxes	64,331	67,701	(3,370)
Legal	31,000	34,807	(3,807)
General Fund Other	91,490	96,616	(5,126)
Parks and Recreation	233,616	237,523	(3,907)
Transfers Out	961,880	1,038,035	(76,155)

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of April 30, 2015, amounts to \$21,751,625 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and water and sewer infrastructure. The following summarizes the City's capital assets:

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 964,470	\$ -	\$ 964,470
Construction in Progress	130,084	-	130,084
Land Improvements	454,102	-	454,102
Infrastructure	6,165,814	-	6,165,814
Buildings & Improvements	528,445	-	528,445
Equipment	1,142,831	153,534	1,296,365
Furniture & Fixtures	5,214	-	5,214
Water System	-	2,399,903	2,399,903
Sewer System	-	9,807,228	9,807,228
	<u>\$ 9,390,960</u>	<u>\$ 12,360,665</u>	<u>\$ 21,751,625</u>

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

Long-term Debt

As described in note 6 to the financial statements, the City had \$5,838,091 long-term debt at the end of the fiscal year. The City was in process of issuing a new bond as of year end. The City is well under its legal debt limit as of year-end.

Economic Condition and Outlook

It is management's belief that Boyne City economic outlook remains strong, and will so for the foreseeable future unless it has to deal with some currently unforeseen significant negative external issues.

Like last year both the national and state economies seemed to have stabilized with slow, but steady growth. Those effects can be seen in some of additional investment that is taking place in our community. Catt Development is creating five additional condo/rental units on the lakeshore while working to begin their new South Lake Street redevelopment project involving the old bus garage and long underutilized Lake Street mall. Stabilizing work on the long dormant Dilworth Hotel has taken place to help insure that that facility will not incur further damage while waiting for next year's anticipated full blown restoration to begin. Other new investments are occurring all across the community.

The City too is investing even more than usual in the community. The new two million dollar Department of Public Works campus at the existing North Boyne Yard is moving forward to its November 2015 scheduled completion. The unpaved portion of Court Street is being currently transformed into a paved curb and gutter street, thanks in large part to State grant funding and cooperation with neighboring Evangeline Township. Both of these are being paid for out of currently available funds saved over the years which will result in a planned decrease in future fund balances. Management does not see such investments in our present and future as financial negatives like the funding of regular operations out of fund balances would be.

In May of 2015 the Boyne City electorate approved issuing up to seven million dollars of debt for a period not to exceed 21 years in order to build new City facilities to those existing to house Police, Fire, Ambulance, Museum and City Hall operations. This will result both new state of the art and efficient facilities and an increase in debt which will be reflected in our Long-term Debts as currently reflected on page 14 of this report and in note 6 of the financial statements.

Another exciting opportunity for Boyne City, having significant future financial implications for it, is the possible acquisition of some 600' of lakefront property located at 475 North Lake Street. This property, now called the Boyne City Open Space, was made available for the City to purchase after it was sold this spring. The cost to the City for just the purchase of this property will probably well exceed over one million dollars.

The City will need to continue to carefully manage all its resources, as we believe we have done in recent years, in order to balance our ability to take advantage of them while not significantly impacting our current or future operations.

As noted in this (see page 12) and previous audits the City has made great use of obtaining grant dollars in recent years. Those funds appear to be becoming harder to obtain from both Federal and State sources. While always used for special, non-operating expenses, if these trends continue, it will put additional burdens on our available resources.

On another front, legislation is still rumored to being under considered in Lansing which could have negative implications on how Tax Increment Financing (TIF) district like those who fund much of the City's activities in both the downtown and business park. We kept a watchful eye on this possibility last year and were able to fend it off but the issue could well return sometime in the 2016 calendar year.

Management will continue do its best, working with elected officials and citizens alike, to continue to manage Boyne City's limited resources to do the most for the community with the minimum of impact on those who pay for them.

Contacting the City

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

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

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

BASIC FINANCIAL STATEMENTS

City of Boyne City
Statement of Net Position
April 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 4,918,271	\$ 2,076,774	\$ 6,995,045	\$ 1,335,109
Due from Other Governmental Units	125,567	--	125,567	--
Accounts Receivable	349,729	387,704	737,433	781
Inventories	54,166	58,629	112,795	12,881
Prepaid Items	54,982	2,962	57,944	10,925
Note Receivable	--	6,503	6,503	--
Total Current Assets	5,502,715	2,532,572	8,035,287	1,359,696
<i>Noncurrent Assets</i>				
Restricted Cash - Bond Reserve	--	583,809	583,809	--
Restricted Cash - Bond Interest	--	63,567	63,567	--
Note Receivable	--	13,857	13,857	--
Capital Assets not being Depreciated	1,094,554	--	1,094,554	1,087,686
Capital Assets being Depreciated	8,296,406	12,360,665	20,657,071	3,552,564
Total Assets	14,893,675	15,554,470	30,448,145	5,999,946
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	59,788	27,126	86,914	3,118
Payroll Liabilities	22,577	3,305	25,882	12,292
Customer Deposits	1,050	15,554	16,604	26,174
Accrued Interest	--	10,594	10,594	69
Unearned Revenue	138,610	--	138,610	1,075
Current Portion of Long-term Debt	--	505,000	505,000	21,990
Internal Balances	(50,000)	50,000	--	--
Total Current Liabilities	172,025	611,579	783,604	64,718
<i>Noncurrent Liabilities</i>				
Other Post Employment Benefits	29,126	--	29,126	--
Long-term Debt	--	5,333,091	5,333,091	53,248
Compensated Absences	152,706	22,808	175,514	3,671
Total Liabilities	353,857	5,967,478	6,321,335	121,637
NET POSITION				
Net Investment in Capital Assets	9,390,960	6,522,574	15,913,534	4,565,012
<i>Restricted for:</i>				
Streets	342,380	--	342,380	--
Debt Service	--	647,376	647,376	--
<i>Unrestricted</i>	4,806,478	2,417,042	7,223,520	1,313,297
Total Net Position	\$ 14,539,818	\$ 9,586,992	\$ 24,126,810	\$ 5,878,309

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

**City of Boyne City
Statement of Activities
For the Year Ended April 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 1,000,246	\$ 237,007	\$ 5,000	\$ --	\$ (758,239)	\$ --	\$ (758,239)	\$ --
Public Safety	876,459	257,136	3,778	--	(615,545)	--	(615,545)	--
Public Works	1,443,188	274,630	597,939	817,211	246,592	--	246,592	--
Community & Economic Development	150,224	130,599	--	--	(19,625)	--	(19,625)	--
Recreation & Culture	608,090	288,077	38,168	117,926	(163,919)	--	(163,919)	--
Other Functions	29,742	--	--	--	(29,742)	--	(29,742)	--
Health & Welfare	840,667	681,978	144,396	--	(14,293)	--	(14,293)	--
Legislative	21,910	--	--	--	(21,910)	--	(21,910)	--
Total Governmental Activities	4,970,526	1,869,427	789,281	935,137	(1,376,681)	--	(1,376,681)	--
Business-type Activities:								
Sewer	877,408	1,180,380	--	--	--	302,972	302,972	--
Water	612,442	676,461	--	--	--	64,019	64,019	--
Total Business-type Activities	1,489,850	1,856,841	--	--	--	366,991	366,991	--
Total Primary Government	\$ 6,460,376	\$ 3,726,268	\$ 789,281	\$ 935,137	\$ (1,376,681)	\$ 366,991	\$ (1,009,690)	--
Component Units								
Downtown Development Authority	\$ 495,926	\$ 88,899	\$ 10,174	\$ --	--	--	--	(396,853)
Local Development Finance Authority	132,156	--	--	--	--	--	--	(132,156)
Boyne City Housing Commission 9/30/2014	734,941	236,733	503,011	39,347	--	--	--	44,150
Total Component Units	\$ 1,363,023	\$ 325,632	\$ 513,185	\$ 39,347	--	--	--	(484,859)
General Purpose Revenues and Transfers:								
Revenues								
Property Taxes					2,791,309	--	2,791,309	488,996
Other Revenues					4,661	--	4,661	--
Interest Income					1,248	2,702	3,950	62
State Revenue Sharing					351,138	--	351,138	--
Transfers					30,010	(30,010)	--	--
Total General Revenues and Transfers					3,178,366	(27,308)	3,151,058	489,058
Change in Net Position					1,801,685	339,683	2,141,368	4,199
<i>Net Position at Beginning of Period</i>					12,738,133	9,247,309	21,985,442	5,874,110
Net Position at End of Period					\$ 14,539,818	\$ 9,586,992	\$ 24,126,810	\$ 5,878,309

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

**City of Boyne City
Balance Sheet
Governmental Funds
April 30, 2015**

	<u>Special Revenue</u>			Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Major Streets</u>	<u>Ambulance</u>		
ASSETS					
Cash & Cash Equivalents	\$ 2,900,870	\$ 272,787	\$ 36,723	\$ 772,179	\$ 3,982,559
Due from Other Governmental Units	52,568	49,230	--	23,769	125,567
Accounts Receivable	90,277	--	124,620	134,832	349,729
Inventories	--	--	--	9,036	9,036
Prepaid Items	38,295	404	8,427	4,894	52,020
Due from Other Funds	148,493	--	--	135	148,628
Total Assets	\$ 3,230,503	\$ 322,421	\$ 169,770	\$ 944,845	\$ 4,667,539
LIABILITIES					
Accounts Payable	\$ 30,719	\$ 5,059	\$ 14,974	\$ 6,620	\$ 57,372
Payroll Liabilities	17,523	2,180	921	1,783	22,407
Customer Deposits	--	--	--	1,050	1,050
Unearned Revenue	--	--	--	138,585	138,585
Due to Other Funds	135	--	98,493	--	98,628
Total Liabilities	48,377	7,239	114,388	148,038	318,042
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	--	7,533	--	--	7,533
Total Liabilities and Deferred Inflows of Resources	48,377	14,772	114,388	148,038	325,575
FUND BALANCE					
Nonspendable	38,295	404	8,427	13,930	61,056
Restricted	--	307,245	--	35,135	342,380
Committed	152,706	--	--	--	152,706
Assigned	317,947	--	46,955	747,742	1,112,644
Unassigned	2,673,178	--	--	--	2,673,178
Total Fund Balance	3,182,126	307,649	55,382	796,807	4,341,964
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,230,503	\$ 322,421	\$ 169,770	\$ 944,845	\$ 4,667,539

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

City of Boyne City
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
April 30, 2015

Total Fund Balance - Governmental Funds	\$	4,341,964
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		1,193,478
General government capital assets of \$14,856,944, net of accumulated depreciation of \$5,678,244, are not financial resources, and accordingly are not reported in the funds.		9,178,700
Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(29,126)
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds		(152,706)
Unavailable revenues are not available to to pay current period expenditures and, therefore, are deferred inflows of resources in the funds.		7,508
Total Net Position - Governmental Funds	\$	<u>14,539,818</u>

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

City of Boyne City
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended April 30, 2015

	<u>Special Revenue</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Ambulance</u>		
Revenues					
Property Taxes	\$ 2,629,709	\$ 80,800	\$ --	\$ 80,800	\$ 2,791,309
Licenses & permits	6,194	--	--	--	6,194
Federal Grants	5,000	817,211	--	--	822,211
State Revenue Sharing	345,155	332,812	--	283,021	960,988
Charges for Services	323,244	--	810,523	570,496	1,704,263
Fine & Forfeitures	8,260	--	--	--	8,260
Interest and Rentals	9,035	3	--	25,491	34,529
Other Revenues	184,346	100,032	15,851	31,601	331,830
Total Revenues	<u>3,510,943</u>	<u>1,330,858</u>	<u>826,374</u>	<u>991,409</u>	<u>6,659,584</u>
Expenditures					
Legislative	21,910	--	--	--	21,910
General Government	951,789	--	--	--	951,789
Public Safety	590,944	--	--	180,978	771,922
Public Works	39,052	475,026	--	527,239	1,041,317
Health & Welfare	1,000	--	812,265	--	813,265
Community & Economic Development	150,224	--	--	--	150,224
Recreation & Culture	239,782	--	--	342,249	582,031
Other Functions	29,742	--	--	--	29,742
Capital Outlay	200,948	1,278,563	155,943	223,420	1,858,874
Total Expenditures	<u>2,225,391</u>	<u>1,753,589</u>	<u>968,208</u>	<u>1,273,886</u>	<u>6,221,074</u>
Excess of Revenues Over (Under) Expenditures	<u>1,285,552</u>	<u>(422,731)</u>	<u>(141,834)</u>	<u>(282,477)</u>	<u>438,510</u>
Other Financing Sources (Uses)					
Transfers In	--	714,434	84,293	269,318	1,068,045
Transfers Out	(1,038,035)	--	--	--	(1,038,035)
Net Other Financing Sources (Uses)	<u>(1,038,035)</u>	<u>714,434</u>	<u>84,293</u>	<u>269,318</u>	<u>30,010</u>
Net Change in Fund Balance	<u>247,517</u>	<u>291,703</u>	<u>(57,541)</u>	<u>(13,159)</u>	<u>468,520</u>
<i>Fund Balance at Beginning of Period</i>	2,934,609	15,946	112,923	809,966	3,873,444
Fund Balance at End of Period	<u>\$ 3,182,126</u>	<u>\$ 307,649</u>	<u>\$ 55,382</u>	<u>\$ 796,807</u>	<u>\$ 4,341,964</u>

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

City of Boyne City
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended April 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	468,520
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements		75,109
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$1,858,874 is in excess of depreciation expense of \$582,067.		1,276,807
In the statement of activities, an expense is recorded for other post-employment benefits (OPEB) to adjust net OPEB obligation to the actuarial determined amount less any contributions to fund the obligation. This is the difference between the prior year and the current year net OPEB obligation.		(15,794)
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.		(10,465)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources on the fund statements.		7,508
Changes in Net Position - Governmental Funds	\$	<u>1,801,685</u>

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

**City of Boyne City
Statement of Net Position
Proprietary Funds
April 30, 2015**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,604,616	\$ 472,158	\$ 2,076,774	\$ 935,712
Accounts Receivable	243,111	144,593	387,704	--
Inventories	900	57,729	58,629	45,130
Prepaid Items	2,154	808	2,962	2,962
Note Receivable	6,503	--	6,503	--
Total Current Assets	1,857,284	675,288	2,532,572	983,804
<i>Noncurrent Assets</i>				
Restricted Cash - Bond Reserve	501,809	82,000	583,809	--
Restricted Cash - Bond Interest	53,317	10,250	63,567	--
Note Receivable	13,857	--	13,857	--
Capital Assets being Depreciated	9,970,394	2,390,271	12,360,665	212,260
Total Assets	12,396,661	3,157,809	15,554,470	1,196,064
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	22,618	4,508	27,126	2,416
Payroll Liabilities	1,305	2,000	3,305	170
Customer Deposits	10,549	5,005	15,554	--
Accrued Interest	8,886	1,708	10,594	--
Current Portion of Long-term Debt	410,000	95,000	505,000	--
Due to Other Funds	--	50,000	50,000	--
Total Current Liabilities	453,358	158,221	611,579	2,586
<i>Noncurrent Liabilities</i>				
Long-term Debt	4,608,091	725,000	5,333,091	--
Compensated Absences	2,450	20,358	22,808	--
Total Liabilities	5,063,899	903,579	5,967,478	2,586
NET POSITION				
Net Investment in Capital Assets	4,952,303	1,570,271	6,522,574	212,260
<i>Restricted for:</i>				
Debt Service	555,126	92,250	647,376	--
<i>Unrestricted</i>	1,825,333	591,709	2,417,042	981,218
Total Net Position	\$ 7,332,762	\$ 2,254,230	\$ 9,586,992	\$ 1,193,478

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

City of Boyne City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended April 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	Internal Service Funds
Operating Revenues				
Charges for Services	\$ 954,075	\$ 634,475	\$ 1,588,550	\$ 261,325
Other Revenues	--	41,986	41,986	23,371
Total Operating Revenues	<u>954,075</u>	<u>676,461</u>	<u>1,630,536</u>	<u>284,696</u>
Operating Expenses				
Contractual Services	45,099	46,333	91,432	69,703
Personal	130,737	163,098	293,835	13,010
Supplies	40,260	32,450	72,710	24,245
Utilities	173,077	63,652	236,729	49,898
Repair & Maintenance	66,618	30,735	97,353	2,181
Depreciation Expense	307,093	253,612	560,705	50,626
Total Operating Expenses	<u>762,884</u>	<u>589,880</u>	<u>1,352,764</u>	<u>209,663</u>
Operating Income (Loss)	<u>191,191</u>	<u>86,581</u>	<u>277,772</u>	<u>75,033</u>
Non-Operating Revenues (Expenses)				
Interest Income	2,702	--	2,702	76
Other	226,305	--	226,305	--
Interest Expense	(114,524)	(22,562)	(137,086)	--
Net Non-Operating Revenues (Expenses)	<u>114,483</u>	<u>(22,562)</u>	<u>91,921</u>	<u>76</u>
Income Before Contributions and Transfers	<u>305,674</u>	<u>64,019</u>	<u>369,693</u>	<u>75,109</u>
Transfers In	--	--	--	--
Transfers Out	(15,005)	(15,005)	(30,010)	--
Change In Net Position	<u>290,669</u>	<u>49,014</u>	<u>339,683</u>	<u>75,109</u>
<i>Net Position at Beginning of Period</i>	7,042,093	2,205,216	9,247,309	1,118,369
Net Position at End of Period	<u>\$ 7,332,762</u>	<u>\$ 2,254,230</u>	<u>\$ 9,586,992</u>	<u>\$ 1,193,478</u>

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

**City of Boyne City
Statement of Cash Flows
Proprietary Funds
For the Year Ended April 30, 2015**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	<u>Internal Service - Motor Pool</u>
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 993,665	\$ 668,864	\$ 1,662,529	\$ 284,696
Cash Payments to Employees for Services and Fringe Benefits	(134,432)	(167,095)	(301,527)	(12,997)
Cash Payments to Suppliers for Goods and Services	(308,848)	(216,678)	(525,526)	(177,074)
Total Cash Flows from Operating Activities	<u>550,385</u>	<u>285,091</u>	<u>835,476</u>	<u>94,625</u>
Cash Flows from Non-capital and Related Financing Activities				
Change in Interfund Balances	70,921	50,000	120,921	-
Transfer In (Out)	(15,005)	(15,005)	(30,010)	-
Total Cash Flows from Non-capital and Related Financing Activities	<u>55,916</u>	<u>34,995</u>	<u>90,911</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Other Revenue	226,305	-	226,305	-
Interest Expense	(114,524)	(22,562)	(137,086)	-
Principal Payment on Long-term Debt	(405,000)	(90,000)	(495,000)	-
Cash Received from Notes Receivable Collections	6,235	-	6,235	-
Total Cash Flows from (used by) Capital and Related Financing Activities	<u>(286,984)</u>	<u>(112,562)</u>	<u>(399,546)</u>	<u>-</u>
Cash Flows from Investing Activities				
Interest on Investments	2,702	-	2,702	76
Total Cash Flows from Investing Activities	<u>2,702</u>	<u>-</u>	<u>2,702</u>	<u>76</u>
Net Increase (Decrease) in Cash and Equivalents	322,019	207,524	529,543	94,701
<i>Cash and Equivalents - Beginning of Year</i>	1,837,723	356,884	2,194,607	841,011
Cash and Equivalents - End of Year	<u>\$ 2,159,742</u>	<u>\$ 564,408</u>	<u>\$ 2,724,150</u>	<u>\$ 935,712</u>

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

City of Boyne City
Statement of Cash Flows
Proprietary Funds
For the Year Ended April 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	<u>Internal Service - Motor Pool</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ 191,191	\$ 86,581	\$ 277,772	\$ 75,033
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	307,093	253,612	560,705	50,626
Changes in Assets & Liabilities				
Accounts Receivable	39,590	(7,597)	31,993	-
Prepays	(76)	(29)	(105)	(104)
Inventory	4,355	(40,528)	(36,173)	(30,641)
Accounts Payable	14,781	(551)	14,230	(302)
Payroll Liabilities	262	601	863	13
Customer Deposits	(2,137)	(2,212)	(4,349)	-
Accrued Interest	(717)	(188)	(905)	-
Compensated Absences	(3,957)	(4,598)	(8,555)	-
Net Cash Provided by Operating Activities	<u>\$ 550,385</u>	<u>\$ 285,091</u>	<u>\$ 835,476</u>	<u>94,625</u>

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

City of Boyne City
Statement of Fiduciary Net Position
Fiduciary Funds
April 30, 2015

	Agency Funds
ASSETS	
Cash & Cash Equivalents	\$ 14,412
<i>Total Assets</i>	14,412
LIABILITIES	
Due to Other Governmental Units	1,495
Customer Deposits	12,917
<i>Total Liabilities</i>	14,412
NET POSITION	
Held in Trust	\$ --

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

City of Boyne City
Combining Statement of Net Position
Component Units
April 30, 2015

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Boyne City Housing Commission 9/30/2014</u>	<u>Total Component Units</u>
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 116,234	\$ 1,070,023	\$ 148,852	\$ 1,335,109
Accounts Receivable	--	--	781	781
Inventories	--	--	12,881	12,881
Prepaid Items	--	--	10,925	10,925
Total Current Assets	<u>116,234</u>	<u>1,070,023</u>	<u>173,439</u>	<u>1,359,696</u>
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	--	291,419	796,267	1,087,686
Capital Assets being Depreciated	1,753,783	1,270,225	528,556	3,552,564
Total Assets	<u>1,870,017</u>	<u>2,631,667</u>	<u>1,498,262</u>	<u>5,999,946</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	492	269	2,357	3,118
Payroll Liabilities	911	--	11,381	12,292
Customer Deposits	--	--	26,174	26,174
Accrued Interest	--	--	69	69
Unearned Revenue	--	--	1,075	1,075
Current Portion of Long-term Debt	6,503	--	15,487	21,990
Total Current Liabilities	<u>7,906</u>	<u>269</u>	<u>56,543</u>	<u>64,718</u>
<i>Noncurrent Liabilities</i>				
Long-term Debt	13,857	--	39,391	53,248
Compensated Absences	--	--	3,671	3,671
Total Liabilities	<u>21,763</u>	<u>269</u>	<u>99,605</u>	<u>121,637</u>
NET POSITION				
Net Investment in Capital Assets	1,733,423	1,561,644	1,269,945	4,565,012
<i>Unrestricted</i>	114,831	1,069,754	128,712	1,313,297
Total Net Position	<u>\$ 1,848,254</u>	<u>\$ 2,631,398</u>	<u>\$ 1,398,657</u>	<u>\$ 5,878,309</u>

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

City of Boyne City
Combining Statement of Activities
Component Units
For the Year Ended April 30, 2015

	Downtown Development Authority	Local Development Finance Authority	Boyne City Housing Commission 9/30/2014	Total Component Units
Expenses				
Health & Welfare	\$ --	\$ --	\$ 635,803	\$ 635,803
Community & Economic Development	367,902	90,007	--	457,909
Depreciation Expense	126,959	42,149	97,832	266,940
Interest Expense	1,065	--	1,306	2,371
Total Expenses	495,926	132,156	734,941	1,363,023
Program Revenues				
Charges for Services	88,899	--	236,733	325,632
Operating Grants and Contributions	10,174	--	503,011	513,185
Capital Grants and Contributions	--	--	39,347	39,347
Total Program Revenues	99,073	--	779,091	878,164
Net Program Revenues (Expenses)	(396,853)	(132,156)	44,150	(484,859)
General Revenue				
Property Taxes	275,754	213,242	--	488,996
Interest Income	--	--	62	62
Total General Revenues	275,754	213,242	62	489,058
Change in Net Position	(121,099)	81,086	44,212	4,199
<i>Net Position at Beginning of Period</i>	1,969,353	2,550,312	1,354,445	5,874,110
Net Position at End of Period	\$ 1,848,254	\$ 2,631,398	\$ 1,398,657	\$ 5,878,309

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

City of Boyne City

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Units

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

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

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

City of Boyne City

Notes to the Financial Statements

significantly influence operations of the Commission. The Commission has a September 30 year end. The component unit is audited separately from the City and complete financial statements may be obtained from the Housing Commission's administrative office at 829 South Park Street, Boyne City, Michigan 49712. Accordingly, the City has elected to omit substantially all note disclosures related to the Commission in these financial statements.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are

City of Boyne City

Notes to the Financial Statements

collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

Internal service funds account for the financing of goods or services provided by the City to other departments or funds on a cost reimbursement basis.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

City of Boyne City

Notes to the Financial Statements

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

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

Budgetary and Budgetary Accounting

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

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

City of Boyne City

Notes to the Financial Statements

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

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

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

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

Restricted Cash

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

Receivables and Payables

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

City of Boyne City

Notes to the Financial Statements

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

The ambulance fund receivables are shown net of an allowance for uncollectable accounts. It is composed of expected Medicaid and Medicare write-offs and accounts receivable older than 120 days, which are estimated to be \$37,808.

Prepaid Items

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

Inventories

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

Capital Assets

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

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

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

Description	Life
Vehicles	5 - 10 Years
Equipment	5 - 20 Years
Land Improvements	10 - 40 Years
Public Domain Infrastructure	20 Years
Buildings	20 - 50 Years
Water & Sewer Infrastructure	20 - 50 Years

City of Boyne City

Notes to the Financial Statements

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from an operating grant receivable collected beyond 60 days after the end of the fiscal year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and

City of Boyne City

Notes to the Financial Statements

proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Commission, or its designee, is authorized to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action

City of Boyne City

Notes to the Financial Statements

does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Commission.

Property Tax Revenue Recognition

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

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

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated through July 31, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the City.

Note 2 – Excess of Expenditures Over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

City of Boyne City

Notes to the Financial Statements

During the year ended April 30, 2015, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
General Fund			
Legislative	\$ 19,852	\$ 21,910	\$ (2,058)
Assessment / Taxes	64,331	67,701	(3,370)
Legal	31,000	34,807	(3,807)
General Fund Other	91,490	96,616	(5,126)
Parks and Recreation	233,616	237,523	(3,907)
Transfers Out	961,880	1,038,035	(76,155)
Major Streets			
Construction	1,146,498	1,371,321	(224,823)
Ambulance	933,860	968,208	(34,348)

Note 3 – Cash and Investments

Following is a reconciliation of deposit balances as of April 30, 2015:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
Statement of Net Position			
Cash & Cash Equivalents	\$ 6,995,045	\$ 1,335,109	\$ 8,330,154
Restricted Cash	647,376	-	647,376
Statement of Fiduciary Net Position			
Cash & Cash Equivalents	14,412	-	14,412
Total Deposits and Investments	<u>7,656,833</u>	<u>1,335,109</u>	<u>8,991,942</u>
Less Component Units Separately Audited			
Boyne City Housing Commission	-	148,852	148,852
Deposits Managed by the City Treasurer	<u>\$ 7,656,833</u>	<u>\$ 1,483,961</u>	<u>\$ 9,140,794</u>
Deposits and Investments			
Cash & Cash Equivalents			\$ 7,376,329
Certificates of Deposit			1,764,065
Cash on hand			400
Total			<u>\$ 9,140,794</u>

City of Boyne City

Notes to the Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$7,029,415 of the City's bank balance of \$9,078,939 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposits of \$1,764,065 are due within one year.

City of Boyne City

Notes to the Financial Statements

Note 4 – Capital Assets

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

Governmental Activities	<u>April 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>April 30, 2015</u>
Capital assets not being depreciated					
Land	\$ 955,470	\$ 9,000	\$ -	\$ -	\$ 964,470
Construction in Progress	346,675	130,084	-	(346,675)	130,084
Total Capital assets not being depreciated	<u>1,302,145</u>	<u>139,084</u>	<u>-</u>	<u>(346,675)</u>	<u>1,094,554</u>
Capital assets being depreciated					
Land Improvements	1,432,867	240,521	-	-	1,673,388
Infrastructure	6,789,059	1,278,564	-	44,690	8,112,313
Buildings & Improvements	1,568,449	12,106	-	-	1,580,555
Equipment	2,094,523	188,599	332,713	301,985	2,252,394
Furniture & Fixtures	143,740	-	-	-	143,740
Total capital assets, being depreciated	<u>12,028,638</u>	<u>1,719,790</u>	<u>332,713</u>	<u>346,675</u>	<u>13,762,390</u>
Less accumulated depreciation					
Land Improvements	1,183,293	35,993	-	-	1,219,286
Infrastructure	1,551,172	395,327	-	-	1,946,499
Buildings & Improvements	1,016,376	35,734	-	-	1,052,110
Equipment	1,540,143	114,393	332,713	-	1,321,823
Furniture & Fixtures	137,906	620	-	-	138,526
Total accumulated depreciation	<u>5,428,890</u>	<u>582,067</u>	<u>332,713</u>	<u>-</u>	<u>5,678,244</u>
Internal Service Fund					
Motor Pool Equipment	262,886	-	50,626	-	212,260
Total capital assets, governmental activities	<u>\$ 8,164,779</u>	<u>\$ 1,276,807</u>	<u>\$ 50,626</u>	<u>\$ -</u>	<u>\$ 9,390,960</u>
Internal Service Fund					
	<u>April 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>April 30, 2015</u>
Capital assets being depreciated					
Equipment	\$ 1,774,796	\$ -	\$ 424,299	\$ -	\$ 1,350,497
Less accumulated depreciation					
Equipment	1,511,910	50,626	424,299	-	1,138,237
Total capital assets	<u>\$ 262,886</u>	<u>\$ (50,626)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,260</u>

City of Boyne City

Notes to the Financial Statements

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

Business-type Activities	<u>April 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>April 30, 2015</u>
Capital assets being depreciated					
Water System	\$ 7,042,027	\$ -	\$ -	\$ -	\$ 7,042,027
Sewer System	13,508,651	-	-	-	13,508,651
Equipment	601,752	-	154,863	-	446,889
Total capital assets, being depreciated	<u>21,152,430</u>	<u>-</u>	<u>154,863</u>	<u>-</u>	<u>20,997,567</u>
Less accumulated depreciation					
Water System	4,393,328	248,796	-	-	4,642,124
Sewer System	3,427,219	274,204	-	-	3,701,423
Equipment	410,513	37,705	154,863	-	293,355
Total accumulated depreciation	<u>8,231,060</u>	<u>560,705</u>	<u>154,863</u>	<u>-</u>	<u>8,636,902</u>
Total capital assets, business-type activities	<u>\$ 12,921,370</u>	<u>\$ (560,705)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,360,665</u>

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

Downtown Development Authority	<u>April 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>April 30, 2015</u>
Capital assets being depreciated					
Infrastructure	\$ 2,837,193	\$ -	\$ -	\$ -	\$ 2,837,193
Less accumulated depreciation					
Infrastructure	956,451	126,959	-	-	1,083,410
Total capital assets, DDA	<u>\$ 1,880,742</u>	<u>\$ (126,959)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,753,783</u>
Local Development Finance Authority					
Capital assets not being depreciated					
Land	\$ 291,419	\$ -	\$ -	\$ -	\$ 291,419
Capital assets being depreciated					
Infrastructure	1,997,920	-	-	-	1,997,920
Less accumulated depreciation					
Infrastructure	685,546	42,149	-	-	727,695
Total capital assets, LDFA	<u>\$ 1,603,793</u>	<u>\$ (42,149)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,561,644</u>

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

City of Boyne City

Notes to the Financial Statements

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

Governmental Activities		
General Government	\$	35,412
Public Safety		96,823
Public Works		396,371
Health & Welfare		27,402
Recreation & Culture		26,059
Depreciation Charged to the Internal Service Fund		50,626
<i>Total Governmental Activities</i>	\$	632,693
Business-type Activities		
Sewer Fund	\$	307,093
Water Fund		253,612
<i>Total Business-type Activities</i>	\$	560,705
Component Units		
Downtown Development Authority	\$	126,959
Local Development Finance Authority		42,149
<i>Total Component Units</i>	\$	169,108

Note 5 – Interfund Balances & Interfund Transfers

As of April 30, 2015, the interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 50,000
General Fund	Ambulance Fund	98,493
Boyne Thunder Fund	General Fund	135

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

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Boyne City

Notes to the Financial Statements

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

Transfer In	Transfer Out	Amount
Major Streets Fund	General Fund	\$ 684,424
Ambulance Fund	General Fund	84,293
Local Streets Fund	General Fund	206,318
Fire Fund	General Fund	63,000
Major Streets Fund	Water Fund	15,005
Major Streets Fund	Sewer Fund	15,005

Note 6 – Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended April 30, 2015:

Business-type Activities	Balance at April 30, 2014	Additions	Deletions	Balance at April 30, 2015	Due Within One Year
Series 2003, water supply and sewage disposal system revenue bonds, maturing serially in 2023 with annual installments ranging from \$70,000 to \$110,000 and bearing interest at 2.50%	\$ 910,000	\$ -	\$ 90,000	\$ 820,000	\$ 95,000
Series 2004, water supply and sewage disposal system revenue bonds, maturing serially in 2026 with annual installments ranging from \$340,000 to \$510,000 and bearing interest at 2.13%	5,423,091	-	405,000	5,018,091	410,000
Total Business-type Activities Bonds Payable	6,333,091	-	495,000	5,838,091	505,000
Primary Government					
Governmental Compensated Absences	142,241	10,465	-	152,706	-
Governmental OPEB Obligation	13,332	15,794	-	29,126	-
Business-type Compensated Absences	31,363	-	8,555	22,808	-
Total Long-term Obligations, Primary Government	\$ 6,520,027	\$ 26,259	\$ 503,555	\$ 6,042,731	\$ 505,000

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

City of Boyne City

Notes to the Financial Statements

The following is a summary of long-term debt activity of the City's component units for the year ended April 30, 2015:

<u>Component Units</u>	<u>Balance at April 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at April 30, 2015</u>	<u>Due Within One Year</u>
DDA - 2008 note payable for improvement projects, maturing serially in 2017 with annual amounts of \$7,300 and bearing interest at 4.25%	\$ 26,595	\$ -	\$ 6,235	\$ 20,360	\$ 6,503
LDFA - 2005 general government note payable, maturing serially in 2015 and bearing interest at 0.00%	47,961	-	47,961	-	-
Housing Commission - Lease purchase agreement, maturing in 2018 and bearing interest at 3.375%	16,569	-	3,478	13,091	3,596
Housing Commission - Lease purchase agreement, maturing in 2018 and bearing interest at 1.625%	53,487	-	11,700	41,787	11,891
Compensated Absences	6,426	-	2,755	3,671	-
Total Long-term Obligations, Component Units	\$ 151,038	\$ -	\$ 72,129	\$ 78,909	\$ 21,990

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

Year Ending April 30	Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 505,000	\$ 127,134	\$ 632,134	\$ 21,990	\$ 1,410	\$ 23,400
2017	515,000	116,047	631,047	22,608	952	23,560
2018	530,000	104,747	634,747	23,225	482	23,707
2019	540,000	93,109	633,109	7,415	42	7,457
2020	555,000	81,259	636,259	-	-	-
2021-2025	2,715,000	221,553	2,936,553	-	-	-
2026	478,091	10,159	488,250	-	-	-
Totals	\$ 5,838,091	\$ 754,010	\$ 6,592,101	\$ 75,238	\$ 2,886	\$ 78,125

Note 7 – Defined Benefit Pension Plan

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.

City of Boyne City

Notes to the Financial Statements

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate ranges from 12.19% to 20.28% 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, 2015, the City's annual pension cost of \$213,415 for MERS was equal to the City's required and actual contributions.

The required schedule of funding progress immediately following the notes to the financial statements presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 188,348	100%	\$ -
2014	214,402	100%	\$ -
2015	213,415	100%	\$ -

Actuarial Methods and Assumptions. 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, 2014, the date of the last actuarial valuation, was 22 years.

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was 79 percent funded. The actuarial accrued liability for benefits was \$8,630,468 and the actuarial value of assets was \$6,809,720, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,820,748. The covered payroll (annual payroll of active employees covered by the plan) was \$1,003,608, and the ratio of the UAAL to the covered payroll was 181 percent.

City of Boyne City

Notes to the Financial Statements

Note 8 - Other Postemployment Benefits

Plan Description

The City of Boyne City administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 7, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with City policy, certain individuals and their beneficiaries receive medical, dental, prescription, and eyeglass coverage for varying periods of timing, depending on bargaining unit and years of service. As of April 30, 2015, the date of the last plan valuation, the Plan covered 31 members (25 active plan members and 6 retirees receiving benefits).

Funding policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 37,862
Interest on Net OPEB Obligation	333
Annual OPEB Cost (Expense)	<u>38,195</u>
Less: Contributions Made	<u>22,401</u>
<i>Increase in OPEB Obligation</i>	15,794
<i>Net OPEB Obligation - Beginning</i>	<u>13,332</u>
<i>Net OPEB Obligation - Ending</i>	<u>\$ 29,126</u>

City of Boyne City

Notes to the Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the previous years were as follows:

	Fiscal Year Ended April 30,		
	2015	2014	2013
Annual OPEB Cost (Expense)	\$ 38,195	\$ 34,631	\$ 30,159
Percentage of OPEB Cost Contributed	59%	75%	116%
Net OPEB Obligation	\$ 29,126	\$ 13,332	\$ 4,635

Funded Status and Funding Progress

As of April 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$441,674, all of which was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was not available and the ratio of the UAAL to the covered payroll was unknown as well.

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

Methods and Assumptions

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

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55.

City of Boyne City

Notes to the Financial Statements

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

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

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

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections by the City's management. A flat cost was used in these valuations as the total annual cost has been capped by management.

Health insurance premiums - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 2.50 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at April 30, 2015, was 26 years.

Note 9 – Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance.

City of Boyne City

Notes to the Financial Statements

Note 10 – Fund Balances – Governmental Funds

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

	<u>General Fund</u>	<u>Major Streets</u>	<u>Ambulance</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable					
Prepaid Items	\$ 38,295	\$ 404	\$ 8,427	\$ 4,894	\$ 52,020
Inventories	-	-	-	9,036	9,036
Total Nonspendable	<u>38,295</u>	<u>404</u>	<u>8,427</u>	<u>13,930</u>	<u>61,056</u>
Restricted for					
Major & Local Streets	-	307,245	-	35,135	342,380
Committed for					
Compensated Absences	152,706	-	-	-	152,706
Assigned for					
OPEB	276,405	-	-	-	276,405
Cemetery	37,525	-	-	-	37,525
Fire Protection	-	-	-	564,384	564,384
Airport	-	-	-	15,022	15,022
Marina	-	-	-	168,336	168,336
Ambulance	-	-	46,955	-	46,955
Creative Playground	4,017	-	-	-	4,017
Total Assigned	<u>317,947</u>	<u>-</u>	<u>46,955</u>	<u>747,742</u>	<u>1,112,644</u>
Unassigned	<u>2,673,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,673,178</u>
Total Fund Balances - Governmental Funds	<u>\$ 3,182,126</u>	<u>\$ 307,649</u>	<u>\$ 55,382</u>	<u>\$ 796,807</u>	<u>\$ 4,341,964</u>

Note 11 – Commitments

The City has a \$2,060,000 commitment for a new Department of Public Works Facility that is under construction as of the date of this report and is scheduled for completion in November 2015.

Additionally, in May of 2015 the Boyne City electorate approved issuing up to \$7,000,000 of debt for a period not to exceed 21 years in order to build new City facilities to those existing to house Police, Fire, Ambulance, Museum and City Hall operations.

REQUIRED SUPPLEMENTARY INFORMATION

City of Boyne City
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	\$ 7,145,534	\$ 9,151,964	\$ 2,006,430	78%	\$ 1,120,911	179%
12/31/2013	7,281,048	9,329,598	2,048,550	78%	1,134,540	181%
12/31/2014	6,809,720	8,630,468	1,820,748	79%	1,003,608	181%

Three-year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 188,348	100%	\$ -
2014	214,402	100%	\$ -
2015	213,415	100%	\$ -

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
2010	\$ -	\$ 374,894	\$ 374,894	0%	N/A	N/A
2014	-	426,125	426,125	0%	N/A	N/A
2015	-	441,674	441,674	0%	N/A	N/A

	Fiscal Year Ended April 30,		
	2015	2014	2013
Annual OPEB Cost (Expense)	\$ 38,195	\$ 34,631	\$ 30,159
Percentage of OPEB Cost Contributed	59%	75%	116%
Net OPEB Obligation	\$ 29,126	\$ 13,332	\$ 4,635

City of Boyne City
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended April 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Tax Revenues	\$ 2,610,477	\$ 2,615,066	\$ 2,629,709	\$ 14,643
Licenses and Permits	6,200	5,588	6,194	606
State Shared Revenues	985,078	343,601	345,155	1,554
Federal Grants	--	--	5,000	5,000
Charges for Services	314,500	319,855	323,244	3,389
Fines and Forfeitures	6,500	7,500	8,260	760
Interest and Rentals	13,200	17,368	9,035	(8,333)
Other Revenues	77,784	95,548	184,346	88,798
Total Revenues	<u>4,013,739</u>	<u>3,404,526</u>	<u>3,510,943</u>	<u>106,417</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>4,013,739</u>	<u>3,404,526</u>	<u>3,510,943</u>	<u>106,417</u>
Expenditures				
Legislative - Council	20,695	19,852	21,910	(2,058)
General Government				
General Services	566,324	562,492	557,322	5,170
Elections	2,300	2,645	2,645	--
Accounting / Audit	12,800	10,203	10,203	--
Assessment / Taxes	70,610	64,331	67,701	(3,370)
Legal	60,000	31,000	34,807	(3,807)
Public Buildings	150,240	148,323	139,620	8,703
General Fund Other	161,300	91,490	96,616	(5,126)
Cemetery	53,755	52,793	42,875	9,918
Total General Government	<u>1,077,329</u>	<u>963,277</u>	<u>951,789</u>	<u>11,488</u>
Public Safety - Police Department	631,274	604,830	590,944	13,886
Health and Welfare - Environmental	825	1,000	1,000	--
Public Works				
Rubbish Collection	35,100	35,528	35,528	--
Sidewalk Construction	808,000	3,550	3,524	26
Total Public Works	<u>843,100</u>	<u>39,078</u>	<u>39,052</u>	<u>26</u>
Community and Economic Development - Planning	170,363	152,447	150,224	2,223
Recreation and Culture				
Parks and Recreation	273,900	233,616	237,523	(3,907)
Museum	3,177	2,459	2,259	200
Total Recreation and Culture	<u>277,077</u>	<u>236,075</u>	<u>239,782</u>	<u>(3,707)</u>
Other Functions - Contingency	35,992	28,106	29,742	(1,636)
Capital Outlay	1,176,500	216,050	200,948	15,102
Total Expenditures	<u>4,233,155</u>	<u>2,260,715</u>	<u>2,225,391</u>	<u>35,324</u>
Other Financing Uses				
Transfers Out	827,902	961,880	1,038,035	(76,155)
Total Expenditures and Other Financing Uses	<u>5,061,057</u>	<u>3,222,595</u>	<u>3,263,426</u>	<u>(40,831)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(1,047,318)</u>	<u>181,931</u>	<u>247,517</u>	<u>65,586</u>
Net Change in Fund Balance	<u>(1,047,318)</u>	<u>181,931</u>	<u>247,517</u>	<u>65,586</u>
Fund Balance at Beginning of Period	2,934,609	2,934,609	2,934,609	--
Fund Balance at End of Period	<u>\$ 1,887,291</u>	<u>\$ 3,116,540</u>	<u>\$ 3,182,126</u>	<u>\$ 65,586</u>

City of Boyne City
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Property Tax Revenues	\$ 65,000	\$ 80,800	\$ 80,800	\$ --
State Shared Revenues	249,637	256,504	332,812	76,308
Federal Grants	583,519	583,519	817,211	233,692
Total Revenues	<u>898,156</u>	<u>920,823</u>	<u>1,234,577</u>	<u>313,754</u>
Other Financing Sources				
Transfers In	529,063	693,042	814,466	121,424
Total Revenues and Other Financing Sources	<u>1,427,219</u>	<u>1,613,865</u>	<u>2,045,289</u>	<u>431,424</u>
Expenditures				
Construction	1,021,070	1,146,498	1,371,321	(224,823)
Routine Maintenance	197,700	170,190	159,342	10,848
Traffic Service	32,200	17,200	7,392	9,808
Winter Maintenance	148,000	154,250	147,344	6,906
Administration	141,749	139,906	68,187	71,719
Total Expenditures	<u>1,540,719</u>	<u>1,628,044</u>	<u>1,753,586</u>	<u>(125,542)</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>1,540,719</u>	<u>1,628,044</u>	<u>1,753,586</u>	<u>(125,542)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(113,500)</u>	<u>(14,179)</u>	<u>291,703</u>	<u>305,882</u>
Net Change in Fund Balance	<u>(113,500)</u>	<u>(14,179)</u>	<u>291,703</u>	<u>305,882</u>
Fund Balance at Beginning of Period	15,946	15,946	15,946	--
Fund Balance at End of Period	<u>\$ (97,554)</u>	<u>\$ 1,767</u>	<u>\$ 307,649</u>	<u>\$ 305,882</u>

City of Boyne City
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Ambulance
For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Charges for Services	\$ 574,606	\$ 728,690	\$ 810,523	\$ 81,833
Other Revenue	9,500	4,000	15,851	11,851
Total Revenues	<u>584,106</u>	<u>732,690</u>	<u>826,374</u>	<u>93,684</u>
Other Financing Sources				
Transfers In	78,500	78,500	84,293	5,793
Total Revenues and Other Financing Sources	<u>662,606</u>	<u>811,190</u>	<u>910,667</u>	<u>99,477</u>
Expenditures				
Health & Welfare	931,535	933,860	968,208	(34,348)
Total Expenditures	<u>931,535</u>	<u>933,860</u>	<u>968,208</u>	<u>(34,348)</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>931,535</u>	<u>933,860</u>	<u>968,208</u>	<u>(34,348)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(268,929)</u>	<u>(122,670)</u>	<u>(57,541)</u>	<u>65,129</u>
Net Change in Fund Balance	<u>(268,929)</u>	<u>(122,670)</u>	<u>(57,541)</u>	<u>65,129</u>
Fund Balance at Beginning of Period	112,923	112,923	112,923	--
Fund Balance at End of Period	<u>\$ (156,006)</u>	<u>\$ (9,747)</u>	<u>\$ 55,382</u>	<u>\$ 65,129</u>

OTHER SUPPLEMENTARY INFORMATION

**City of Boyne City
Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2015**

	Special Revenue					Total Nonmajor Governmental Funds
	Local Streets	Fire	Boyne Thunder	Marina	Airport	
ASSETS						
Cash & Cash Equivalents	\$ 17,557	\$ 435,077	\$ 138,560	\$ 169,477	\$ 11,508	\$ 772,179
Due from Other Governmental Units	23,769	--	--	--	--	23,769
Accounts Receivable	--	130,813	--	--	4,019	134,832
Inventories	--	--	--	--	9,036	9,036
Prepaid Items	404	2,962	--	269	1,259	4,894
Due from Other Funds	--	--	135	--	--	135
Total Assets	\$ 41,730	\$ 568,852	\$ 138,695	\$ 169,746	\$ 25,822	\$ 944,845
LIABILITIES						
Accounts Payable	\$ 4,472	\$ 1,506	\$ 110	\$ 27	\$ 505	\$ 6,620
Payroll Liabilities	1,719	--	--	64	--	1,783
Customer Deposits	--	--	--	1,050	--	1,050
Unearned Revenue	--	--	138,585	--	--	138,585
Total Liabilities	6,191	1,506	138,695	1,141	505	148,038
FUND BALANCE						
Nonspendable	404	2,962	--	269	10,295	13,930
Restricted	35,135	--	--	--	--	35,135
Assigned	--	564,384	--	168,336	15,022	747,742
Unassigned	--	--	--	--	--	--
Total Fund Balance	35,539	567,346	--	168,605	25,317	796,807
Total Liabilities Fund Balance	\$ 41,730	\$ 568,852	\$ 138,695	\$ 169,746	\$ 25,822	\$ 944,845

City of Boyne City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended April 30, 2015

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	<u>Local Streets</u>	<u>Fire</u>	<u>Boyne Thunder</u>	<u>Marina</u>	<u>Airport</u>	
Revenues						
Property Taxes	\$ 80,800	\$ --	\$ --	\$ --	\$ --	\$ 80,800
State Revenue Sharing	165,095	--	--	117,926	--	283,021
Charges for Services	50	205,331	126,917	161,160	77,038	570,496
Interest and Rentals	2	--	--	--	25,489	25,491
Other Revenues	--	31,601	--	--	--	31,601
Total Revenues	<u>245,947</u>	<u>236,932</u>	<u>126,917</u>	<u>279,086</u>	<u>102,527</u>	<u>991,409</u>
Expenditures						
Public Safety	--	180,978	--	--	--	180,978
Public Works	429,641	--	--	--	97,598	527,239
Recreation & Culture	--	--	235,154	105,749	1,346	342,249
Capital Outlay	--	--	--	202,314	21,106	223,420
Total Expenditures	<u>429,641</u>	<u>180,978</u>	<u>235,154</u>	<u>308,063</u>	<u>120,050</u>	<u>1,273,886</u>
Excess of Revenues Over (Under) Expenditures	<u>(183,694)</u>	<u>55,954</u>	<u>(108,237)</u>	<u>(28,977)</u>	<u>(17,523)</u>	<u>(282,477)</u>
Other Financing Sources (Uses)						
Transfers In	206,318	63,000	--	--	--	269,318
Transfers Out	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>206,318</u>	<u>63,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>269,318</u>
Net Change in Fund Balance	<u>22,624</u>	<u>118,954</u>	<u>(108,237)</u>	<u>(28,977)</u>	<u>(17,523)</u>	<u>(13,159)</u>
<i>Fund Balance at Beginning of Period</i>	12,915	448,392	108,237	197,582	42,840	809,966
Fund Balance at End of Period	<u>\$ 35,539</u>	<u>\$ 567,346</u>	<u>\$ --</u>	<u>\$ 168,605</u>	<u>\$ 25,317</u>	<u>\$ 796,807</u>

**City of Boyne City
General Fund Combining Balance Sheet
All Funds Treated as General
April 30, 2015**

	<u>General</u>	<u>Cemetery</u>	<u>Creative Playground</u>	<u>Rubbish</u>	<u>Total General Funds</u>
ASSETS					
Cash & Cash Equivalents	\$ 2,854,849	\$ 42,004	\$ 4,017	\$ --	\$ 2,900,870
Due from Other Governmental Units	52,568	--	--	--	52,568
Accounts Receivable	89,327	950	--	--	90,277
Prepaid Items	38,026	269	--	--	38,295
Due from Other Funds	148,493	--	--	--	148,493
Total Assets	\$ 3,183,263	\$ 43,223	\$ 4,017	\$ --	\$ 3,230,503
LIABILITIES					
Accounts Payable	\$ 25,355	\$ 5,364	\$ --	\$ --	\$ 30,719
Payroll Liabilities	17,458	65	--	--	17,523
Due to Other Funds	135	--	--	--	135
Total Liabilities	42,948	5,429	--	--	48,377
FUND BALANCE					
Nonspendable	38,026	269	--	--	38,295
Committed	152,706	--	--	--	152,706
Assigned	276,405	37,525	4,017	--	317,947
Unassigned	2,673,178	--	--	--	2,673,178
Total Fund Balance	3,140,315	37,794	4,017	--	3,182,126
Total Liabilities and Fund Balance	\$ 3,183,263	\$ 43,223	\$ 4,017	\$ --	\$ 3,230,503

City of Boyne City
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended April 30, 2015

	<u>General</u>	<u>Cemetery</u>	<u>Creative Playground</u>	<u>Rubbish</u>	<u>Total General Funds</u>
Revenues					
Property Taxes	\$ 2,629,709	\$ --	\$ --	\$ --	\$ 2,629,709
Licenses & permits	6,194	--	--	--	6,194
Federal Grants	5,000	--	--	--	5,000
State Revenue Sharing	345,155	--	--	--	345,155
Charges for Services	299,621	23,623	--	--	323,244
Fine & Forfeitures	8,260	--	--	--	8,260
Interest and Rentals	9,035	--	--	--	9,035
Other Revenues	154,932	--	29,414	--	184,346
Total Revenues	<u>3,457,906</u>	<u>23,623</u>	<u>29,414</u>	<u>--</u>	<u>3,510,943</u>
Expenditures					
Legislative	21,910	--	--	--	21,910
General Government	908,914	42,875	--	--	951,789
Public Safety	590,944	--	--	--	590,944
Public Works	3,524	--	--	35,528	39,052
Health & Welfare	1,000	--	--	--	1,000
Community & Economic Development	150,224	--	--	--	150,224
Recreation & Culture	212,105	--	27,677	--	239,782
Other Functions	29,742	--	--	--	29,742
Capital Outlay	188,475	12,473	--	--	200,948
Total Expenditures	<u>2,106,838</u>	<u>55,348</u>	<u>27,677</u>	<u>35,528</u>	<u>2,225,391</u>
Excess of Revenues Over (Under) Expenditures	<u>1,351,068</u>	<u>(31,725)</u>	<u>1,737</u>	<u>(35,528)</u>	<u>1,285,552</u>
Other Financing Sources (Uses)					
Transfers In	--	--	--	--	--
Transfers Out	(1,116,318)	42,755	--	35,528	(1,038,035)
Net Other Financing Sources (Uses)	<u>(1,116,318)</u>	<u>42,755</u>	<u>--</u>	<u>35,528</u>	<u>(1,038,035)</u>
Net Change in Fund Balance	234,750	11,030	1,737	--	247,517
<i>Fund Balance at Beginning of Period</i>	2,905,565	26,764	2,280	--	2,934,609
Fund Balance at End of Period	<u>\$ 3,140,315</u>	<u>\$ 37,794</u>	<u>\$ 4,017</u>	<u>\$ --</u>	<u>\$ 3,182,126</u>

City of Boyne City
Combining Statement of Fiduciary Net Position
Fiduciary Funds
April 30, 2015

	Agency		
	Agency Funds	Current Tax Collection	Boyne Senior Center
ASSETS			
Cash & Cash Equivalents	\$ 13,817	\$ 100	\$ 495
<i>Total Assets</i>	13,817	100	495
LIABILITIES			
Due to Other Governmental Units	900	100	495
Customer Deposits	12,917	--	--
<i>Total Liabilities</i>	13,817	100	495
NET POSITION			
Held in Trust	\$ --	\$ --	\$ --

City of Boyne City
Combining Statement of Net Position / Balance Sheet
Component Units
April 30, 2015

	Governmental Activities					
	Downtown Development Authority	Adjustments	Statement of Net Position	Local Development Finance Authority	Adjustments	Statement of Net Position
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 116,234	\$ --	\$ 116,234	\$ 1,070,023	\$ --	\$ 1,070,023
Total Current Assets	116,234	--	116,234	1,070,023	--	1,070,023
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	--	--	--	--	291,419	291,419
Capital Assets being Depreciated	--	1,753,783	1,753,783	--	1,270,225	1,270,225
Total Assets	116,234	1,753,783	1,870,017	1,070,023	1,561,644	2,631,667
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	492	--	492	269	--	269
Payroll Liabilities	911	--	911	--	--	--
Current Portion of Long-term Debt	--	6,503	6,503	--	--	--
Total Current Liabilities	1,403	6,503	7,906	269	--	269
<i>Noncurrent Liabilities</i>						
Long-term Debt	--	13,857	13,857	--	--	--
Total Liabilities	1,403	20,360	21,763	269	--	269
NET POSITION / FUND BALANCE						
Net Investment in Capital Assets	--	1,733,423	1,733,423	--	1,561,644	1,561,644
Unassigned / Unrestricted	114,831	--	114,831	1,069,754	--	1,069,754
Total Net Position / Fund Balance	\$ 114,831	\$ 1,733,423	\$ 1,848,254	\$ 1,069,754	\$ 1,561,644	\$ 2,631,398

City of Boyne City
Combining Statement of Activities / Statement of Revenues, Expenses and Changes in Fund Balance
Component Units
For the Year Ended April 30, 2015

	Governmental Activities					
	Downtown Development Authority	Adjustments	Statement of Activities	Local Development Finance Authority	Adjustments	Statement of Activities
Expenses						
Community & Economic Development	\$ 367,902	\$ --	\$ 367,902	\$ 90,007	\$ --	\$ 90,007
Debt Service - Principal	5,979	(6,235)	--	47,961	(47,961)	--
Debt Service - Interest	1,321	(256)	1,065	--	--	--
Depreciation Expense	--	126,959	126,959	-	42,149	42,149
Total Expenses	375,202	120,468	495,926	137,968	(5,812)	132,156
Program Revenues						
Charges for services	88,899	--	88,899	--	--	--
Operating grants and contributions	10,174	--	10,174	--	--	--
Capital grants and contributions	--	--	--	--	--	--
Total Program Revenues	99,073	--	99,073	--	--	--
Net Program Revenues (Expenses)	(276,129)	(120,468)	(396,853)	(137,968)	5,812	(132,156)
General Revenue						
Property Taxes	275,754	--	275,754	213,242	--	213,242
Investment Income (Loss)	--	--	--	--	--	--
Other	--	--	--	--	--	--
Total General Revenues	275,754	--	275,754	213,242	--	213,242
Change in Net Position / Fund Balnce	(375)	(120,468)	(121,099)	75,274	5,812	81,086
<i>Net Position / Fund Balance at Beginning of Period</i>	115,206	1,854,147	1,969,353	994,480	1,555,832	2,550,312
Net Position / Fund Balance at End of Period	\$ 114,831	\$ 1,733,679	\$ 1,848,254	\$ 1,069,754	\$ 1,561,644	\$ 2,631,398

SINGLE AUDIT ACT COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boyne City, Michigan, as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Boyne City, Michigan's basic financial statements, and have issued our report thereon dated July 31, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Boyne City, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Gabridge & Company, PLC
Grand Rapids, MI
July 31, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB*
CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Boyne City, Michigan's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Boyne City, Michigan's major federal programs for the year ended April 30, 2015. The City of Boyne City, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Boyne City, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Boyne City, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Boyne City, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Boyne City, Michigan, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Boyne City, Michigan, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Boyne City, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Boyne City, Michigan's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Gabridge & Company, PLC
Grand Rapids, MI
July 31, 2015

City of Boyne City
Schedule of Expenditures of Federal Awards
For the Year Ended April 30, 2015

<u>Federal Agency / Cluster / Program Title</u>	<u>CFDA Number</u>	<u>Passed Through</u>	<u>Pass-through / Grantor Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228	MEDC	MSC213027-DIG	583,519
Community Development Block Grant	14.228	MEDC	MSC-2011-6409-HO	5,000
<i>Total U.S. Department of Housing and Urban Development</i>				<u>588,519</u>
U.S. Department of Transportation				
Highway Planning and Construction	20.205	MDOT	13-5603	233,692
<i>Total Expenditures of Federal Awards</i>				<u>\$ 822,211</u>

City of Boyne City

Notes to the Schedule of Expenditures of Federal Awards

Note A – Basis of Presentation

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the City under programs of the federal government for the year ended April 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Subrecipients

The City had no subrecipients of federal awards during the year.

Note D – Reconciliation to Financial Statements

A reconciliation of the amounts presented in the Schedule to the amounts presented in the financial statements is as follows:

Federal revenue reported in the financial statements	
Governmental funds	\$ 822,221

City of Boyne City
Schedule of Findings and Questioned Costs
For the Year Ended April 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Development Block Grant	14.228
Dollar threshold used to distinguish between Type A and B programs?	\$300,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No matters were reported

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boyne City, Michigan (the "City"), as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Gabridge & Company, PLC
Grand Rapids, Michigan
July 31, 2015

October 8, 2014

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boyne City, Michigan (the "City") for the year ended April 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 10, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2015. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the City's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences and the related pay rates as of April 30, 2015.

- Management’s assumptions used to calculate the actuarial report and the net present value of post employment benefits, including health and pension benefits.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 31, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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

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

Restriction on Use

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

Very truly yours,

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

Gabridge & Company, PLC
Grand Rapids, MI