



CITY OF GLADWIN, MICHIGAN

# **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended  
June 30, 2015*

City of Gladwin, Michigan  
 Comprehensive Annual Financial Report  
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 For the Fiscal Year Ended June 30, 2015

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**1000 West Cedar Avenue  
Gladwin, Michigan 48624  
Telephone: (989) 426-9231  
Fax: (989) 426-6942**

November 9, 2015

To The Citizens of the City of Gladwin,  
And Members of the City Council

Michigan State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Gladwin for the fiscal year ended June 30, 2015.

This report consists of management's representations concerning the finances of the City of Gladwin. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Gladwin has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Gladwin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Gladwin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Gladwin's financial statements have been audited by Andrews Hooper Pavlik PLC CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gladwin for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gladwin's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **Profile of the Government**

The City of Gladwin, incorporated in 1893, is located in the central part of Michigan's Lower Peninsula. The City of Gladwin is the county seat and largest of only two cities within Gladwin County and has a population of approximately 2,950. Gladwin serves as the primary commercial center, health care services provider and government center for the County's 26,000 permanent residents. Recreation and tourism play a large part in the City's overall economy. The summer population of the County is estimated to be in excess of 50,000 as southern Michigan metropolitan area residents flock to their summer cottages along the waterways of the County. This summer population carries well into the fall as hunters take to the county's expansive wooded areas, which are primarily State owned lands. The City of Gladwin currently occupies a land area of 3.75 square miles. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Gladwin operates under a "council-manager" form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's administrator, clerk, assessor, treasurer and attorney. The government's administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis on odd numbered years. Council members serve four-year staggered terms, with four council members elected every two years. The mayor is elected on a non-partisan basis every two years.

The City of Gladwin provides a full range of services, including police protection; the construction and maintenance of highways, streets and other infrastructure; recreational activities and cultural events; sanitation, water and sewer services. The City of Gladwin is also financially accountable for a legally separate airport which is reported separately within the City's financial statements. Additional information on this and other legally separate entities can be found in the notes to the financial statements.

The council adopts an annual budget. The annual budget serves as a foundation for the City of Gladwin's financial planning and control. Additional discussion of the budget process and legal control levels can be found in the notes to the financial statements. Budget comparisons for the general fund can be found in the Fund Financial Statements section. Budget comparisons for all other governmental funds can be found in the Combining and Individual Fund Financial Statements and Schedules section in the Other Supplementary Information section of the report.

### **Economic Conditions, Outlook and Major Initiatives**

The outlook for the City of Gladwin continues to improve. During 2014-2015 we paved almost one mile of local and major streets and did drain and curb work on Cemetery & Chatterton. The City also installed L.E.D. street lights on Cedar Avenue and completed a snow removal equipment storage building at the airport. The City also made substantial progress on the North State Street reconstruction project.

### **Long-Term Financial Planning**

It is the long-term financial goal of the City of Gladwin to maintain a minimum General Fund balance of at least \$400,000. With relatively flat or declining revenues and increasing expenses for wages, supplies, equipment and benefits for the employees, the challenge of keeping the City of Gladwin in long-term financial success will be an on-going struggle.

We will continue to proactively seek out ways to deliver quality services and commodities at an affordable price. It is also our goal not to reduce service levels and to keep the City of Gladwin financially healthy in the long run.

### **Pension Plan**

All full-time City employees are covered by pension plans. A complete review of all pension plans is presented in the notes to the financial statements.

## **Awards**

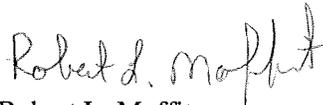
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gladwin for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the twentieth consecutive year that the City of Gladwin has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgements**

The preparation of the report would not have been possible without the efficient and dedicated services of the City Treasurer, David J. Haag, and staff. We would also like to express appreciation to the staff of Andrews Hooper Pavlik, PLC CPAs for their contributions to the excellence of this report. Credit also must be given to the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Gladwin's finances.

Respectfully submitted,



Robert L. Moffit  
City Administrator



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

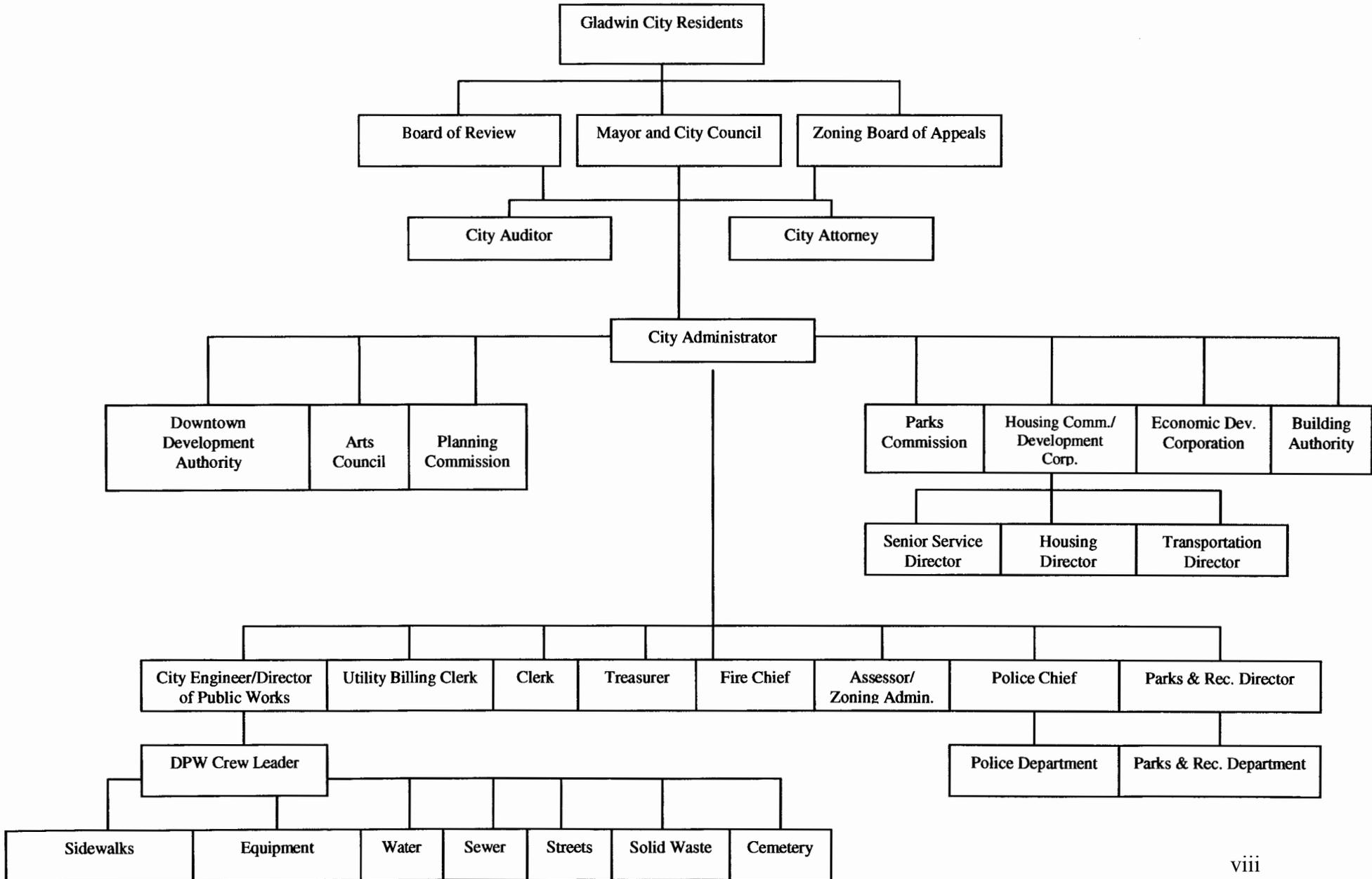
**City of Gladwin  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

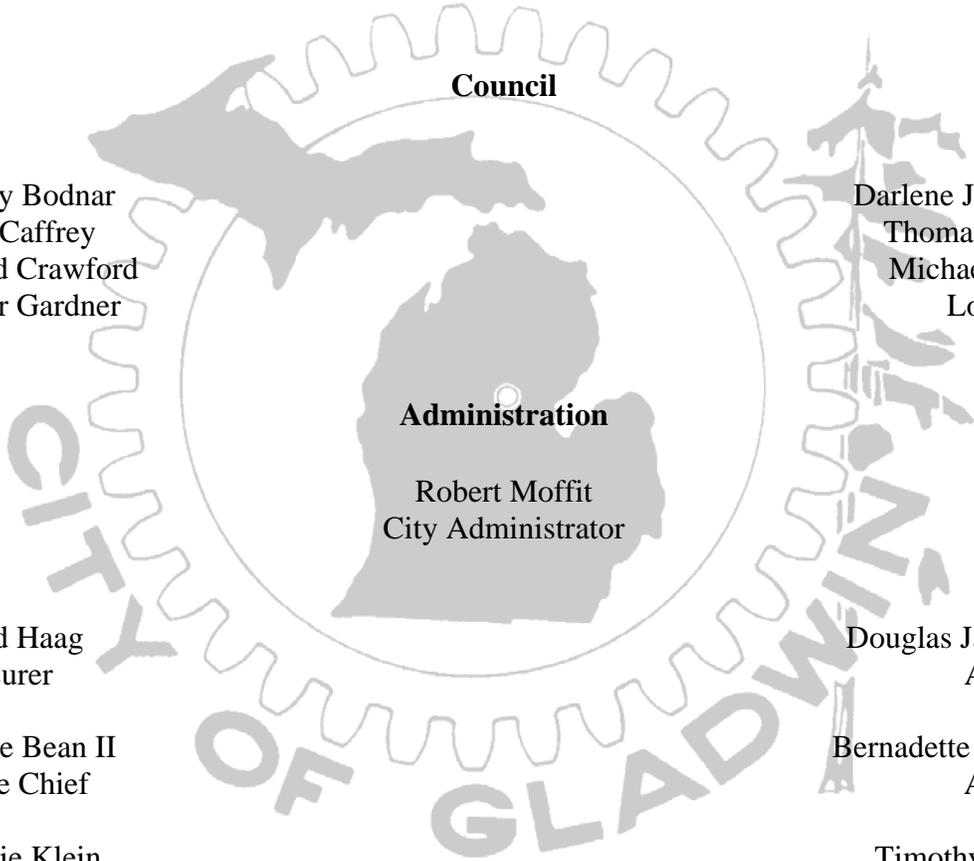
# City of Gladwin Organizational Chart



**CITY OF GLADWIN**

**OFFICIALS**

**Thomas L. Winarski**  
**Mayor**



**Council**

Nancy Bodnar  
John Caffrey  
David Crawford  
Roger Gardner

Darlene Jungman  
Thomas Mienk  
Michael Smith  
Lori Stout

**Administration**

Robert Moffit  
City Administrator

David Haag  
Treasurer

Douglas Jacobson  
Attorney

Duane Bean II  
Police Chief

Bernadette Weaver  
Assessor

Bonnie Klein  
Clerk

Timothy Ferrell  
Parks & Recreation Director

George Alward  
Fire Chief

Lauren Essenmacher  
Housing Director

# Financial Section

This section is composed of the following parts:

Report of Independent Auditors

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

## Report of Independent Auditors

To the City Council  
City of Gladwin  
Gladwin, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type entities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gladwin, Michigan as of and for the year ended June 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.

### Auditors' Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gladwin, Michigan, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1.E. and Note 2.J to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the City to report its net pension obligation and associated deferred outflows of resources, deferred inflows of resources, and pension expense. The City has restated its July 1, 2014 net position accordingly. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11, the budgetary comparison schedule on page 19, and the schedule of changes in the employer's net pension liability and related ratios on page 64, and the schedule of employer's contributions on page 64a 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 of Gladwin, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of the City of Gladwin, Michigan'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 City of Gladwin, Michigan's internal control over financial reporting and compliance.

*Andrews Hooper Pavlik PLC*

Midland, Michigan  
November 9, 2015

# Management's Discussion and Analysis

# CITY OF GLADWIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gladwin, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Gladwin for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in this report. All amounts, unless otherwise indicated, are presented in whole.

### **Financial Highlights**

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$11,258,745 (net position). Of this amount, \$2,361,224 (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.

The government's total net position decreased by \$764,549. Of this amount, \$81,997 was attributable to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* And the effect of the pension liability on beginning net position. The balance of the decrease was primarily due to depreciation.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,790,172, a decrease of \$184,210 in comparison with the prior year. This is primarily due to several capital projects that were completed in the prior year. Approximately \$843,683 of this total amount 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 \$843,683 or approximately 48 percent of total general fund expenditures.

During the current fiscal year, total long-term debt of the City, other than the net pension liability, decreased by about \$236,800 (7 percent). The key factors in this decrease were the payment of scheduled debt service requirements.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction of the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 information on all the City's assets and liabilities, with a difference between the two 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.

## CITY OF GLADWIN MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes 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, public safety, public works, health & welfare, recreation & culture, and Debt Service. The business-type activities of the City include the Ice Arena, Farmer's Market and the Water and Sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Downtown Development Authority, Economic Development Corporation and the Gladwin Airport for which the City is financially accountable. Financial information presented for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found in 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 the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

# CITY OF GLADWIN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 65 of this report.

The City adopts an annual appropriated budget for its general fund and all special revenue fund types. Budgetary comparison statements and schedules have been provided in the basic financial statements for the major funds and in the supplemental section of the report for nonmajor funds to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found in this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Ice Arena, Farmer's Market, Sewer and Water operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles. Because the services of the fund predominantly benefit governmental rather than business-type functions, they have been included within 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 Ice Arena, Farmer's Market, Water and Sewer operations, all of which are considered to be major funds of the City. Also, the internal service fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found beginning on page 20 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Currently the City has two funds that are agency type funds.

The basic fiduciary fund financial statements can be found in this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found in this report. Additionally, statistical data and compliance data are also included as described in the table of contents.

**CITY OF GLADWIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** (Continued)

**Government-wide Financial Analysis**

The following summaries provide a perspective of the financial information of the City as a whole:

<b>City of Gladwin's Net Assets</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 2,014,822	\$ 2,059,186	\$ 2,587,562	\$ 2,671,434	\$ 4,602,384	\$ 4,730,620
Capital assets	<u>6,013,824</u>	<u>6,486,853</u>	<u>4,421,460</u>	<u>4,485,625</u>	<u>10,435,284</u>	<u>10,972,478</u>
Total assets	8,028,646	8,546,039	7,009,022	7,157,059	15,037,668	15,703,098
Deferred outflows of resources	4,713	-	-	-	4,713	-
Long-term liabilities						
outstanding	1,680,600	1,743,903	1,680,959	1,768,564	3,361,559	3,512,467
Other liabilities	<u>203,467</u>	<u>80,931</u>	<u>218,610</u>	<u>86,406</u>	<u>422,077</u>	<u>167,337</u>
Total liabilities	1,884,067	1,824,834	1,899,569	1,854,970	3,783,636	3,679,804
Net position:						
Invested in capital assets,						
net of related debt	4,494,824	4,847,853	3,598,469	3,622,634	8,093,293	8,470,487
Restricted	804,228	908,424	-	-	804,228	908,424
Unrestricted	<u>850,240</u>	<u>964,928</u>	<u>1,510,984</u>	<u>1,679,455</u>	<u>2,361,224</u>	<u>2,644,383</u>
Total net position	\$ 6,149,292	\$ 6,721,205	\$ 5,109,453	\$ 5,302,089	\$ 11,258,745	\$ 12,023,294

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Gladwin, assets exceeded liabilities by \$11,258,745 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (approximately 72 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position (7 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position (\$2,361,224) may be used to meet the government's ongoing obligations to citizens and creditors. The increase in restricted net position shown in the table above is primarily the result of increases in funds set aside for street maintenance and construction. The increase in unrestricted fund balance is the result of decreases in debt service requirements, use of funds for the projects intended and an increase in cash reserves as a result of cost saving initiatives.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

The government's net position decreased \$764,549 during the current fiscal year. This decrease compares to a decrease of \$117,000 in the prior year.

**CITY OF GLADWIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** (Continued)

<b>City of Gladwin's Changes in Net Position</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 437,535	\$ 568,543	\$ 1,048,161	\$ 1,025,625	\$ 1,485,696	\$ 1,594,168
Operating grants and contributions	293,271	401,611	-	-	293,271	401,611
Capital grants and contributions	21,321	8,000	5,475	2,994	26,796	10,994
General revenues:						
Property taxes	1,034,612	1,047,186	-	-	1,034,612	1,047,186
Grants and contributions not restricted to specific programs	343,047	289,937	-	-	343,047	289,937
Other	21,613	9,187	28,968	30,347	50,581	39,534
Total revenues	\$ 2,151,399	\$ 2,324,464	\$ 1,082,604	\$ 1,058,966	\$ 3,234,003	\$ 3,383,430
Expenses:						
General Government	\$ 771,476	\$ 727,355	\$ -	\$ -	\$ 771,476	\$ 727,355
Public Safety	570,945	588,948	-	-	570,945	588,948
Public Works	1,125,553	862,141	-	-	1,125,553	862,141
Health and Welfare	-	85,300	-	-	-	85,300
Recreation and Culture	300,512	196,980	-	-	300,512	196,980
Loss on disposal of capital assets	-	-	-	-	-	-
Interest and fees on long-term debt	15,992	12,984	-	-	15,992	12,984
Ice Arena	-	-	33,100	34,704	33,100	34,704
Farmers Market	-	-	9,273	8,898	9,273	8,898
Sewer	-	-	529,378	452,687	529,378	452,687
Water	-	-	560,326	530,461	560,326	530,461
Total expenses	\$ 2,784,478	\$ 2,473,708	\$ 1,132,077	\$ 1,026,750	\$ 3,916,555	\$ 3,500,458
Change in net position before transfers	(633,079)	(149,244)	(49,473)	32,216	(682,552)	(117,028)
Transfers	143,163	161,330	(143,163)	(161,330)	-	-
Change in net position	(489,916)	12,086	(192,636)	(129,114)	(682,552)	(117,028)
Change in accounting principle	(81,997)	-	-	-	(81,997)	-
Net position - July 1	6,721,205	6,709,119	5,302,089	5,431,203	12,023,294	12,140,322
Net position - June 30	\$ 6,149,292	\$ 6,721,205	\$ 5,109,453	\$ 5,302,089	\$ 11,258,745	\$ 12,023,294

**Governmental activities.** Governmental activities decreased the City's net position by \$489,916. This decrease was primarily due to depreciation, substantial repairs to a park and recreation facility, and a significant street project.

**Business-type activities.** Business-type activities decreased the City's net position by \$192,636. The key element of this decrease is depreciation of buildings and vehicles and additional infrastructure repairs.

# CITY OF GLADWIN MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

## Financial Analysis of the Government's Funds

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

**Governmental funds.** The City's governmental funds help 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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,790,172, a decrease of \$184,210 in comparison with the prior year. Nearly 47 percent of this total amount (\$843,683) constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 43 percent of the fund balance (\$762,685) falls into two categories: Committed, which includes emergency disaster (\$100,000) and City Hall improvements (\$41,635) have been limited by the City Council; Restricted, which includes monies to pay debt service (\$30,557), park improvements (\$500), skate park (\$1,831), street maintenance and construction (\$545,467), drug law enforcement (\$36,864), and liquor law enforcement (\$5,841), are limited by law and regulations of others. The balance consists of the Nonspendable category which is reserved to indicate that it is not available for new spending because it has already been spent for the ensuing fiscal year (\$626), and to generate income to pay for the perpetual care of the municipal cemetery (\$183,178).

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 \$843,683, while total fund balance reached \$988,275. 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 fund expenditures. Unassigned fund balance represents 48 percent of total general fund expenditures, while total fund balance represents 56 percent of that same amount.

The fund balance of the City's general fund decreased \$80,014 during the current fiscal year. The most significant change is attributable to a one time grant that was received in the prior year and extensive repairs to park and recreation facilities due to prior year flooding.

Overall, other Governmental funds experienced increases in fund balance due to reductions in expenses related to capital projects.

**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 of the Ice Arena, Farmer's Market, Sewer, and Water funds at the end of the year amounted to \$368,362, \$(1,282), \$717,043, and \$444,531, respectively. The Ice Arena, Farmer's Market, Sewer, and the Water funds experienced increases (decreases) in net position of \$858, \$(7,261), \$46,350, and \$(243,335), respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF GLADWIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**General Fund Budgetary Highlights**

The City may amend its budget as new financial information or assumptions emerge during the year. The 2014-15 budget was amended slightly to reflect an increase in anticipated transfers. The overall effect between the original budget and the final amended budget was minimal.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2015 was \$10,435,284 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 4.9 percent (a 7.3 percent decrease for governmental activities and a 1.4 percent decrease for business-type activities) and primarily results from depreciation expense.

The City undertook a few capital projects during the year, as shown in the following table. The most significant project was the completion of the sprinkler system for the waste water treatment plant.

<b>City of Gladwin's Capital Assets</b>							
(net of depreciation)							
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		
	2015	2014	2015	2014	2015	2014	
Land	\$ 401,583	\$ 401,583	\$ 48,184	\$ 48,184	\$ 449,767	\$ 449,767	
Construction in progress	-	-	301,487	43,545	301,487	43,545	
Land improvements	973,087	1,051,374	-	-	973,087	1,051,374	
Buildings	280,493	300,728	3,898,272	4,207,556	4,178,765	4,508,284	
Building improvements	298,017	337,488	-	-	298,017	337,488	
Equipment and vehicles	288,756	296,652	173,517	186,340	462,273	482,992	
Infrastructure	3,771,888	4,099,028	-	-	3,771,888	4,099,028	
Total	\$ 6,013,824	\$ 6,486,853	\$ 4,421,460	\$ 4,485,625	\$ 10,435,284	\$ 10,972,478	

Additional information on the City's capital assets can be found in the Notes to Financial Statements on pages 42-45 in this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,143,787. Of this amount, \$1,491,000 comprises debt backed by the full faith and credit of the government and the remaining \$1,652,787 represents bonds secured solely by specified revenue sources.

**CITY OF GLADWIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** (Continued)

<b>City of Gladwin's Outstanding Debt</b>						
General Obligation and Revenue Bonds						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation						
Bonds and other debt	\$ 1,594,757	\$ 1,743,903	\$ 28,172	\$ 27,577	\$ 1,622,929	\$ 1,771,480
Revenue bonds			1,652,787	1,829,187	1,652,787	1,829,187
Total	\$ 1,594,757	\$ 1,743,903	\$ 1,680,959	\$ 1,856,764	\$ 3,275,716	\$ 3,600,667

The City's total debt increased by \$105,832 primarily due to recording the accrual basis net pension liability.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed value of all real and personal property subject to taxation in the City. As of June 30, 2015, the City's direct and indirect debt of \$3,275,716 was below the legal limit of \$6,317,035.

Additional information on the City's long-term debt activity can be found in the Notes to Financial Statements on pages 48-52 in this report.

**Economic Factors and Next Year's Budgets and Rates.**

Next year's budget will again be limited to the maintenance of existing services with an eye to keeping increases in departmental budgets to a minimum. Economic pressures and declining property values have made tax revenues a little uncertain. The state of the economy has encouraged the council to keep a tight budget until we can be certain of availability of funds. We continue to seek out federal and state funding so that we can move forward with infrastructure improvements and continue to meet the needs of the community without having to significantly increase rates and charges to provide essential services.

In order to increase accountability and arm ourselves with the tools necessary to adequately project when changes are needed in funding levels, we are monitoring new budget and cost procedures to better analyze our revenues and costs.

**Requests for information.**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer's office.

# Basic Financial Statements

# Government-wide Financial Statements

City of Gladwin, Michigan

Statement of Net Position

June 30, 2015

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Business-Type</b>			
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,149,333	\$ 1,062,411	\$ 2,211,744	\$ 296,730
Investments	476,709	98,722	575,431	-
Receivables	254,782	1,543,984	1,798,766	218,553
Internal balances	133,372	(133,372)	-	-
Inventory	-	15,817	15,817	22,756
Prepaid expenses	626	-	626	-
Capital assets, net:				
Assets not being depreciated	401,583	349,671	751,254	160,219
Assets being depreciated	5,612,241	4,071,789	9,684,030	2,310,744
<b>Total assets</b>	<b>8,028,646</b>	<b>7,009,022</b>	<b>15,037,668</b>	<b>3,009,002</b>
<b>Deferred outflows of resources</b>	<b>4,713</b>	<b>-</b>	<b>4,713</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	203,749	218,610	422,359	4,927
Noncurrent liabilities:				
Due within one year	225,757	116,372	342,129	96,442
Due in more than one year	1,369,000	1,564,587	2,933,587	113,005
Net pension obligation	85,843	-	85,843	-
<b>Total liabilities</b>	<b>1,884,349</b>	<b>1,899,569</b>	<b>3,783,918</b>	<b>214,374</b>
<b>Net position</b>				
Invested in capital assets, net of related debt	4,494,824	3,598,469	8,093,293	2,261,516
Restricted for:				
Cemetery perpetual care - nonexpendable	183,178	-	183,178	-
Debt service	30,557	-	30,557	-
Park improvements	500	-	500	-
Skate park	1,831	-	1,831	-
Street maintenance and construction	545,457	-	545,457	-
Liquor law enforcement	5,841	-	5,841	-
Drug law enforcement	36,864	-	36,864	-
Downtown development	-	-	-	360,132
Economic development	-	-	-	23,760
Unrestricted	849,958	1,510,984	2,360,942	149,220
<b>Total net position</b>	<b>\$ 6,149,010</b>	<b>\$ 5,109,453</b>	<b>\$ 11,258,463</b>	<b>\$ 2,794,628</b>

See accompanying notes.

City of Gladwin, Michigan  
Statement of Activities  
For the Fiscal Year Ended June 30, 2015

<u>Functions / Programs</u>	<u>Program Revenues</u>				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants And Contributions	Capital Grants And Contributions	
Primary government					
Governmental activities:					
General government	\$ 771,476	\$ 137,548	\$ 2,160	\$ -	\$ (631,768)
Public safety	570,945	7,204	17,937	12,321	(533,483)
Public works	1,125,553	203,472	267,174	-	(654,907)
Health and welfare	-	-	-	-	-
Recreation and culture	300,512	89,029	6,000	9,000	(196,483)
Interest on long-term debt	15,992	-	-	-	(15,992)
Total governmental activities	2,784,478	437,253	293,271	21,321	(2,032,633)
Business-type activities:					
Ice arena	33,100	3,383	-	-	(29,717)
Farmers' market	9,272	1,012	-	-	(8,260)
Sewer	529,378	707,246	-	1,000	178,868
Water	560,326	336,519	-	4,475	(219,332)
Total business-type activities	1,132,076	1,048,160	-	5,475	(78,441)
Total primary government	\$ 3,916,554	\$ 1,485,413	\$ 293,271	\$ 26,796	\$ (2,111,074)
Component units:					
Downtown development	345,457	-	-	-	(345,457)
Airport	210,619	45,762	60,000	-	(104,857)
Total component units	\$ 556,076	\$ 45,762	\$ 60,000	\$ -	\$ (450,314)

City of Gladwin, Michigan

Statement of Activities (continued)

For the Fiscal Year Ended June 30, 2015

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
Net revenue (expense)	\$ (2,032,633)	\$ (78,441)	\$ (2,111,074)	\$ (450,314)
General revenues:				
Property taxes	1,034,612	-	1,034,612	207,369
Grants and contributions not restricted to specific programs	343,047	-	343,047	-
Unrestricted investment earnings	2,748	28,968	31,716	526
Other revenue	18,865	-	18,865	8,912
Transfers - internal activities	143,163	(143,163)	-	-
Total general revenues and transfers	<u>1,542,435</u>	<u>(114,195)</u>	<u>1,428,240</u>	<u>216,807</u>
Change in net position	(490,198)	(192,636)	(682,834)	(233,507)
Net position, beginning of year	6,721,205	5,302,089	12,023,294	3,028,135
Cunulative effect of change in accounting principle	(81,997)	-	(81,997)	-
Net position, beginning of year - restated	<u>6,639,208</u>	<u>5,302,089</u>	<u>11,941,297</u>	<u>3,028,135</u>
Net position, end of year	<u>\$ 6,149,010</u>	<u>\$ 5,109,453</u>	<u>\$ 11,258,463</u>	<u>\$ 2,794,628</u>

City of Gladwin, Michigan

Balance Sheet - Governmental Funds

June 30, 2015

	<b>Other Governmental</b>		
	<b>General</b>	<b>Funds</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 362,003	\$ 753,421	\$ 1,115,424
Investments	348,368	128,341	476,709
Accounts receivable	37,495	-	37,495
Taxes receivable	7,417	1,842	9,259
Due from other funds	189,262	-	189,262
Due from other governmental units	97,533	39,430	136,963
Prepaid expenditures	626	-	626
Total assets	<u>\$ 1,042,704</u>	<u>\$ 923,034</u>	<u>\$ 1,965,738</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 6,925	\$ 118,862	\$ 125,787
Accrued liabilities	45,009	2,275	47,284
Due to other funds	2,495	-	2,495
Total liabilities	<u>54,429</u>	<u>121,137</u>	<u>175,566</u>
<b>Fund balances</b>			
<b>Nonspendable:</b>			
Prepaid expenditures	626	-	626
Cemetery perpetual care	-	183,178	183,178
<b>Restricted:</b>			
Debt service	-	30,557	30,557
Park improvements	500	-	500
Skate park	1,831	-	1,831
Street maintenance and construction	-	545,457	545,457
Liquor law enforcement	-	5,841	5,841
Drug law enforcement	-	36,864	36,864
<b>Committed:</b>			
Emergency disaster	100,000	-	100,000
City hall improvements	41,635	-	41,635
Unassigned	843,683	-	843,683
Total fund balances	<u>988,275</u>	<u>801,897</u>	<u>1,790,172</u>
Total liabilities and fund balances	<u>\$ 1,042,704</u>	<u>\$ 923,034</u>	<u>\$ 1,965,738</u>

City of Gladwin, Michigan

Reconciliation of Fund Balances on the Balance Sheet  
for Governmental Funds to Net Position of  
Governmental Activities on the Statement of Net Position

June 30, 2015

Fund balances - total governmental funds	\$ 1,790,172
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	18,173,026
Deduct - accumulated depreciation	(12,456,397)
Deferred outflows represent financial uses, but are deferred expenses in the government-wide financial statements	
	4,713
An internal service fund is used by management to charge the costs of fleet management to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	
Add - net position of governmental activities accounted for in the internal service fund	312,901
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds and installment contracts payable	(1,491,000)
Deduct - accrued interest on long-term liabilities	(22,805)
Deduct - vested benefits payable	(75,757)
Deduct - net pension liability	(85,843)
Net position of governmental activities	<u>\$ 6,149,010</u>

City of Gladwin, Michigan

Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Governmental Funds

For the Fiscal Year Ended June 30, 2015

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues</b>			
Property taxes	\$ 824,899	\$ 209,713	\$ 1,034,612
Licenses and permits	45,965	-	45,965
Intergovernmental revenue	357,991	272,101	630,092
Charges for services	309,431	2,000	311,431
Fines and forfeitures	6,984	-	6,984
Interest	961	1,775	2,736
Other revenue	29,638	20,928	50,566
Total revenues	<u>1,575,869</u>	<u>506,517</u>	<u>2,082,386</u>
<b>Expenditures</b>			
Current:			
General government	640,241	-	640,241
Cemetery	55,581	-	55,581
Public safety	519,338	19,725	539,063
Public works	296,369	480,187	776,556
Housing Commission	-	-	-
Recreation and culture	234,756	-	234,756
Debt service	20,650	199,064	219,714
Capital outlay	4,998	-	4,998
Total expenditures	<u>1,771,933</u>	<u>698,976</u>	<u>2,470,909</u>
Revenues over (under) expenditures	(196,064)	(192,459)	(388,523)
Other financing sources (uses)			
Issuance of long-term debt	-	-	-
Transfers in	138,650	188,763	327,413
Transfers out	(22,600)	(100,500)	(123,100)
Total other financing sources (uses)	<u>116,050</u>	<u>88,263</u>	<u>204,313</u>
Net change in fund balances	(80,014)	(104,196)	(184,210)
Fund balances at beginning of year	1,068,289	906,093	1,974,382
Fund balances at end of year	<u>\$ 988,275</u>	<u>\$ 801,897</u>	<u>\$ 1,790,172</u>

See accompanying notes.

City of Gladwin, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities

For the Fiscal Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (184,210)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	-
Deduct - depreciation expense	(469,237)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on long-term liabilities	150,000
Deduct - increase in accrued interest expense	1,473
Deduct - increase in vested benefits payable	(854)

An internal service fund is used by management to charge the costs of fleet management to individual funds. The net revenue (expense) of the fund is partially reported with governmental activities.

Add - interest revenue from governmental internal service fund	12
Add - net operating income from governmental activities in internal service fund	34,091
Add - net transfers	3,000

Other differences	(24,191)
Change in net position of governmental activities	<u>\$ (489,916)</u>

City of Gladwin, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 828,790	\$ 790,800	\$ 824,899	\$ 34,099
Licenses and permits	4,450	2,500	45,965	43,465
Intergovernmental revenue:				
Federal grants	8,000	2,500	21,321	18,821
State revenue sharing	288,675	225,150	343,047	117,897
Other state grants	11,300	47,361	(6,377)	(53,738)
Charges for services	592,960	458,350	309,431	(148,919)
Fines and forfeitures	-	-	6,984	6,984
Interest	1,000	700	961	261
Other revenue	4,230	9,500	29,638	20,138
Total revenues	1,739,405	1,536,861	1,575,869	39,008
<b>Expenditures</b>				
General government	608,115	650,794	640,241	(10,553)
Cemetery	75,355	55,829	55,581	(248)
Public safety	563,710	524,622	519,338	(5,284)
Public works	286,585	153,405	296,369	142,964
Housing Commission	85,300	-	-	-
Recreation and culture	235,810	247,326	239,754	(7,572)
Debt service	19,065	20,650	20,650	-
Total expenditures	1,873,940	1,652,626	1,771,933	119,307
Revenues over (under) expenditures	(134,535)	(115,765)	(196,064)	(80,299)
Other financing sources (uses)				
Transfers in	136,565	138,650	138,650	-
Transfers out	(32,560)	(22,600)	(22,600)	-
Total other financing sources (uses)	104,005	116,050	116,050	-
Net change in fund balances	(30,530)	285	(80,014)	(80,299)
Fund balances at beginning of year	1,068,289	1,068,289	1,068,289	-
Fund balances at end of year	\$ 1,037,759	\$ 1,068,574	\$ 988,275	\$ (80,299)

City of Gladwin, Michigan

Statement of Fund Net Position  
Proprietary Funds

June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Farmers'				Total	Internal
	Ice Arena	Market	Sewer	Water		Service
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 4,187	\$ (336)	\$ 732,984	\$ 325,576	\$ 1,062,411	\$ 33,909
Investments	95,957	-	-	2,765	98,722	-
Advances to component units	-	500	-	25,377	25,877	-
Accounts receivable	-	-	132,460	54,191	186,651	-
Due from other funds	2,495	-	-	-	2,495	-
Land contract receivable	24,000	-	-	-	24,000	-
Inventory	-	-	-	15,817	15,817	-
Capital lease receivable, net of unearned lease income	163,609	-	-	-	163,609	-
Total current assets	290,248	164	865,444	423,726	1,579,582	33,909
Noncurrent assets						
Long-term advance to component units	-	-	-	113,005	113,005	-
Long-term land contract receivable	483,000	-	-	-	483,000	-
Long-term capital lease receivable, net of unearned lease income	547,842	-	-	-	547,842	-
Capital assets:						
Land	-	-	11,200	36,984	48,184	-
Land improvements	-	-	26,500	68,824	95,324	24,840
Construction in progress	-	-	200,463	101,024	301,487	-
Building and system	-	172,815	5,652,910	6,562,200	12,387,925	58,831
Machinery and equipment	-	-	401,412	176,556	577,968	1,009,490
Less allowance for accumulated depreciation	-	(20,162)	(4,653,294)	(4,315,972)	(8,989,428)	(795,966)
Net capital assets	-	152,653	1,639,191	2,629,616	4,421,460	297,195
Total noncurrent assets	1,030,842	152,653	1,639,191	2,742,621	5,565,307	297,195
Total assets	1,321,090	152,817	2,504,635	3,166,347	7,144,889	331,104
<b>Liabilities</b>						
Current liabilities						
Accounts payable	-	1,018	124,334	62,575	187,927	7,826
Accrued liabilities	-	427	4,790	15,586	20,803	47
Accrued interest payable	4,735	-	-	5,144	9,879	-
Due to other funds	118,197	-	-	-	118,197	-
Vested benefits payable	-	-	19,277	8,895	28,172	-
Bonds payable, current portion	48,200	-	-	40,000	88,200	2,000
Total current liabilities	171,132	1,445	148,401	132,200	453,178	9,873
Long-term liabilities						
Bonds payable, net of current portion and discount	781,596	-	-	782,991	1,564,587	26,000
Total liabilities	952,728	1,445	148,401	915,191	2,017,765	35,873
<b>Net position</b>						
Invested in capital assets, net of related debt	-	152,653	1,639,191	1,806,625	3,598,469	269,195
Unrestricted	368,362	(1,281)	717,043	444,531	1,528,655	26,036
Total net position	\$ 368,362	\$ 151,372	\$ 2,356,234	\$ 2,251,156	5,127,124	\$ 295,231
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(17,670)	
Net position of business-type activities					\$ 5,109,454	

See accompanying notes.

City of Gladwin, Michigan

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds

For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Ice Arena	Farmers' Market	Sewer	Water	Total	Internal Service
Operating revenues						
Charges for services	\$ 3,383	\$ 1,012	\$ 707,246	\$ 336,519	\$ 1,048,160	\$ 113,938
Federal grants	-	-	-	-	-	26,000
Total revenue	3,383	1,012	707,246	336,519	1,048,160	139,938
Operating expenses						
Personnel services	-	-	162,016	132,082	294,098	10,464
Supplies	-	916	86,626	41,862	129,404	40,027
Contractual services and other	2,387	2,596	204,121	128,208	337,312	21,196
Depreciation	-	5,760	81,044	243,670	330,474	45,707
Total operating expenses	2,387	9,272	533,807	545,822	1,091,288	117,394
Operating income (loss)	996	(8,260)	173,439	(209,303)	(43,128)	22,544
Nonoperating revenues (expenses)						
Interest	27,975	-	674	319	28,968	12
Amortization of bond discount	(1,800)	-	-	-	(1,800)	-
Gain on disposal of assets	-	-	-	-	-	-
Interest expense	(28,913)	-	-	(20,826)	(49,739)	(1,040)
Total nonoperating revenues (expenses)	(2,738)	-	674	(20,507)	(22,571)	(1,028)
Income (loss) before contributions and transfers	(1,742)	(8,260)	174,113	(229,810)	(65,699)	21,516
Capital contributions	-	-	1,000	4,475	5,475	-
Transfers in	2,600	1,000	-	-	3,600	10,000
Transfers out	-	-	(128,763)	(18,000)	(146,763)	(7,000)
Change in net position	858	(7,260)	46,350	(243,335)	(203,387)	24,516
Net position at beginning of year	367,504	158,632	2,309,884	2,494,491		270,715
Net position at end of year	\$ 368,362	\$ 151,372	\$ 2,356,234	\$ 2,251,156		\$ 295,231

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

	10,751
Change in net position of business-type activities	<u>\$ (192,636)</u>

City of Gladwin, Michigan

Statement of Cash Flows  
Proprietary Funds

For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
						Activities
	Ice Arena	Farmers' Market	Sewer	Water	Total	Internal Service
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 3,383	\$ 1,012	\$ 672,997	\$ 327,663	\$ 1,005,055	\$ 113,938
Grants received from governmental entities	-	-	-	-	-	26,000
Cash received from interfund services provided	(10,000)	-	-	-	(10,000)	-
Payments to employees	-	-	(152,775)	(126,754)	(279,529)	(10,417)
Payments to suppliers	(2,387)	(3,214)	(229,552)	(108,229)	(343,382)	(68,871)
Net cash from operating activities	(9,004)	(2,202)	290,670	92,680	372,144	60,650
<b>Cash flows from noncapital financing activities</b>						
Transfers in	105	1,000	-	-	1,105	10,000
Transfers out	-	-	(128,763)	(18,000)	(146,763)	(7,000)
Advances to component units	-	-	-	25,377	25,377	-
Net cash from noncapital financing activities	105	1,000	(128,763)	7,377	(120,281)	3,000
<b>Cash flows from capital and related financing activities</b>						
Principal paid on bonds payable	(50,000)	-	-	(40,000)	(90,000)	(2,000)
Interest paid on bonds payable	(29,413)	-	-	(21,075)	(50,488)	(1,040)
Acquisition and construction of capital assets	-	-	(169,620)	(101,294)	(270,914)	(41,915)
Proceeds from sale of capital assets	-	-	-	-	-	-
Capital contributions	-	-	1,000	4,475	5,475	-
Net cash from capital and related financing activities	(79,413)	-	(168,620)	(157,894)	(405,927)	(44,955)
<b>Cash flows from investing activities</b>						
Purchase of investments	(144)	-	-	(3)	(147)	-
Interest on investments	27,975	-	674	319	28,968	12
Payments received from leases and contracts	57,413	-	-	-	57,413	-
Net cash from investing activities	85,244	-	674	316	86,234	12
Net change in cash and cash equivalents	(3,068)	(1,202)	(6,039)	(57,521)	(67,830)	18,707
Cash and cash equivalents at beginning of year	7,255	866	739,023	383,097	1,130,241	15,202
Cash and cash equivalents at end of year	\$ 4,187	\$ (336)	\$ 732,984	\$ 325,576	\$ 1,062,411	\$ 33,909
<b>Schedule of noncash capital and related financing activities</b>						
Issuance of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes.

City of Gladwin, Michigan

Statement of Cash Flows  
Proprietary Funds (continued)

For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
						Activities
	Ice Arena	Farmers' Market	Sewer	Water	Total	Internal Service
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 996	\$ (8,260)	\$ 173,439	\$ (209,303)	\$ (43,128)	\$ 22,544
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	-	5,760	81,044	243,670	330,474	45,707
Changes in assets and liabilities:						
Accounts receivable	-	-	(34,249)	(8,856)	(43,105)	-
Inventory	-	-	-	-	-	-
Accounts payable	-	(52)	61,195	61,841	122,984	(7,648)
Accrued liabilities	-	350	9,241	5,328	14,919	47
Due to other funds	(10,000)	-	-	-	(10,000)	-
Net cash from operating activities	\$ (9,004)	\$ (2,202)	\$ 290,670	\$ 92,680	\$ 372,144	\$ 60,650

City of Gladwin, Michigan

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2015

	<b>Agency Funds</b>
<b>Assets</b>	
Other assets	\$ 226,654
<b>Liabilities</b>	
Due to or on behalf of others	\$ 226,654

*See accompanying notes.*

City of Gladwin, Michigan

Combining Statement of Net Position  
Component Units

June 30, 2015

	<b>Downtown Development Authority</b>	<b>Economic Development Corporation</b>	<b>Gladwin Airport</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 161,176	\$ 23,760	\$ 111,794	\$ 296,730
Taxes receivable	202,547		15,000	217,547
Due from other governments	-	-	1,006	1,006
Inventory	-	-	22,756	22,756
Capital assets, net:				
Assets not being depreciated	103,219	-	57,000	160,219
Assets being depreciated	432,428	-	1,878,316	2,310,744
<b>Total assets</b>	<b>899,370</b>	<b>23,760</b>	<b>2,085,872</b>	<b>3,009,002</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	3,591	-	1,336	4,927
Long-term liabilities:				
Due within one year	96,442	-	-	96,442
Due in more than one year	113,005	-	-	113,005
<b>Total liabilities</b>	<b>213,038</b>	<b>-</b>	<b>1,336</b>	<b>214,374</b>
<b>Net position</b>				
Investment in capital assets, net of related debt	326,200	-	1,935,316	2,261,516
Restricted for:				
Downtown development	360,132	-	-	360,132
Economic development	-	23,760	-	23,760
Unrestricted	-	-	149,220	149,220
<b>Total net position</b>	<b>\$ 686,332</b>	<b>\$ 23,760</b>	<b>\$ 2,084,536</b>	<b>\$ 2,794,628</b>

See accompanying notes.

City of Gladwin, Michigan

Combining Statement of Activities  
Component Units

For the Fiscal Year Ended June 30, 2015

<u>Functions / Programs</u>	<u>Program Revenues</u>				<u>Net Revenues (Expense)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Component Unit					
Downtown Development Authority					
Governmental activities:					
Downtown development	\$ 345,457	\$ -	\$ -	\$ -	\$ (345,457)
Gladwin Airport					
Business-type activities:					
Airport	210,619	45,762	60,000	-	(104,857)
Total component units	\$ 556,076	\$ 45,762	\$ 60,000	\$ -	\$ (450,314)

City of Gladwin, Michigan

Combining Statement of Activities  
Component Units (continued)

June 30, 2015

	<b>Downtown Development Authority</b>	<b>Economic Development Authority</b>	<b>Gladwin Airport</b>	<b>Total</b>
Net expense	\$ (345,457)	\$ -	\$ (104,857)	\$ (450,314)
General revenues:				
Property taxes	207,369	-	-	207,369
Interest	411	-	115	526
Other revenue	4,945	-	3,967	8,912
Total general revenues	<u>212,725</u>	<u>-</u>	<u>4,082</u>	<u>216,807</u>
Change in net position	(132,732)	-	(100,775)	(233,507)
Net position at beginning of year	819,064	23,760	2,185,311	3,028,135
Net position at end of year	<u>\$ 686,332</u>	<u>\$ 23,760</u>	<u>\$ 2,084,536</u>	<u>\$ 2,794,628</u>

See accompanying notes.

# Notes to Financial Statements

# City of Gladwin, Michigan

## Notes to Financial Statements

June 30, 2015

### **1. Summary of Significant Accounting Policies**

The accounting policies of the City of Gladwin, Michigan (City), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies used by the City.

#### **A. Description of Government-wide 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, and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

#### **B. Reporting Entity**

The City is organized under Michigan's Comprehensive Home Rule City Act. An eight member City Council (Council) is the governing body elected by the community at large. The community also elects the Mayor. The Council appoints a City Administrator. As required by GAAP, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because they are entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

##### Discretely Presented Component Units

*Downtown Development Authority (DDA)* – The City appoints a voting majority and is able to impose its will on the DDA. It has incurred specific financial burdens in the form of general obligation bonds and is responsible for compliance with federal grants received in conjunction with the DDA's projects. In accordance with Statement of Michigan Governmental Accounting and Auditing No. 5, the DDA has been discretely presented. The DDA does not issue any other formal financial statements except as contained in the City's Comprehensive Annual Financial Report (CAFR).

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**B. Reporting Entity (continued)**

Discretely Presented Component Units (continued)

*Economic Development Corporation (EDC)* – The City appoints a voting majority of the EDC Board and is able to impose its will on the EDC. The primary purpose of the EDC is to encourage and assist commercial enterprises to locate and expand facilities and services to the City and its residents. In accordance with the terms of the lease contracts, the EDC in conjunction with the City issues bonds and the commercial enterprise agrees to make lease payments in amounts equal to the bond principal and interest. The bond proceeds are used to finance projects, which will benefit the commercial enterprise. The bonds are payable from the net revenues derived from the project and are collateralized by mortgages on the projects and the lease contracts. The EDC financial statements are discretely presented as part of the City. The EDC does not issue any other formal financial statements except as contained in the City's CAFR.

*Gladwin Zettel Memorial Airport (Airport)* – The City is a participant with Gladwin County (County) in a joint venture to operate the Airport. The City and County equally appoint the Airport Board; however, the City is able to impose its will and has assumed the obligation to provide financial support to the Airport and to finance deficits as they occur. Thus, the Airport's financial statements are discretely presented as part of the City. The Airport does not issue any other formal financial statements except as contained in the City's CAFR.

**C. Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the City's enterprise funds. 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.

As discussed earlier, the City has three discretely presented component units. Although all may not be considered to be major component units, they are nevertheless shown in separate columns in the government-wide financial statements.

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

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**D. Basis of Presentation – Fund Financial Statements**

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

The City reports the following major governmental fund:

The *General Fund* is the principal operating fund of the City. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

The City reports the following major proprietary funds:

The *Ice Arena Fund* accounts for the City's operation of the Community Ice Arena.

The *Farmers' Market Fund* accounts for the City's construction of and operations of the Farmers' Market.

The *Sewer Fund* accounts for the activities of collecting and treating waste waters.

The *Water Fund* accounts for the costs of providing water services to City residents.

Additionally, the City reports the following fund types:

The *Internal Service Fund* accounts for vehicle and equipment use and management services provided to other departments of the City on a cost reimbursement basis.

The *Agency funds* account for assets held by the City acting as an agent for individuals and/or other entities. The City uses agency funds for its tax collection fund and payroll fund.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**D. Basis of Presentation – Fund Financial Statements (continued)**

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**E. Change in Accounting Principle**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires the City to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB Statement No. 68 requiring the City to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the City has reported a net pension liability of \$81,97-- as a cumulative effect of a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

**F. Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the net pension obligation.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**G. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**H. Budgetary Information**

Budgetary Basis of Accounting

Annual budgets are adopted for the General Fund and all special revenue funds. The City Administrator submits to the Council, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through a resolution passed by the Council. The budget and approved appropriations lapse at the end of the fiscal year. The City does not maintain a formal encumbrance accounting system. The budgets are adopted on a functional basis. Expenditures may not legally exceed the budgeted amounts by function for these funds. The City Administrator may revise the budget to the extent that expenditures of a function are not altered by an amount in excess of \$5,000.

Any revisions that alter the total expenditures of the department/activity in excess of \$5,000 require approval by the Council.

Comparisons to budget are presented as required by GAAP for all governmental funds for which budgets were legally adopted. Budgets are adopted on a basis consistent with GAAP.

Excess of Expenditures over Appropriations

For the year ended June 30, 2015, expenditures exceed appropriations in the public works function (the legal levels of budgetary control) of the General Fund by \$142,964 as a result of timing of expenditures for a construction project.

**I. Assets, Liabilities, and Net Position/Fund Balance**

Deposits and Investments

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool. Investments are reported at fair value.

Receivables and Payables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**I. Assets, Liabilities, and Net Position/Fund Balance (continued)**

Inventories and Prepaid Items

In the enterprise funds, inventories are valued at cost using the first-in, first-out or specific identification method. The costs of inventories in the governmental funds are recorded as expenditures when purchased, which is the purchase method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the City), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all roads and streets regardless of their acquisition date or amount.

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

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	30
Building improvements	10
Equipment	5-30
Vehicles	5-10
Water and sewer lines	30
Storm sewer	50
Disposal systems	30
Roads and other infrastructure	3-50

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**I. Assets, Liabilities, and Net Position/Fund Balance (continued)**

Deferred Outflows of Resources

Deferred outflows of resources consist of net outflows related to the City's multiple-employer net pension obligation and totaled \$4,713 as of June 30, 2015. Net pension obligation amounts are amortized over the actuarial calculated expected remaining service life of the members. Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

Pensions

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

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 government activities, business-type activities, or proprietary fund type statement of fund net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred (year of bond issuance).

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.

Net Position Flow Assumption

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

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**I. Assets, Liabilities, and Net Position/Fund Balance (continued)**

Fund Balance Flow Assumption

Sometimes the City 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. The City's policy is that when multiple classifications are available and appropriate for a specific purpose, fund balance will be used first from the most restrictive category in order to the least restrictive.

Fund Balance Policies

In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislations.

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

Assigned – amounts neither restricted nor committed for which the City has a stated intended use as established by the Council or an official to which the Council has delegated the authority to assign amounts for specific purposes. The Council's fund balance policy is to designate the City Administrator as the official that has the authority to assign fund balance to specific purposes.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**I. Assets, Liabilities, and Net Position/Fund Balance (continued)**

Fund Balance Policies (continued)

To preserve a sound financial system and to provide a stable financial base, the City has adopted a Minimum Unrestricted Fund Balance policy. At a minimum, unrestricted fund balance of \$400,000 will be maintained. The minimum unrestricted fund balance will be determined each year and reported as part of the fiscal budget.

**J. Revenues and Expenditures/Expenses**

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes are levied each July 1 (lien date) on the taxable valuation of property located in the City as of the preceding December 31. Taxes are considered past due on July 31, at which time applicable penalties and interest are assessed. Assessed values are established annually by the City and are equalized by the State at an estimated 50 percent of current market value. Taxable values change annually, due to the Consumer Price Index and any construction added to the property. Real and personal property in the City for the 2014 levy had a taxable value of \$60,152,300. The City's operating tax rate for the 2014 levy, collected in the fiscal year ended June 30, 2015, was 16.5017 mills.

Vested Benefits Payable

The City's policy allows employees to accumulate earned but unused vacation benefits. Accumulated sick and vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**1. Summary of Significant Accounting Policies (continued)**

**J. Revenues and Expenditures/Expenses (continued)**

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

**2. Detailed Notes on All Activities and Funds**

**A. Deposits and Investments**

A reconciliation of cash and investments as shown in the basic financial statements for the City's deposits and investments is as follows:

<b>Government-wide financial statement captions:</b>	<b>Carrying Amount</b>
Primary government:	
Cash and cash equivalents	\$ 2,211,744
Investments	575,431
Component units:	
Cash and cash equivalents	296,730
	<u>\$ 3,083,905</u>
Notes to financial statements:	
Deposits	\$ 2,507,724
Investments	575,431
Cash on hand	750
	<u>\$ 3,083,905</u>

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**Deposits and Investments (continued)**

Statutory Authority

The City is authorized by the State of Michigan to invest surplus funds in the following:

- Bonds, securities, repurchase agreements and other obligations 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 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.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with 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 December 31, 1997.

Deposits and Investments

The City chooses to disclose its investments by specifically identifying each. As of June 30, 2015, the City had the following investment:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan CLASS pool	>60 days	\$575,431	AAAm	S&P

The Michigan CLASS pool is a Michigan public sector joint investment program that is subject to oversight by the program's eleven member board of trustees. The fair value of the City's position in the Michigan CLASS pool is equal to the value of the pool shares.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**A. Deposits and Investments (continued)**

Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. 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.

*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 above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City's investment in the Michigan CLASS pool is rated AAAM by Standard & Poor's.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end \$2,227,724 of the City's bank balance of \$2,507,724 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

**A. Deposits and Investments (continued)**

Investment and deposit risk (continued)

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. The City's investment is in the Michigan CLASS pool, not the securities that make up the pool. Therefore, there is no custodial credit risk to be disclosed.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. Pooled investments are excluded from the 5% disclosure requirement.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**B. Receivables**

Amounts are aggregated into a single accounts receivable line in the statement of net position. Below is the detail of receivables in the primary government and component units:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts:			
Due within one year	\$ 37,495	\$ 186,651	\$ 15,000
Due after one year	-	138,882	-
Taxes	9,259	-	-
Land contract:			
Due within one year	-	24,000	-
Due after one year	-	483,000	-
Capital leases:			
Due within one year	-	191,749	-
Due after one year	-	519,702	-
Intergovernmental	208,028	-	203,553
	<u>\$ 254,782</u>	<u>\$ 1,543,984</u>	<u>\$ 218,553</u>

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**C. Capital Assets**

Capital assets activity for primary government for the year ended June 30, 2015, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 401,583	\$ -	\$ -	\$ 401,583
Construction in progress	-	-	-	-
Total capital assets not being depreciated	401,583	-	-	401,583
Capital assets being depreciated:				
Land improvements	1,574,019	-	-	1,574,019
Buildings	822,339	-	-	822,339
Building improvements	454,559	-	-	454,559
Equipment and vehicles	1,122,192	66,075	(30,200)	1,158,067
Infrastructure	14,855,620	-	-	14,855,620
Total capital assets being depreciated	18,828,729	66,075	(30,200)	18,864,604
Accumulated depreciation:				
Land improvements	(522,645)	(78,287)	-	(600,932)
Buildings	(521,611)	(20,235)	-	(541,846)
Building improvements	(117,071)	(39,471)	-	(156,542)
Equipment and vehicles	(825,540)	(49,811)	6,040	(869,311)
Infrastructure	(10,756,592)	(327,140)	-	(11,083,732)
Total accumulated depreciation	(12,743,459)	(514,944)	6,040	(13,252,363)
Total capital assets being depreciated, net	6,085,270	(448,869)	(24,160)	5,612,241
Governmental activities capital assets, net	\$ 6,486,853	\$ (448,869)	\$ (24,160)	\$ 6,013,824

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**C. Capital Assets (continued)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 48,184	\$ –	\$ –	\$ 48,184
Construction in progress	43,545	257,942	–	301,487
Total capital assets not being depreciated	91,729	257,942	–	349,671
Capital assets being depreciated:				
Land improvements	95,324	–	–	95,324
Buildings and system	12,387,925	–	–	12,387,925
Equipment and vehicles	569,599	8,367	–	577,966
Total capital assets being depreciated	13,052,848	8,367	–	13,061,215
Accumulated depreciation:				
Land improvements	(95,324)	–	–	(95,324)
Buildings and system	(8,180,369)	(309,284)	–	(8,489,653)
Equipment and vehicles	(383,259)	(21,190)	–	(404,449)
Total accumulated depreciation	(8,658,952)	(330,474)	–	(8,989,426)
Total capital assets being depreciated, net	4,393,896	(322,107)	–	4,071,789
Business-type activities capital assets, net	\$ 4,485,625	\$ (64,165)	\$ –	\$ 4,421,460

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

<b>Governmental activities</b>	
General government	\$ 4,627
Public safety	35,500
Public works	366,266
Recreation and culture	62,844
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	45,707
Total depreciation expense – governmental activities	<u>\$ 514,944</u>

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**C. Capital Assets (continued)**

**Business-type activities**

Farmers' market	\$ 5,760
Sewer	81,044
Water	<u>243,670</u>
Total depreciation expense – business-type activities	<u><u>\$ 330,474</u></u>

Discretely presented component units

Activity for the DDA for the year ended June 30, 2015, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 103,219	\$ –	\$ –	\$ 103,219
Total capital assets not being depreciated	103,219	–	–	103,219
Capital assets being depreciated:				
Land improvements	153,089	–	–	153,089
Buildings	6,451	–	–	6,451
Equipment and vehicles	119,711	–	–	119,711
Infrastructure	<u>395,263</u>	–	–	<u>395,263</u>
Total capital assets being depreciated	674,514	–	–	674,514
Accumulated depreciation:				
Land improvements	(27,071)	(7,655)	–	(34,726)
Buildings	(780)	(322)	–	(1,102)
Equipment and vehicles	(99,933)	(2,529)	–	(102,462)
Infrastructure	<u>(84,733)</u>	<u>(19,603)</u>	–	<u>(103,796)</u>
Total accumulated depreciation	<u>(212,517)</u>	<u>(29,569)</u>	–	<u>(242,086)</u>
Total capital assets being depreciated, net	<u>461,997</u>	<u>(29,569)</u>	–	<u>432,428</u>
Downtown Development Authority capital assets, net	<u><u>\$565,216</u></u>	<u><u>\$ (29,569)</u></u>	<u><u>\$ –</u></u>	<u><u>\$535,647</u></u>

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**C. Capital Assets (continued)**

Discretely presented component units (continued)

Activity for the Airport for the year ended June 30, 2015, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 57,000	\$ -	\$ -	\$ 57,000
Total capital assets not being depreciated	57,000	-	-	57,000
Capital assets being depreciated:				
Land improvements	1,742,071	-	-	1,742,071
Buildings	762,631	-	-	762,631
Equipment and vehicles	106,318	-	-	106,318
Total capital assets being depreciated	2,611,020	-	-	2,611,020
Accumulated depreciation for:				
Land improvements	(460,818)	(58,069)	-	(518,887)
Buildings	(102,004)	(17,000)	-	(119,004)
Equipment and vehicles	(82,382)	(12,431)	-	(94,813)
Total accumulated depreciation	(645,204)	(87,500)	-	(732,704)
Total capital assets being depreciated, net	1,965,816	(87,500)	-	1,878,316
Airport capital assets, net	<u>\$2,022,816</u>	<u>\$ (87,500)</u>	<u>\$ -</u>	<u>\$1,935,316</u>

Project in progress

The City had the following active street project as of June 30, 2015 in its governmental activities:

	Estimated Project Amount	Amount Completed	Project Amount Remaining
State Street and Cemetery Street Project	<u>\$695,410</u>	<u>\$ 482,770</u>	<u>\$212,640</u>

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**D. Payables**

Amounts are aggregated into a single accounts payable and accrued liabilities line in the statement of net position. Below is the detail of payables in the primary government and component units:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts payable	\$ 133,331	\$ 187,928	\$ (345)
Wages, fringe benefits, and other accrued liabilities	47,331	20,803	5,272
Accrued interest payable	22,805	9,880	-
	<u>\$ 203,467</u>	<u>\$ 218,611</u>	<u>\$ 4,927</u>

**E. Interfund Receivables, Payables, and Transfers**

Interfund receivable and payable balances as of June 30, 2015, consisted of the following:

<b>Due to</b>	<b>Due from</b>			
	General Fund	Ice Arena	DDA	Total
General Fund	\$ -	\$118,197	\$71,065	\$189,262
Ice Arena	2,495	-	-	2,495
DDA	71,065	-	-	71,065
	<u>\$73,560</u>	<u>\$118,197</u>	<u>\$71,065</u>	<u>\$262,822</u>

The interfund balance between the Ice Arena enterprise fund and the General Fund represents a short-term advance provided for cash flow requirements. Interfund transfers for the year ended June 30, 2015, consisted of the following:

<b>Transfers in</b>	<b>Transfers out</b>						
	General Fund	Nonmajor Governmental	Sewer	Water	Internal Service	DDA	Total
General Fund	\$ -	\$ 10,500	\$ 30,000	\$ 18,000	\$ 7,000	\$ 73,150	\$ 138,650
Nonmajor Govt	-	-	98,763	-	-	-	98,763
Ice Arena	2,600	-	-	-	-	-	2,600
Sewer Fund	-	-	-	-	-	10,710	10,710
Equipment Fund	10,000	-	-	10,000	-	-	20,000
	<u>\$ 12,600</u>	<u>\$ 10,500</u>	<u>\$ 128,763</u>	<u>\$ 28,000</u>	<u>\$ 7,000</u>	<u>\$ 83,860</u>	<u>\$ 270,723</u>

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**E. Interfund Receivables, Payables, and Transfers (continued)**

Interfund transfers include transfer of unrestricted revenues collected to finance various programs accounted for in other funds, in accordance with budgetary authorizations; and, transfer of revenues to fund administrative services performed by the General Fund.

**F. Lease Activities**

The City's leasing operations consist of a direct financing lease of the public ice arena to the Gladwin Community Arena, a nonprofit corporation, and continue through November 2028. The components of the net investment in direct financing leases as of June 30, 2015 are as follows

Total minimum lease payments to be received	\$ 639,150
Estimated residual value of leased property	266,348
	<u>905,498</u>
Less unearned income	(194,047)
Total net investment in lease	<u>\$ 711,451</u>

Minimum lease payments do not include amounts that may be received as stipulated in the lease contract for administration costs or operational expenses of the City incidental to the issuance and payment of bonds used to finance construction of the arena. These contingent rental payments occur only if costs are incurred by the City. As of June 30, 2015, minimum lease payments are as follows:

<b>Year ended</b>	<b>Amount</b>
<b>June 30</b>	
2016	191,749
2017	34,824
2018	33,856
2019	34,835
2020	33,760
2021 - 2025	172,257
2026 - 2029	137,869
	<u>\$639,150</u>

In September 2015, the City sold its remaining interest in the ice arena property to the Gladwin County District Library (the Library.) As part of the agreement, the City received \$1,000,000 from the Library in exchange for satisfaction of the Library's existing land contract plus the remaining 40% of the ice arena property. The existing lease receivable was also liquidated as part of the sale agreement with the Library.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**G. Land Contract Receivable**

On August 27, 2009, the City sold 60% of the ice arena to the Gladwin County District Library on a land contract. The purchase price of the property equals 60% of the unpaid bond amount at the time of purchase. As of June 30, 2015, the balance of the land contract receivable was \$507,000.

As of June 30, 2015, land contract receivable payments, including interest, are as follows:

<b>Year ended</b>		
<b>June 30</b>	<b>Amount</b>	<b>Interest</b>
2016	24,000	26,606
2017	27,000	25,235
2018	27,000	23,785
2019	30,000	22,253
2020	30,000	20,640
2021-2025	183,000	75,385
2026-2029	186,000	20,800
	<u>\$ 507,000</u>	<u>\$ 214,704</u>

In September 2015, the City sold its remaining interest in the ice arena property to the Gladwin County District Library (the Library.) As part of the agreement, the City received \$1,000,000 from the Library in exchange for satisfaction of the Library's existing land contract plus the remaining 40% of the ice arena property.

**H. Long-Term Debt**

Primary Government

The City issues general obligation and revenue bonds to provide funds for the acquisition and/or construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**H. Long-Term Debt (continued)**

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary government</b>					
Governmental activities:					
General obligation bonds:					
Refunding of 1996 Water & Sewer Bonds due in annual installments of \$55,000 to \$100,000 through 2021; interest of 3.95% to 4.55%	\$ 610,000	\$ -	\$ (75,000)	\$ 535,000	\$ 75,000
\$1,250,000 2004 Sewer Improvement bonds due in annual installments of \$40,000 to \$95,000 through 2025; interest of 2.5% to 5.1%	825,000	-	(60,000)	765,000	60,000
\$142,000 2012 Police Renovation bonds due in annual installments of \$7,000 to \$12,000 through 2027; interest of 3.75%	128,000	-	(8,000)	120,000	8,000
\$82,632 2012 Police Renovation bonds due in annual installments of \$4,000 to \$7,000 through 2027; interest of 3.75%	76,000	-	(5,000)	71,000	5,000
\$30,000 note payable for the purchase of a backhoe by the Equipment Fund due in annual installments of \$2,000 through 2029; interest rate of 3.5%	30,000	-	(2,000)	28,000	2,000
Vested benefits payable	74,903	82,152	(81,298)	75,757	75,757
	<u>\$ 1,743,903</u>	<u>\$82,152</u>	<u>\$ (230,298)</u>	<u>\$ 1,594,757</u>	<u>\$ 225,757</u>

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**H. Long-Term Debt (continued)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type activities</b>					
Revenue bonds:					
\$970,000 2013 Ice Arena Revenue bonds due in annual installments of \$15,000 to \$75,000 through 2029; interest of 2% to 5.4%	\$ 905,000	–	\$ (50,000)	\$ 855,000	\$ 50,000
Deferred discounts	(27,004)	–	1,800	(25,204)	(1,800)
\$1,645,000 2010 Water Supply bond due in annual payments of \$37,000 to \$65,000 from 2012 through 2030; interest at 2.5%	862,991	–	(40,000)	822,991	40,000
Vested benefits payable	27,577	23,230	(22,635)	28,172	28,172
	<u>\$ 1,768,564</u>	<u>\$ 23,230</u>	<u>\$ (110,835)</u>	<u>\$ 1,680,959</u>	<u>\$ 116,372</u>
<b>Component Units</b>					
DDA long-term advance	\$ 163,759	\$ –	\$ (25,377)	\$ 138,382	\$ 25,377
	<u>\$ 163,759</u>	<u>\$ –</u>	<u>\$ (25,377)</u>	<u>\$ 138,382</u>	<u>\$ 25,377</u>

In the business-type activities, repayment of the Ice Arena Revenue Bonds is pledged with Ice Arena rental revenue, net of expenses, through 2029. For 2015, this net revenue covered approximately 99% of the debt service requirement.

In the governmental activities, the liability for vested benefits payable is liquidated by the General Fund. In the business-type activities the liability for vested benefits payable is liquidated by the Sewer or Water funds. The liability for vested benefits payable is considered to be due within one year for both the governmental and business-type activities due to the fact that the employees typically use more sick and vacation hours in any year than are remaining from the previous year.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**H. Long-Term Debt (continued)**

Annual debt service requirements to maturity for general obligation and revenue bonds and contracts payable are as follows:

<b>Year Ended June 30</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 155,000	\$ 66,111	\$ 90,000	\$ 47,737
2017	165,000	59,077	95,000	45,174
2018	171,000	51,611	95,000	42,799
2019	176,000	43,801	100,000	40,349
2020	187,000	35,567	100,000	37,574
2021 - 2025	619,000	77,420	565,000	141,099
2026 - 2030	46,000	2,735	570,000	48,093
2031	-	-	62,991	787
	<b>\$1,519,000</b>	<b>\$336,322</b>	<b>\$1,677,991</b>	<b>\$403,612</b>

Prior Year Defeasance of Debt

On July 26, 2007, the City defeased the 1996 Water and Sewer general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The balance of the defeased debt outstanding as of June 30, 2015, was \$710,000.

Advances to Component Units

Advances between the Water Fund and the Downtown Development Authority component unit were for the purpose of funding a portion of the 1996 Water Supply & Sewage Disposal System No. 1 bonds. The DDA is required to repay the advance, including interest ranging from 5.824% to 6.000%. The advance will be fully repaid in the year ended June 30, 2020. As of June 30, 2015, the DDA owes the Water Fund \$138,382, plus total interest through 2020 of \$24,820.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**H. Long-Term Debt (continued)**

Advances to Component Units (continued)

As of June 30, 2015, annual payments of the advances are as follows:

<b>Year Ended</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 27,684	\$ 8,236
2017	27,684	6,616
2018	27,684	4,983
2019	27,684	3,323
2020	27,646	1,661
	<u>\$138,382</u>	<u>\$24,819</u>

**I. Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in a public entity risk (insurance) pool with other local units of government in the Michigan Municipal Liability and Property Pool. This self insurance plan provides members with loss protection for property damage and general liability.

The City made contributions of \$54,687 for the year ended June 30, 2015.

When a claim is incurred and/or paid, the member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

The plan does not maintain separate funds for members and consequently the City's share of total assets and total equity is unknown. Audited financial statements of the plan are available.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**J. Employee Retirement Systems**

The City participates in two pension plans: the Michigan Municipal Employees Retirement System (MERS), a State of Michigan administered agent multi-employer defined benefit public retirement system that acts as a common investment and administrative agent for virtually all Michigan municipal employees; and a defined contribution system through the Steelworkers Pension Program and ICMA Retirement Corporation (ICMA-RC).

Defined Contribution Pension Plans

The City has established various defined contribution pension plans under Section 401(a) of the Internal Revenue Service Code. The plans cover all full-time City employees (except the City Administrator and Police Chief or those covered by the MERS Plan) who have passed their twenty-first birthday and have been employed by the City for more than one year. For the year ended June 30, 2015, the cost to the City was \$14,576 and contributions from covered employees were \$11,423.

The City's policy is to fund accrued pension costs representing approximately 8% of the annual salaries of covered employees. Covered employees contribute an additional 3% of their salaries. Benefits accrue in each employee's individual account. These amounts are not available to the general creditors of the City; therefore, these assets are not reported in the City's financial statements. Plan provisions and contribution requirements are established and may be amended by the Council. These plans and deviations from the above general policy are summarized as follows:

The City Department of Public Works workers are covered under the Steelworkers Pension Program and through the ICMA-RC. The City contributes 7% of gross wages to the Steelworkers Pension Program and 1% of gross wages to the ICMA-RC. Employees contribute 3% of gross wages to the ICMA-RC 401(a) Plan. Benefits accrue in each employee's individual account.

Beginning in 1999, the City established a defined contribution pension for police administrative employees with the ICMA-RC, in which currently only the Police Chief participates. Under this plan police administrative employees are fully vested when admitted to the plan. The City has defined the contribution rate of 10% of gross wages paid to covered employees and employees are not required to contribute any additional amount. Benefits accrue in each employee's individual account.

Beginning in 2002, the City established a defined contribution pension for existing employees not covered by other plans. The City contributes 8% of gross wages to the ICMA-RC. Employees contribute 3% of gross wages to the plan. Benefits accrue in each employee's individual account.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**J. Employee Retirement Systems (continued)**

Defined Benefit Pension Plan

*General Information about the Pension Plan*

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

*Contributions.* The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City's contribution rate during the 2014 calendar valuation period was 2.86% of annual covered payroll for general employees and 15.27% of annual covered payroll for police and administrative employees. The City's contributions to the plan for the year ended June 30, 2015 were \$49,484 which equaled the City's required contribution. In addition, the City contributed an additional amount of \$10,000 toward its unfunded liability.

The City may establish contribution rates to be paid by its covered employees. General employees are required to contribute 3% of their annual covered payroll; police and administrative employees contribute 4.95%. Employee contributions for the year ended June 30, 2015 were \$18,472.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**J. Employee Retirement Systems (continued)**

Defined Benefit Pension Plan (continued)

*Benefit Provisions.* The chart below summarizes the benefit provisions for each of the City's two covered groups.

<u>01 – New Gn Admin EES</u>	<u>2014 Valuation</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25
	55/15
Final Average Compensation	3 years
Employee Contributions	3%
Act 88	Yes (Adopted 11/4/2002)
<u>02 – Police &amp; Admin: Open Division</u>	<u>2014 Valuation</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25
	55/15
Final Average Compensation	3 years
COLA for Future Years	2.5% (Non-Compound)
Employee Contributions	4.95%
Act 88	Yes (Adopted 11/4/2002)

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**J. Employee Retirement Systems (continued)**

Defined Benefit Pension Plan (continued)

*Employees covered by benefit terms.* As of the December 31 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>8</u>
	<u>10</u>

*Net Pension Liability*

The employer's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 3%-4%
- Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
- Increase in final average compensation: 1%
- Average expected remaining service lives of all employees (active and inactive): 7
- Investment rate of return: 8.0%, net of investment expense, including inflation.
- Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**J. Employee Retirement Systems (continued)**

Defined Benefit Pension Plan (continued)

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

*Discount Rate.* The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**J. Employee Retirement Systems (continued)**

Defined Benefit Pension Plan (continued)

*Changes in Net Pension Liability*

	<b>Increase (Decrease)</b>		
	<b>Plan</b>		
	<b>Total Pension Liability</b>	<b>Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
<b>Balances at December 31, 2013</b>	\$1,081,859	\$1,020,374	\$61,485
<b>Changes for the year</b>			
Service Cost	62,590		62,590
Interest on total pension liability	82,278		82,278
Changes in benefits	-		-
Difference between expected and actual experience	-		-
Changes in assumptions	-		-
Employer contributions		48,129	(48,129)
Employee contributions		17,732	(17,732)
Net investment income		65,846	(65,846)
Benefit payments, including employee refunds	(19,359)	(19,359)	-
Administrative expense		(2,439)	2,439
Other changes	8,759	1	8,758
Net changes	134,268	109,910	24,358
<b>Balances as of December 31, 2014</b>	<b>\$1,216,127</b>	<b>\$1,130,284</b>	<b>\$85,843</b>

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**J. Employee Retirement Systems (continued)**

Defined Benefit Pension Plan (continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the employer, calculated using the discount rate of 8%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability	\$276,382	\$ 85,843	\$(72,380)

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

For the year ended June 30, 2015 the employer recognized pension expense of \$49,484. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ -
Differences in assumptions	-	-
Excess (deficit) investment returns	(20,152)	-
Contributions subsequent to the measurement date*	24,865	
Total	\$ 4,713	\$ -

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2015.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**J. Employee Retirement Systems (continued)**

Defined Benefit Pension Plan (continued)

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

<b>Year ended June 30</b>	
2016	\$(4,030)
2017	(4,030)
2018	(4,030)
2019	(4,030)
2020	(4,032)
Thereafter	-
	<u>\$20,152</u>

Schedule of funding progress:

<b>Actuarial Valuation Date as of December 31</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Attained Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a/c)</b>
2012	\$ 975,047	\$1,015,279	\$40,232	96%	\$354,562	11%
2013	\$1,083,473	\$1,163,286	\$79,813	93%	\$316,574	25%
2014	\$1,198,093	\$1,260,433	\$62,403	95%	\$412,300	15%

The schedule of changes in the employer's net pension liability and related ratios and the schedule of Employer's contributions, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**K. Joint Venture – Fire Protection District**

The City is a member of the Gladwin Rural Urban Fire Protection District (District). The District was established January 1, 1973 for the purpose of providing fire protection to its members of local governments: the City and the Townships of Buckeye, Gladwin, Grout, Hay, Sage, and Sherman, located in Gladwin County. The City and Townships each appoint two members to the District's governing Board; this Board then determines and approves the annual budget.

Approximately 93% of the District's operating revenue comes from special assessments generated by the participating governments. The City's proportionate share of these assessments accounts for approximately 17% of the District's municipal assessment revenue.

The following is a summary of the entity-wide financial information for the District as of December 31, 2014, (latest available audited financial statements).

Total assets	\$ 1,202,137
Total liabilities	<u>135,019</u>
Total net position	1,067,118
Revenues	343,508
Expenses	<u>352,505</u>
Net increase in net position	<u>\$ (8,997)</u>

The City's share of total assets and total net assets is unknown. Audited financial statements of the District are available upon written request at City Hall.

**L. Contingencies**

The City receives financial assistance from other governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims will not have a material effect on any financial statements herein or on the overall position of the City.

The City is subject to various legal proceedings arising in the course of providing public services to City residents. However, in the opinion of the City's attorney and management, the resolution of these matters will not have a material effect, if any, on the financial condition of the City.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**2. Detailed Notes on All Activities and Funds (continued)**

**M. Subsequent Events**

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2015, the most recent statement of net assets presented herein, through the auditors' report date, the date these financial statements were available to be issued.

In September 2015, the City sold its remaining interest in the ice arena property to the Gladwin County District Library (the Library.) As part of the agreement, the City received \$1,000,000 from the Library in exchange for satisfaction of the Library's existing land contract plus the remaining 40% of the ice arena property. The existing lease receivable was also liquidated as part of the sale agreement with the Library.

**N. New Pronouncements**

The GASB has issued the following recent standards.

Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. The City is currently evaluating the disclosures and the impact, if any, this standard will have on the financial statements when adopted.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, has the objective of improving accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. The requirements of this Statement would be effective for fiscal years beginning after June 15, 2017 which for the City would be its year ending June 30, 2018. The City is evaluating the impact this standard will have on its financial statements when adopted; however, the City believes that the impact could be material.

City of Gladwin, Michigan

Notes to Financial Statements

June 30, 2015

**N. New Pronouncements (continued)**

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the hierarchy of GAAP which consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard will not have a direct effect on the City's financial statements

Statement No. 77, *Tax Abatement Disclosures*, will require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Governments that enter into tax abatement agreements will be required to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for fiscal periods beginning after December 15, 2015, which for the City will be for the year ending June 30, 2017. The City will evaluate whether this statement will have a material effect, if any on its financial statements.

## Required Supplementary Information

Defined Benefit  
Pension Plan (MERS)

Schedule of Changes in the Employer's Net  
Pension Liability and Related Ratios

Schedule Employer's Contributions

City of Gladwin, Michigan

Required Supplementary Information  
Defined Benefit Pension Plan (MERS)

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	<b>2014</b>
<b>Total pension liability</b>	
Service Cost	\$ 62,590
Interest	82,278
Changes of Benefit Terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments including employee refunds	(19,359)
Other	8,759
<b>Net change in total pension liability</b>	<u>134,268</u>
<b>Total pension liability, beginning</b>	<u>1,081,859</u>
<b>Total pension liability, ending</b>	<u><u>\$ 1,216,127</u></u>
 <b>Plan fiduciary net position</b>	
Contributions-employer	\$ 48,129
Contributions-employee	17,732
Net Investment income	65,846
Benefit payments including employee refunds	(19,359)
Administrative expense	(2,438)
<b>Net change in plan fiduciary net position</b>	<u>109,910</u>
<b>Plan fiduciary net position, beginning</b>	<u>1,020,374</u>
<b>Plan fiduciary net position, ending</b>	<u><u>\$ 1,130,284</u></u>
 <b>Employer net pension liability</b>	<u><u>85,843</u></u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 83.77%
 <b>Covered employee payroll</b>	 412,300
 <b>Employer's net pension liability as a percentage of covered employee payroll</b>	 20.82%

**Notes to schedule:**

*Benefit changes:* There were no changes in benefits during the periods presented

*Changes in assumptions:* There were no changes in actuarial assumptions or methods for 2014

The information above is based on the December 31 valuation date

City of Gladwin, Michigan

Required Supplementary Information  
 Defined Benefit Pension Plan (MERS)  
 Schedule of Employer's Contributions

	2015	2014	2013	2012	2011	2010	2009	2008
Actuarial determined contributions	\$ 47,256	\$ 48,130	\$ 42,455	\$ 43,338	\$ 39,339	\$ 39,185	\$ 37,375	\$ 27,436
Contributions in relation to the actuarially determined contribution	47,256	48,130	42,455	43,338	39,339	39,185	37,375	27,436
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$412,300	\$412,300	\$316,574	\$354,562	\$355,913	\$352,282	\$339,105	\$331,912
Contributions as a percentage of covered employee payroll	11%	12%	13%	12%	11%	11%	11%	8%

**Notes to Schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.5%
Salary Increases	4.5%
Investment rate of return	8.0%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

**Previous actuarial methods and assumptions:**

A seven year smoothed asset valuation method was used for the time period of 20X2 through 20W8  
 Salary increases were expected to be 1% for the time period of 20X5 through 20X3

Above dates are based on fiscal year, not necessarily the measurement date

## Other Supplementary Information

Combining and Individual  
Fund Financial Statements  
and Schedules

City of Gladwin, Michigan

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2015

	<b>Special Revenue Funds</b>				
	<b>Major Streets Fund</b>	<b>Local Streets Fund</b>	<b>City Streets Fund</b>	<b>Liquor Law Enforcement Fund</b>	<b>Drug Law Enforcement Fund</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 203,724	\$ 118,528	\$ 303,380	\$ 5,841	\$ 37,446
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	950	-	-
Due from other governmental units	27,569	11,861	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ 231,293</b>	<b>\$ 130,389</b>	<b>\$ 304,330</b>	<b>\$ 5,841</b>	<b>\$ 37,446</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 110,564	\$ 7,998	\$ -	\$ -	\$ 300
Accrued liabilities	1,138	855	-	-	282
<b>Total liabilities</b>	<b>111,702</b>	<b>8,853</b>	<b>-</b>	<b>-</b>	<b>582</b>
<b>Fund balances</b>					
<b>Nonspendable:</b>					
Cemetery perpetual care	-	-	-	-	-
<b>Restricted for:</b>					
Debt service	-	-	-	-	-
Street maintenance and construction	119,591	121,536	304,330	-	-
Liquor law enforcement	-	-	-	5,841	-
Drug law enforcement	-	-	-	-	36,864
<b>Total fund balances</b>	<b>119,591</b>	<b>121,536</b>	<b>304,330</b>	<b>5,841</b>	<b>36,864</b>
<b>Total liabilities and fund balances</b>	<b>\$ 231,293</b>	<b>\$ 130,389</b>	<b>\$ 304,330</b>	<b>\$ 5,841</b>	<b>\$ 37,446</b>

City of Gladwin, Michigan

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2015

	Debt Service Funds		Permanent	Total
	County	2004	Fund	
	DPW Lease	Sewer	Cemetery	
	Debt	Improvement	Trust	
	Fund	Fund	Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 28,327	\$ 1,338	\$ 54,837	\$ 753,421
Investments	-	-	128,341	128,341
Accounts receivable	-	-	-	-
Taxes receivable	892	-	-	1,842
Due from other governmental units	-	-	-	39,430
Due from other funds	-	-	-	-
Total assets	\$ 29,219	\$ 1,338	\$ 183,178	\$ 923,034
<b>Liabilities and fund balances</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 118,862
Accrued liabilities	-	-	-	2,275
Total liabilities	-	-	-	121,137
Fund balances				
Nonspendable:				
Cemetery perpetual care	-	-	183,178	183,178
Restricted for:				
Debt service	29,219	1,338	-	30,557
Street maintenance and construction	-	-	-	545,457
Liquor law enforcement	-	-	-	5,841
Drug law enforcement	-	-	-	36,864
Total fund balances	29,219	1,338	183,178	801,897
Total liabilities and fund balances	\$ 29,219	\$ 1,338	\$ 183,178	\$ 923,034

City of Gladwin, Michigan

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2015

	<b>Special Revenue Funds</b>				
	<b>Major Streets Fund</b>	<b>Local Streets Fund</b>	<b>City Streets Fund</b>	<b>Liquor Law Enforcement Fund</b>	<b>Drug Law Enforcement Fund</b>
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ 107,920	\$ -	\$ -
Intergovernmental revenue	180,773	86,401	-	4,927	-
Charges for services	-	-	-	-	-
Interest	282	61	295	8	36
Other revenue	1,541	-	-	-	19,387
Total revenues	<u>182,596</u>	<u>86,462</u>	<u>108,215</u>	<u>4,935</u>	<u>19,423</u>
<b>Expenditures</b>					
Current:					
Public safety	-	-	-	3,164	16,561
Public works	378,688	101,499	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>378,688</u>	<u>101,499</u>	<u>-</u>	<u>3,164</u>	<u>16,561</u>
Revenues over (under) expenditures	(196,092)	(15,037)	108,215	1,771	2,862
Other financing sources (uses)					
Issuance of long-term debt	-	-	-	-	-
Transfers in	5,000	85,000	-	-	-
Transfers out	(25,000)	-	(75,500)	-	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>85,000</u>	<u>(75,500)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(216,092)	69,963	32,715	1,771	2,862
Fund balances at beginning of year	335,683	51,573	271,615	4,070	34,002
Fund balances at end of year	<u>\$ 119,591</u>	<u>\$ 121,536</u>	<u>\$ 304,330</u>	<u>\$ 5,841</u>	<u>\$ 36,864</u>

City of Gladwin, Michigan

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2015

	Debt Service Funds		Permanent	Total
	County	2004	Fund	
	DPW Lease	Sewer	Cemetery	
	Debt	Improvement	Trust	
	Fund	Fund	Fund	
<b>Revenues</b>				
Property taxes	\$ 101,793	\$ -	\$ -	\$ 209,713
Intergovernmental revenue	-	-	-	272,101
Charges for services	-	-	2,000	2,000
Interest	24	9	1,060	1,775
Other revenue	-	-	-	20,928
Total revenues	101,817	9	3,060	506,517
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	19,725
Public works	-	-	-	480,187
Debt service:				
Principal	75,000	60,000	-	135,000
Interest and fiscal charges	25,301	38,763	-	64,064
Capital outlay	-	-	-	-
Total expenditures	100,301	98,763	-	698,976
Revenues over (under) expenditures	1,516	(98,754)	3,060	(192,459)
Other financing sources (uses)				
Issuance of long-term debt	-	-	-	-
Transfers in	-	98,763	-	188,763
Transfers out	-	-	-	(100,500)
Total other financing sources (uses)	-	98,763	-	88,263
Net change in fund balances	1,516	9	3,060	(104,196)
Fund balances at beginning of year	27,703	1,329	180,118	906,093
Fund balances at end of year	\$ 29,219	\$ 1,338	\$ 183,178	\$ 801,897

# Fund Financial Statements

## **Special Revenue Funds**

### Major Streets Fund

This fund is funded by state revenues to be used for maintenance of the City's major street system.

### Local Streets Fund

This fund is funded by state revenues to be used for maintenance of the City's local street system.

### City Streets Fund

This fund is funded by property taxes to be used for maintenance for City Streets.

### Liquor Law Enforcement Fund

This fund is funded by state revenues and is used for enforcement of liquor laws.

### Drug Law Enforcement Fund

This fund is funded by forfeitures and is used for enforcement of drug laws.

## **Debt Service Funds**

The County DPW Lease and 2004 Sewer Improvement Debt funds were established to accumulate resources for the payment of the general obligation debt issued to fund water and sewer improvements.

## **Permanent Fund**

The Cemetery Trust Fund is used to account for investment principal and related interest income amounts reserved for maintenance of the community cemetery.

City of Gladwin, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Major Streets Fund

For the Fiscal Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>				
Intergovernmental revenue:				
Federal grants	\$ 12,000	\$ -	\$ -	\$ -
Gas and weight taxes	188,760	153,024	175,773	22,749
Act 48 maintenance fees	-	-	-	-
State grants	-	-	5,000	5,000
Interest	300	300	282	(18)
Other revenue	3,000	1,537	1,541	4
<b>Total revenues</b>	<b>204,060</b>	<b>154,861</b>	<b>182,596</b>	<b>27,735</b>
<b>Expenditures</b>				
Public works:				
Highways, streets, and bridges	121,595	210,224	378,688	168,464
Revenues over (under) expenditures	82,465	(55,363)	(196,092)	(140,729)
Other financing sources (uses)				
Transfers in	5,000	5,000	5,000	-
Transfers out	(25,000)	(25,000)	(25,000)	-
<b>Total other financing sources (uses)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>-</b>
Net change in fund balances	62,465	(75,363)	(216,092)	(140,729)
Fund balances at beginning of year	335,683	335,683	335,683	-
<b>Fund balances at end of year</b>	<b>\$ 398,148</b>	<b>\$ 260,320</b>	<b>\$ 119,591</b>	<b>\$ (140,729)</b>

City of Gladwin, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Local Streets Fund

For the Fiscal Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>				
Intergovernmental revenue:				
Gas and weight taxes	\$ 71,200	\$ 78,540	\$ 86,401	\$ 7,861
Interest	50	60	61	1
Total revenues	<u>71,250</u>	<u>78,600</u>	<u>86,462</u>	<u>7,862</u>
<b>Expenditures</b>				
Public works:				
Highways, streets, and bridges	130,330	99,071	101,499	2,428
Revenues over (under) expenditures	(59,080)	(20,471)	(15,037)	5,434
Other financing sources				
Transfers in	85,000	85,000	85,000	-
Net change in fund balances	25,920	64,529	69,963	5,434
Fund balances at beginning of year	51,573	51,573	51,573	-
Fund balances at end of year	<u>\$ 77,493</u>	<u>\$ 116,102</u>	<u>\$ 121,536</u>	<u>\$ 5,434</u>

City of Gladwin, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - City Streets Fund

For the Fiscal Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
Revenues				
Property taxes	\$ 107,490	\$ 107,907	\$ 107,920	\$ 13
Interest	300	300	295	(5)
Total revenues	107,790	108,207	108,215	8
Other financing uses				
Transfers out	(75,500)	(75,500)	(75,500)	-
Net change in fund balances	32,290	32,707	32,715	8
Fund balances at beginning of year	271,615	271,615	271,615	-
Fund balances at end of year	\$ 303,905	\$ 304,322	\$ 304,330	\$ 8

City of Gladwin, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Liquor Law Enforcement Fund

For the Fiscal Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>				
Intergovernmental:				
Liquor license fees	\$ 5,000	\$ 5,000	\$ 4,927	\$ (73)
Interest	10	10	8	(2)
Total revenues	5,010	5,010	4,935	(75)
<b>Expenditures</b>				
Public safety:				
Liquor law enforcement	6,500	5,500	3,164	(2,336)
Net change in fund balances	(1,490)	(490)	1,771	2,261
Fund balances at beginning of year	4,070	4,070	4,070	-
Fund balances at end of year	\$ 2,580	\$ 3,580	\$ 5,841	\$ 2,261

City of Gladwin, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Drug Law Enforcement Fund

For the Fiscal Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>				
Intergovernmental:				
Local law enforcement block grant	\$ -	\$ -	\$ -	\$ -
Interest	5,050	50	36	(14)
Other revenue:				
Drug forfeitures	2,250	18,912	19,387	475
Total revenues	<u>7,300</u>	<u>18,962</u>	<u>19,423</u>	<u>461</u>
<b>Expenditures</b>				
Public safety:				
Drug law enforcement	5,000	16,475	16,561	86
Other financing sources				
Transfers in	<u>1,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,025	2,487	2,862	375
Fund balances at beginning of year	34,002	34,002	34,002	-
Fund balances at end of year	<u>\$ 38,027</u>	<u>\$ 36,489</u>	<u>\$ 36,864</u>	<u>\$ 375</u>

City of Gladwin, Michigan

Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2015

	<b>Tax</b>		
	<b>Collection</b>	<b>Payroll</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 215,063	\$ -	\$215,063
Other assets	-	11,591	11,591
Other assets	<u>\$ 215,063</u>	<u>\$ 11,591</u>	<u>\$226,654</u>
<b>Liabilities</b>			
Due to or on behalf of others	<u>\$ 215,063</u>	<u>\$ 11,591</u>	<u>\$226,654</u>

City of Gladwin, Michigan

Combining Statement of Changes in Net Assets and Liabilities  
Agency Funds

For the Fiscal Year Ended June 30, 2015

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2015</b>
<b>Tax Collection Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 428	\$ 5,470,787	\$ 5,256,152	\$ 215,063
<b>Liabilities</b>				
Due to or on behalf of others	\$ 428	\$ 5,470,787	\$ 5,256,152	\$ 215,063
<b>Payroll Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 678,831	\$ 678,831	\$ -
Other assets	10,561	679,861	678,831	11,591
Total assets	\$ 10,561	\$ 1,358,692	\$ 1,357,662	\$ 11,591
<b>Liabilities</b>				
Due to or on behalf of others	\$ 10,561	\$ 679,861	\$ 678,831	\$ 11,591
<b>Total</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 428	\$ 6,149,618	\$ 5,934,983	\$ 215,063
Other assets	10,561	679,861	678,831	11,591
Total assets	\$ 10,989	\$ 6,829,479	\$ 6,613,814	\$ 226,654
<b>Liabilities</b>				
Due to or on behalf of others	\$ 10,989	\$ 6,150,648	\$ 5,934,983	\$ 226,654

City of Gladwin, Michigan

Downtown Development Authority Component Unit  
Statement of Net Position and Balance Sheet

June 30, 2015

	<u>Authority</u>	<u>Adjustments</u>	<u>Net Position</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 161,176	\$ -	\$ 161,176
Taxes receivable	202,547		202,547
Due from other governments	-	-	-
Capital assets, net:			
Assets not being depreciated	-	103,219	103,219
Assets being depreciated	-	432,428	432,428
Total assets	<u>\$ 363,723</u>	<u>535,647</u>	<u>899,370</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ (391)	\$ -	\$ (391)
Accrued liabilities	3,982	-	3,982
Advances from primary government:			
Due within one year	96,442	-	96,442
Due in more than one year	113,005	-	113,005
Total liabilities	<u>213,038</u>	<u>-</u>	<u>213,038</u>
<b>Fund balances</b>			
Restricted for downtown development	150,685	(150,685)	-
Total liabilities and fund balances	<u>\$ 363,723</u>		
<b>Net position</b>			
Invested in capital assets, net of related debt		326,200	326,200
Restricted for downtown development		360,132	360,132
Total net position		<u>\$ 686,332</u>	<u>\$ 686,332</u>

City of Gladwin, Michigan

Downtown Development Authority Component Unit  
Statement of Activities and Revenues, Expenditures,  
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2015

	<b>Downtown Development Authority</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 207,369	\$ -	\$ 207,369
Interest	411	-	411
Reimbursements	-	-	-
Other revenue	4,945	-	4,945
Total revenues	<u>212,725</u>	-	<u>212,725</u>
<b>Expenditures/expenses</b>			
Personnel services	5,155	-	5,155
Supplies	161	-	161
Contractual services and other	226,710	-	226,710
Reimbursements	83,860	-	83,860
Depreciation	-	29,571	29,571
Total expenditures/expenses	<u>315,886</u>	<u>29,571</u>	<u>345,457</u>
Change in fund balance/net position	(103,161)	(29,571)	(132,732)
Fund balances/net position at beginning of year	<u>253,846</u>	<u>565,218</u>	<u>819,064</u>
Fund balances/net position at end of year	<u>\$ 150,685</u>	<u>\$ 535,647</u>	<u>\$ 686,332</u>

City of Gladwin, Michigan

Economic Development Corporation Component Unit  
Statement of Net Position and Balance Sheet

June 30, 2015

	<b>Economic Development Corporation</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 23,760	\$ -	\$ 23,760
<b>Fund balances</b>			
Restricted for economic development	\$ 23,760	(23,760)	-
<b>Net position</b>			
Restricted for economic development		\$ 23,760	\$ 23,760

City of Gladwin, Michigan

Economic Development Corporation Component Unit  
Statement of Activities and Revenues, Expenditures,  
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2015

	<b>Economic Development Corporation</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
Revenues			
Interest		\$ -	\$ -
Fund balances/net position at beginning of year	23,760	-	23,760
Fund balances/net position at end of year	<u>\$ 23,760</u>	<u>\$ -</u>	<u>\$ 23,760</u>

City of Gladwin, Michigan

Gladwin Airport Component Unit  
Statement of Net Position

June 30, 2015

**Assets**

Current assets

Cash and cash equivalents	\$ 111,794
Accounts receivable	15,000
Due from other governments	1,006
Inventory	22,756
Total current assets	<u>150,556</u>

Capital assets

Land	57,000
Land improvements	1,742,071
Buildings	762,631
Machinery and equipment	106,318
Accumulated depreciation	(732,704)
Net capital assets	<u>1,935,316</u>
Total assets	<u>2,085,872</u>

**Liabilities**

Current liabilities

Accounts payable	46
Accrued liabilities	1,290
Total current liabilities	<u>1,336</u>

**Net position**

Investment in capital assets	1,935,316
Unrestricted	149,220
Total net position	<u>\$ 2,084,536</u>

City of Gladwin, Michigan

Gladwin Airport Component Unit  
Statement of Activities

For the Fiscal Year Ended June 30, 2015

Operating revenues	
Charges for services	\$ 45,762
Intergovernmental revenue:	
County contributions	30,000
Reimbursements from City of Gladwin	30,000
Other revenue	3,967
Total operating revenues	<u>109,729</u>
Operating expenses	
Supplies	61,433
Contractual services and other	61,686
Depreciation	87,500
Total operating expenses	<u>210,619</u>
Operating loss	(100,890)
Nonoperating revenues (expenses)	
Interest revenue	115
Net nonoperating revenues (expenses)	<u>115</u>
Loss before capital contributions	(100,775)
Capital contributions - Michigan Department of Transportation	<u>-</u>
Change in net position	(100,775)
Net position at beginning of year	2,185,311
Net position at end of year	<u><u>\$ 2,084,536</u></u>

# Statistical Section

Statistical tables differ from the financial statements because they usually cover more than one year and may present nonaccounting data. These tables reflect social and economic data, financial trends and the fiscal capability of the City of Gladwin.

	Page
<b>Financial Trends</b>	82-86
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	87-90
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
<b>Debt Capacity</b>	91-96
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic</b>	97-98
These schedules offer demographic/economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
<b>Operating Information</b>	99-101
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

City of Gladwin, Michigan  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 5,499,935	\$ 5,418,036	\$ 5,794,603	\$ 5,636,378	\$ 5,386,288	\$ 5,405,662	\$ 5,225,081	\$ 5,035,192	\$ 4,847,853	\$ 4,494,824
Restricted	369,073	417,917	246,146	246,253	238,706	758,207	899,511	763,776	908,424	804,228
Unrestricted	930,453	1,162,097	1,145,239	1,059,868	1,215,853	833,230	853,566	910,151	964,928	849,958
<b>Total governmental activities net position</b>	<b>\$ 6,799,461</b>	<b>\$ 6,998,050</b>	<b>\$ 7,185,988</b>	<b>\$ 6,942,499</b>	<b>\$ 6,840,847</b>	<b>\$ 6,997,099</b>	<b>\$ 6,978,158</b>	<b>\$ 6,709,119</b>	<b>\$ 6,721,205</b>	<b>\$ 6,149,010</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 3,203,294	\$ 3,092,725	\$ 3,197,466	\$ 2,756,993	\$ 4,025,069	\$ 4,245,772	\$ 4,045,196	\$ 3,841,673	\$ 3,622,634	\$ 3,598,469
Restricted	1,259,142	-	-	-	-	-	-	-	-	-
Unrestricted	1,228,499	2,715,822	2,699,448	2,242,809	1,173,147	1,174,318	1,504,455	1,589,530	1,679,455	1,510,984
<b>Total business-type activities net position</b>	<b>\$ 5,690,935</b>	<b>\$ 5,808,547</b>	<b>\$ 5,896,914</b>	<b>\$ 4,999,802</b>	<b>\$ 5,198,216</b>	<b>\$ 5,420,090</b>	<b>\$ 5,549,651</b>	<b>\$ 5,431,203</b>	<b>\$ 5,302,089</b>	<b>\$ 5,109,453</b>
<b>Total governmental and business-type activities</b>										
Invested in capital assets, net of related debt	\$ 8,703,229	\$ 8,510,761	\$ 8,992,069	\$ 8,393,371	\$ 9,411,357	\$ 9,651,434	\$ 9,270,277	\$ 8,876,865	\$ 8,470,487	\$ 8,093,293
Restricted	1,628,215	417,917	246,146	246,253	238,706	758,207	899,511	763,776	908,424	804,228
Unrestricted	2,158,952	3,877,919	3,844,687	3,302,677	2,389,000	2,007,548	2,358,021	2,499,681	2,644,383	2,360,942
<b>Total net position</b>	<b>\$ 12,490,396</b>	<b>\$ 12,806,597</b>	<b>\$ 13,082,902</b>	<b>\$ 11,942,301</b>	<b>\$ 12,039,063</b>	<b>\$ 12,417,189</b>	<b>\$ 12,527,809</b>	<b>\$ 12,140,322</b>	<b>\$ 12,023,294</b>	<b>\$ 11,258,463</b>

**City of Gladwin, Michigan**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 612,092	\$ 615,223	\$ 653,874	\$ 661,609	\$ 746,280	\$ 697,233	\$ 696,161	\$ 727,658	\$ 727,355	\$ 771,476
Public safety	614,820	598,775	612,963	594,225	585,553	595,996	564,090	610,119	588,948	570,945
Public works	782,236	740,612	899,740	1,035,189	1,390,255	960,817	910,340	1,080,999	862,141	1,125,553
Health and welfare	688	837	895	32,525	96,048	-	26,842	-	85,300	-
Recreation and culture	147,728	238,226	157,221	185,385	215,720	162,916	173,770	200,697	196,980	300,512
Loss on disposal of capital assets	-	-	-	1,502	-	-	-	-	-	-
Interest on long-term debt	138,644	134,454	122,633	96,732	70,653	21,922	13,586	9,940	12,984	15,992
<b>Total governmental activities expenses</b>	<b>\$ 2,296,208</b>	<b>\$ 2,328,127</b>	<b>\$ 2,447,326</b>	<b>\$ 2,607,167</b>	<b>\$ 3,104,509</b>	<b>\$ 2,438,884</b>	<b>\$ 2,384,789</b>	<b>\$ 2,629,413</b>	<b>\$ 2,473,708</b>	<b>\$ 2,784,478</b>
Business-type activities:										
Ice arena	\$ 64,124	\$ 63,454	\$ 61,964	\$ 61,804	\$ 59,100	\$ 57,463	\$ 55,253	\$ 54,117	\$ 34,704	\$ 33,100
Farmers' market	-	-	-	-	-	-	3,325	14,543	8,898	9,272
Sewer	478,633	514,411	524,442	489,581	591,435	674,976	440,573	446,251	452,687	529,378
Water	395,518	355,015	322,375	426,100	484,055	403,335	477,521	554,833	530,461	560,326
<b>Total business-type activities expenses</b>	<b>\$ 938,275</b>	<b>\$ 932,880</b>	<b>\$ 908,781</b>	<b>\$ 977,485</b>	<b>\$ 1,134,590</b>	<b>\$ 1,135,774</b>	<b>\$ 976,672</b>	<b>\$ 1,069,744</b>	<b>\$ 1,026,750</b>	<b>\$ 1,132,076</b>
<b>Total primary government expenses</b>	<b>\$ 3,234,483</b>	<b>\$ 3,261,007</b>	<b>\$ 3,356,107</b>	<b>\$ 3,584,652</b>	<b>\$ 4,239,099</b>	<b>\$ 3,574,658</b>	<b>\$ 3,361,461</b>	<b>\$ 3,699,157</b>	<b>\$ 3,500,458</b>	<b>\$ 3,916,554</b>
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 58,986	\$ 77,243	\$ 57,053	\$ 52,742	\$ 64,722	\$ 120,136	\$ 112,839	\$ 135,422	\$ 119,286	\$ 137,548
Public safety	109,640	85,691	85,500	82,804	80,998	80,461	72,441	74,413	69,056	7,204
Public works	159,670	172,966	173,356	187,145	189,620	211,484	201,566	211,086	195,100	203,472
Health and welfare	-	-	-	-	-	-	-	-	-	-
Recreation and culture	78,668	88,048	80,953	74,806	78,113	78,411	93,767	82,521	185,101	89,029
Operating grants and contributions	261,105	329,519	404,948	282,805	371,637	271,058	323,999	288,019	401,611	293,271
Capital grants and contributions	513,228	-	173	24,000	20,000	220,837	28,286	94,269	8,000	21,321
<b>Total governmental activities program revenues</b>	<b>\$ 1,181,297</b>	<b>\$ 753,467</b>	<b>\$ 801,983</b>	<b>\$ 704,302</b>	<b>\$ 805,090</b>	<b>\$ 982,387</b>	<b>\$ 832,898</b>	<b>\$ 885,730</b>	<b>\$ 978,154</b>	<b>\$ 751,845</b>
Business-type activities:										
Charges for services:										
Ice arena	\$ 60,479	\$ 59,558	\$ 35	\$ (864,522)	\$ -	\$ 828	\$ 3,383	\$ 3,383	\$ 3,383	\$ 3,383
Farmers' market	-	-	-	-	-	-	635	2,296	957	1,012
Sewer	688,897	691,194	708,173	676,084	670,795	724,563	700,544	709,393	684,688	707,246
Water	392,204	390,665	394,135	357,834	284,701	350,728	323,883	334,966	336,597	336,519
Operating grants and contributions	17,082	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	658,000	3,873	186,676	2,246	2,994	5,475
<b>Total business-type activities program revenues</b>	<b>\$ 1,158,662</b>	<b>\$ 1,141,417</b>	<b>\$ 1,102,343</b>	<b>\$ 169,396</b>	<b>\$ 1,613,496</b>	<b>\$ 1,079,992</b>	<b>\$ 1,215,121</b>	<b>\$ 1,052,284</b>	<b>\$ 1,028,619</b>	<b>\$ 1,053,635</b>
<b>Total primary government program revenues</b>	<b>\$ 2,339,959</b>	<b>\$ 1,894,884</b>	<b>\$ 1,904,326</b>	<b>\$ 873,698</b>	<b>\$ 2,418,586</b>	<b>\$ 2,062,379</b>	<b>\$ 2,048,019</b>	<b>\$ 1,938,014</b>	<b>\$ 2,006,773</b>	<b>\$ 1,805,480</b>
Net (expense)/revenue										
Governmental activities	\$ (1,114,911)	\$ (1,574,660)	\$ (1,645,343)	\$ (1,902,865)	\$ (2,299,419)	\$ (1,456,497)	\$ (1,551,891)	\$ (1,743,683)	\$ (1,495,554)	\$ (2,032,633)
Business-type activities	220,387	208,537	193,562	(808,089)	478,906	(55,782)	238,449	(17,460)	1,869	(78,441)
<b>Total primary government net expense</b>	<b>\$ (894,524)</b>	<b>\$ (1,366,123)</b>	<b>\$ (1,451,781)</b>	<b>\$ (2,710,954)</b>	<b>\$ (1,820,513)</b>	<b>\$ (1,512,279)</b>	<b>\$ (1,313,442)</b>	<b>\$ (1,761,143)</b>	<b>\$ (1,493,685)</b>	<b>\$ (2,111,074)</b>

City of Gladwin, Michigan  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Property taxes	\$ 1,078,266	\$ 1,138,714	\$ 1,226,212	\$ 1,142,815	\$ 1,114,777	\$ 1,165,399	\$ 1,112,844	\$ 1,073,219	1,047,186	1,034,612
Grants and contributions not restricted to specific programs	338,786	328,307	328,308	348,568	370,222	279,057	272,981	279,242	289,937	343,047
Unrestricted investment earnings	57,706	88,643	57,725	19,396	14,851	8,013	5,954	3,763	2,799	2,748
Other revenue	60,563	89,202	73,852	18,132	15,583	2,971	1,521	2,960	6,388	18,865
Gain on disposal of capital assets	-	-	16,685	-	-	-	-	-	-	-
Transfers - internal activities	139,643	128,383	130,499	130,465	682,334	151,010	141,650	132,365	161,330	143,163
<b>Total governmental activities</b>	<b>\$ 1,674,964</b>	<b>\$ 1,773,249</b>	<b>\$ 1,833,281</b>	<b>\$ 1,659,376</b>	<b>\$ 2,197,767</b>	<b>\$ 1,606,450</b>	<b>\$ 1,534,950</b>	<b>\$ 1,491,549</b>	<b>1,507,640</b>	<b>1,542,435</b>
Business-type activities:										
Unrestricted investment earnings	\$ 21,380	\$ 37,458	\$ 25,304	\$ 41,442	\$ 38,547	\$ 34,863	\$ 32,762	\$ 31,377	30,347	28,968
Other revenue	-	-	-	-	70,940	-	-	-	-	-
Transfers - internal activities	(139,643)	(128,383)	(130,499)	(130,465)	(389,979)	(149,010)	(141,650)	(132,365)	(161,330)	(143,163)
<b>Total business-type activities</b>	<b>\$ (118,263)</b>	<b>\$ (90,925)</b>	<b>\$ (105,195)</b>	<b>\$ (89,023)</b>	<b>\$ (280,492)</b>	<b>\$ (114,147)</b>	<b>\$ (108,888)</b>	<b>\$ (100,988)</b>	<b>(130,983)</b>	<b>(114,195)</b>
<b>Total primary government</b>	<b>\$ 1,556,701</b>	<b>\$ 1,682,324</b>	<b>\$ 1,728,086</b>	<b>\$ 1,570,353</b>	<b>\$ 1,917,275</b>	<b>\$ 1,492,303</b>	<b>\$ 1,426,062</b>	<b>\$ 1,390,561</b>	<b>1,376,657</b>	<b>1,428,240</b>
<b>Change in net position</b>										
Governmental activities	\$ 560,053	\$ 198,589	\$ 187,938	\$ (243,489)	\$ (101,652)	\$ 149,953	\$ (16,941)	\$ (252,134)	12,086	(490,198)
Business-type activities	102,124	117,612	88,367	(897,112)	198,414	(169,929)	129,561	(118,448)	(129,114)	(192,636)
<b>Total primary government</b>	<b>\$ 662,177</b>	<b>\$ 316,201</b>	<b>\$ 276,305</b>	<b>\$ (1,140,601)</b>	<b>\$ 96,762</b>	<b>\$ (19,976)</b>	<b>\$ 112,620</b>	<b>\$ (370,582)</b>	<b>(117,028)</b>	<b>(682,834)</b>

City of Gladwin, Michigan  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserves	\$ 2,188	\$ 3,160	\$ 4,766	\$ 2,692	\$ 3,237	\$ -	\$ -	\$ -	\$ -	\$ -
Designated	67,835	87,835	98,505	92,964	91,818	-	-	-	-	-
Unreserved/undesignated	392,008	507,188	635,855	645,687	716,323	-	-	-	-	-
Nonspendable	-	-	-	-	-	600	738	1,218	626	626
Restricted	-	-	-	-	-	16,229	21,515	2,331	2,331	2,331
Committed	-	-	-	-	-	66,635	142,179	141,635	141,635	141,635
Unassigned	-	-	-	-	-	718,258	715,057	784,141	923,697	843,683
<b>Total General Fund</b>	<b>\$ 462,031</b>	<b>\$ 598,183</b>	<b>\$ 739,126</b>	<b>\$ 741,343</b>	<b>\$ 811,378</b>	<b>\$ 801,722</b>	<b>\$ 879,489</b>	<b>\$ 929,325</b>	<b>\$ 1,068,289</b>	<b>\$ 988,275</b>
All other governmental funds:										
Nonspendable:										
Cemetery perpetual care	\$ 369,073	\$ 417,917	\$ 246,146	\$ 246,253	\$ 238,706	\$ 164,453	\$ 170,562	\$ 174,192	\$ 180,118	\$ 183,178
Restricted, reported in:										
Special revenue funds	365,104	468,189	344,623	339,010	399,826	485,556	628,292	555,872	696,943	30,557
Debt service funds	-	-	-	-	-	91,969	79,152	31,381	29,032	588,162
Capital project funds	-	-	-	-	49,580	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 734,177</b>	<b>\$ 886,106</b>	<b>\$ 590,769</b>	<b>\$ 585,263</b>	<b>\$ 688,112</b>	<b>\$ 741,978</b>	<b>\$ 878,006</b>	<b>\$ 761,445</b>	<b>\$ 906,093</b>	<b>\$ 801,897</b>

Note: New categories were added in 2011 to comply with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

City of Gladwin, Michigan  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Property taxes	\$ 1,078,266	\$ 1,138,714	\$ 1,226,212	\$ 1,142,815	\$ 1,114,777	\$ 1,165,399	\$ 1,112,844	\$ 1,073,219	\$ 1,047,186	\$ 1,034,612
Licenses and permits	32,871	33,415	33,105	35,036	36,486	38,547	38,631	43,420	33,773	45,965
Intergovernmental revenue	1,106,922	589,431	575,913	587,564	734,006	738,474	548,193	620,962	680,044	630,092
Charges for services	343,198	358,072	335,201	335,184	342,209	423,487	417,225	359,893	353,080	311,431
Fines and forfeitures	23,733	25,109	22,947	18,397	18,842	19,388	13,483	15,002	15,836	6,984
Interest and rentals	57,512	86,931	59,175	27,532	22,933	7,570	5,656	3,573	2,786	2,736
Other revenue	69,700	157,598	231,927	62,031	59,449	42,470	89,868	128,655	130,892	50,566
<b>Total revenues</b>	<b>\$ 2,712,202</b>	<b>\$ 2,389,270</b>	<b>\$ 2,484,480</b>	<b>\$ 2,208,559</b>	<b>\$ 2,328,702</b>	<b>\$ 2,435,335</b>	<b>\$ 2,225,900</b>	<b>\$ 2,244,724</b>	<b>\$ 2,263,597</b>	<b>\$ 2,082,386</b>
Expenditures:										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government	605,424	594,126	638,208	646,826	745,490	614,927	610,743	638,246	649,362	695,822
Public safety	611,899	606,052	614,441	590,963	579,805	589,991	570,928	593,629	558,101	539,063
Public works	598,398	573,891	823,990	742,974	1,098,886	573,796	560,899	740,162	523,551	776,556
Health and welfare	688	837	895	32,525	96,048	-	26,842	-	85,300	-
Recreation and culutre	116,049	212,794	240,245	142,521	145,073	518,275	142,718	179,720	136,370	234,756
Debt service	209,611	221,088	235,696	193,504						
Principal					105,000	115,000	120,000	136,000	141,000	148,000
Interest					89,541	85,146	80,333	81,062	77,856	71,714
Capital outlay	892,301	27,784	2,898	-	-	49,580	272,924	83,363	-	4,998
<b>Total expenditures</b>	<b>\$ 3,034,370</b>	<b>\$ 2,236,572</b>	<b>\$ 2,556,373</b>	<b>\$ 2,349,313</b>	<b>\$ 2,859,843</b>	<b>\$ 2,546,715</b>	<b>\$ 2,385,387</b>	<b>\$ 2,452,182</b>	<b>\$ 2,171,540</b>	<b>\$ 2,470,909</b>
Excess of revenues over (under) expenditures	\$ (322,168)	\$ 152,698	\$ (71,893)	\$ (140,754)	\$ (531,141)	\$ (111,380)	\$ (159,487)	\$ (207,458)	\$ 92,057	\$ (388,523)
Other financing sources (uses):										
Proceeds from the issuance of debt	\$ -	\$ -	\$ 1,005,000	\$ -	\$ -	\$ -	\$ 224,632	\$ 1,368	\$ -	\$ -
Payments to refunded escrow agents	-	-	(1,225,000)	-	-	-	-	-	-	-
Transfers in	279,895	220,281	285,086	367,465	864,025	248,510	229,950	244,786	324,614	327,413
Transfers out	(133,252)	(84,898)	(147,587)	(230,000)	(160,000)	(92,500)	(81,300)	(105,421)	(133,059)	(123,100)
Transfers to component units	-	-	-	-	-	-	-	-	-	-
<b>Total financing sources (uses)</b>	<b>\$ 146,643</b>	<b>\$ 135,383</b>	<b>\$ (82,501)</b>	<b>\$ 137,465</b>	<b>\$ 704,025</b>	<b>\$ 156,010</b>	<b>\$ 373,282</b>	<b>\$ 140,733</b>	<b>\$ 191,555</b>	<b>\$ 204,313</b>
<b>Net change in fund balances</b>	<b>\$ (175,525)</b>	<b>\$ 288,081</b>	<b>\$ (154,394)</b>	<b>\$ (3,289)</b>	<b>\$ 172,884</b>	<b>\$ 44,630</b>	<b>\$ 213,795</b>	<b>\$ (66,725)</b>	<b>\$ 283,612</b>	<b>\$ (184,210)</b>
Debt service as a percentage of noncapital expenditures	9.7%	9.1%	9.1%	8.6%	7.1%	9.6%	9.9%	9.5%	9.5%	8.9%

City of Gladwin, Michigan  
 Governmental Activities Assessed Value of Taxable Property  
 Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property			Personal Property	Total Taxable Assessed Value	Total Direct Rate
	Residential	Commercial	Industrial			
2006	\$ 38,725,800	\$ 22,729,800	\$ 5,081,000	\$ 9,770,300	\$ 76,306,900	17.6457
2007	41,614,500	25,595,900	5,203,500	10,027,200	82,441,100	17.6457
2008	43,781,600	25,876,300	5,227,300	9,389,639	84,274,839	17.6457
2009	43,348,000	27,867,600	4,863,000	8,783,245	84,861,845	16.0247
2010	40,848,300	27,565,800	4,080,600	7,427,777	79,922,477	16.0247
2011	39,451,200	26,637,500	4,069,800	7,096,888	77,255,388	16.4457
2012	35,045,600	25,513,200	3,976,400	6,928,347	71,463,547	16.1967
2013	34,663,905	24,405,200	3,601,000	7,672,996	70,343,101	15.5697
2014	29,805,100	21,629,600	3,580,000	8,155,651	63,170,351	16.5017
2015	28,594,590	21,272,823	3,457,487	6,827,400	60,152,300	16.5017

Source: Gladwin City Assessor

Notes: Does not include Industrial or Commercial Rehabilitation Tax

Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to 50% of true cash value. Tax rates are per \$1,000 of taxable value.

City of Gladwin, Michigan  
Property Tax Rates  
Direct and Overlapping\* Governments  
Last Ten Years

Fiscal Year	City of Gladwin			Gladwin County			Gladwin Community Schools			Overlapping Rates		Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Other County Millage	Total County Millage	Non-homestead Millage	Debt Service Millage	Total School Millage	State Education Tax	Special Districts	
2006	14.6457	3.0000	17.6457	4.4935	4.7719	9.2654	17.5662	1.8200	19.3862	6.0000	3.3075	55.6048
2007	14.6457	3.0000	17.6457	4.4359	4.7358	9.1717	17.4799	1.8200	19.2999	6.0000	3.2736	55.3909
2008	14.6457	3.0000	17.6457	4.4119	4.4970	8.9089	17.3050	1.8200	19.1250	6.0000	3.2617	54.9413
2009	14.6457	1.3790	16.0247	4.4052	4.7052	9.1104	17.1785	1.7200	18.8985	6.0000	3.4625	53.4961
2010	14.6457	1.3790	16.0247	4.4052	5.2017	9.6069	17.1785	1.7200	18.8985	6.0000	3.2617	53.7918
2011	14.6457	1.8000	16.4457	4.4052	5.2017	9.6069	17.1785	1.7200	18.8985	6.0000	3.2617	54.2128
2012	14.6457	1.5510	16.1967	4.4052	5.2017	9.6069	17.1785	2.1400	19.3185	6.0000	3.2617	54.3838
2013	14.6457	0.9240	15.5697	4.4052	4.2465	8.6517	18.0000	2.1400	20.1400	6.0000	3.2617	53.6231
2014	14.6457	1.8560	16.5017	4.4052	4.7500	9.1552	18.0000	2.1000	20.1000	6.0000	3.2617	55.0186
2015	14.6457	1.8560	16.5017	4.4052	4.8600	9.2652	18.0000	2.0000	20.0000	6.0000	3.7582	55.5251

\*Overlapping rates are those of local and county governments that apply to property owners with the City of Gladwin.  
In the City of Gladwin all overlapping rates apply to all property owners in the City.

Source: Gladwin County Apportionment Report

City of Gladwin, Michigan  
Principal Taxpayers  
Current Year and Nine Years Ago

Taxpayer	Type of Business	2015			2006		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Consumers Energy	Utility	\$ 2,942,403	1	4.9	\$ 2,233,803	4	3.5
D&W Fine Pack Acquisition LLC	Manufacturing	2,518,600	2	4.2			
M-61 Limited Partnership Ltd	Health Care	1,250,696	3	2.1			
Jasco Properties, LLC/Loose Plastic	Manufacturing	1,223,961	4	2.0			
DeShano, Gary & Florence	Construction	987,828	5	1.6	1,903,335	5	3.0
The Riverwalk Place	Commercial/Residential	980,619	6	1.6			
Gladwin Holdings	Retail	740,765	7	1.2			
Graff Motor Sales	Automotive Sales	652,730	8	1.1	548,038	9	0.9
Realty Income Corporation	Real Estate Leasing	627,674	9	1.0			
Gladwin Plaza East	Retail	586,841	10	1.0			
Village East Apartments	Residential	548,327		0.9			
Family Fare	Retail	526,300		0.9			
Oberloier Smith Properties	Manufacturing	450,300		0.7	3,979,934	1	6.2
Otto, Lee & Yvonne	Automotive Sales	409,268		0.7	567,965	8	0.9
Charter Communications II LP	Cable/Phone	137,300		0.2			
Ashcraft Gladwin LLC	Retail				755,992	7	1.2
Dennings, Carol & DeVere	Commercial Development				2,645,240	3	4.2
Dura Automotive	Automotive				3,692,992	2	4.2
Pamida Seven LLC	Retail				832,846	6	1.3
Smith, Michael & Amy	Motel				517,241	10	0.8
		<u>\$ 14,583,612</u>		<u>24.1</u>	<u>\$ 17,677,386</u>		<u>26.2</u>

City of Gladwin, Michigan  
Property Tax Levies and Collections  
Last Ten Years

Tax Roll Year	Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent Delinquent Taxes to Tax Levy
			Amount	Percentage of Levy		Amount	Percentage of Levy		
2005	2006	\$ 1,125,870	\$ 1,123,958	99.83%	\$ 1,894	\$ 1,125,852	100.00%	\$ 18	0.002%
2006	2007	1,184,619	1,107,806	93.52%	76,523	1,184,329	99.98%	290	0.024%
2007	2008	1,245,794	1,150,264	92.33%	95,390	1,245,662	99.99%	132	0.011%
2008	2009	837,155	754,939	90.18%	82,216	837,155	100.00%	-	0.000%
2009	2010	1,128,134	1,127,167	99.91%	887	1,128,054	99.99%	80	0.007%
2010	2011	1,125,455	1,124,771	99.94%	254	1,125,025	99.96%	430	0.038%
2011	2012	1,065,220	1,064,929	99.97%	-	1,064,929	99.97%	291	0.027%
2012	2013	1,029,769	1,028,661	99.89%	-	1,028,661	99.89%	1,108	0.108%
2013	2014	1,010,050	973,492	96.38%	-	973,492	96.38%	40,493	4.009%
2014	2015	1,009,934	950,853	94.15%	-	950,853	94.15%	59,081	5.850%

Source : City Treasurer

Note: Does not include administration fees

City of Gladwin, Michigan  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Per Capita
	General Obligation Bonds	Installment Purchase	Water Supply GO Bonds	Arena Revenue Bonds	Water Supply Revenue Bonds		
2006	\$ 2,526,382	\$ 1,295,500	\$ 240,000	\$ 1,150,000	\$	\$ 5,211,882	1,759
2007	2,437,290	104,500	210,000	1,120,000		3,871,790	1,329
2008	2,130,000	64,000	180,000	1,090,000		3,464,000	1,203
2009	2,030,000	21,000	150,000	1,039,077		3,240,077	1,135
2010	1,925,000	-	115,000	1,010,123	987,000	4,037,123	1,376
2011	1,810,000	-	80,000	976,169	920,260	3,786,429	1,284
2012	1,914,632	-	40,000	942,215	942,991	3,839,838	1,302
2013	1,780,000	-	-	926,196	902,991	3,609,187	1,223
2014	1,639,000	30,000	-	877,996	862,991	3,409,987	1,163
2015	1,491,000	28,000	-	829,796	822,991	3,171,787	1,081

Note: Does not include bonds issued by component units (specifically the Downtown Development Authority).

Details regarding the city's outstanding debt can be found in the notes to the financial statements beginning on page 48.

Data is not available for the total debt outstanding expressed as a percentage of personal income.

Population data can be found in the table of Demographic and Economic Statistics on page 97.

City of Gladwin, Michigan  
 Ratios of General Bonded Debt Outstanding  
 Last Ten Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds (1)</b>	<b>Less: Amounts Available in Debt Service Fund (2)</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2006	\$ 2,766,382	\$ 215,419	\$ 2,550,963	4.45%	861
2007	2,647,290	276,133	2,371,157	3.72%	814
2008	2,310,000	108,668	2,201,332	2.86%	764
2009	2,180,000	100,014	2,079,986	2.67%	728
2010	2,040,000	82,827	1,957,173	2.62%	613
2011	1,890,000	91,766	1,798,234	2.61%	610
2012	1,954,632	78,996	1,875,636	2.79%	636
2013	1,780,000	31,161	1,748,839	2.65%	593
2014	1,639,000	28,776	1,610,224	2.49%	549
2015	1,491,000	29,665	1,461,335	2.43%	498

- Note:
- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
  - (2) This is the amount restricted for debt service principal payments.
  - (3) See the Schedule of Assessed Value of Taxable Property on page 87 for property value data.
  - (4) Population data can be found in the Schedule of Demographic and Economic Statistics on page 97.

City of Gladwin, Michigan  
 Direct and Overlapping Governmental Activities Debt  
 June 30, 2015

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable to City</b>	<b>City's Share of Debt</b>
Gladwin Community Schools	\$ 9,859,100	12.83%	\$ 1,264,923
City of Gladwin Direct Debt General Obligation Bonds	\$ 1,491,000	100.00%	<u>1,491,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 2,755,923</u></u>

Sources: Debt outstanding data provided by the Gladwin Community School District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Gladwin. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying

City of Gladwin, Michigan  
 Legal Debt Margin Information  
 June 30, 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 7,630,690	\$ 8,244,110	\$ 8,427,484	\$ 8,486,185	\$ 7,992,248	\$ 7,735,959	\$ 7,011,697	\$ 7,034,310	\$ 6,317,035
Outstanding indebtedness at June 30	229,581	83,867	71,332	49,986	32,174	(11,766)	145,636	183,839	203,467
Legal debt margin	\$ 7,401,109	\$ 8,160,243	\$ 8,356,152	\$ 8,436,199	\$ 7,960,074	\$ 7,747,725	\$ 6,866,061	\$ 6,850,471	\$ 6,113,568
Total net debt applicable to the limit as a percentage of debt limit	3.01%	1.02%	0.85%	0.59%	0.40%	-0.15%	2.08%	2.61%	3.22%
Percentage of net debt contracting margin available	96.99%	98.98%	99.15%	99.41%	99.60%	100.00%	97.92%	97.39%	96.78%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Total assessed value	\$ 63,170,351
Debt limit (10% of total assessed value)	\$ 6,317,035
Debt applicable to limit:	
Total bonded debt, beginning of year from page 92	3,409,987
Less: beginning assets available for debt service from page 92	(28,776)
Less: bonds with dedicated funding source	(3,175,987)
Total net debt applicable to limit	<u>205,224</u>
Legal debt margin for fiscal year 2015	<u>\$ 6,111,811</u>
Legal debt margin / legal debt limit	96.75%

Note:  
 Outstanding indebtedness at June 30 excluded debt with dedicated funding sources

City of Gladwin, Michigan  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Ice Arena Revenue Bonds						Water Supply System Revenue Bonds					
	Ice Arena Rental	Less: Operating Expenses	Net Available Revenue	Debt Service			Water Charges & Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2006	\$ 60,479	\$ 2,599	\$ 57,880	\$ -	\$ 60,479	0.96	\$	\$	\$	\$	\$	\$
2007	90,479	2,849	87,630	30,000	60,479	0.97						
2008	88,394	2,760	85,634	30,000	58,394	0.97						
2009	79,001	4,029	74,972	30,000	56,968	0.86						
2010	85,528	3,811	81,717	30,000	55,528	0.96						
2011	88,951	2,751	86,200	35,000	53,951	0.97	350,728	378,080	(27,352)		10,441	(2.62)
2012	87,219	2,280	84,939	35,000	53,951	0.95	323,883	445,571	(121,688)	37,000	22,764	(2.04)
2013	73,944	14,349	59,595	50,000	23,944	0.81	334,966	526,644	(191,678)	40,000	22,575	(3.06)
2014	80,622	2,491	78,131	50,000	29,182	0.99	336,597	514,295	(177,698)	40,000	21,824	(2.87)
2015	79,413	2,387	77,026	50,000	27,985	0.99	336,522	644,470	(307,948)	40,000	20,826	(5.06)

Note: Ice Arena Bonds were issued June 24, 1999, with first principal payment in fiscal 2007; they were refunded on August 8, 2012.

(See page 50 in the Notes to the Financial Statements for a detailed explanation)

Water Supply System Bonds were issued January 22, 2010, with first interest payment in fiscal 2011 and first principal payment in fiscal 2012

City of Gladwin, Michigan  
Annual Debt Service Requirements  
June 30, 2015

For Year Ended June 30	Governmental Activities								Business Type Activities				Total Requirements
	Refunding of 1996 Water & Sewer Bonds		2004 Sewer Improvement Bonds		2012 Police Renovation Bonds		2012 Police Renovation Bonds		2013 Ice Arena Bond		Water Supply System Revenue Bond		
	Principal	Interest	Principal	Interest					Principal	Interest	Principal	Interest	
2016	80,000	21,988	60,000	36,032	8,000	4,500	5,000	2,663	50,000	27,663	40,000	20,075	355,921
2017	85,000	18,419	65,000	33,125	8,000	4,200	5,000	2,475	50,000	26,162	45,000	19,012	361,393
2018	85,000	14,700	70,000	29,935	9,000	3,900	5,000	2,288	50,000	24,913	45,000	17,887	357,623
2019	90,000	18,828	70,000	26,593	9,000	3,563	5,000	2,100	55,000	23,587	45,000	16,762	365,433
2020	95,000	4,435	75,000	23,094	9,000	3,225	6,000	1,913	55,000	21,938	45,000	15,637	355,242
2021	100,000	2,275	75,000	19,438	10,000	2,888	6,000	1,688	60,000	20,212	50,000	14,450	361,951
2022			80,000	15,620	10,000	2,513	6,000	1,463	60,000	18,413	50,000	13,200	257,209
2023			85,000	11,515	10,000	2,138	6,000	1,238	60,000	16,537	50,000	11,950	254,378
2024			90,000	7,117	11,000	1,763	6,000	1,013	65,000	14,344	50,000	10,700	256,937
2025			95,000	2,423	12,000	1,350	7,000	788	65,000	11,906	55,000	9,387	259,854
2026					12,000	900	7,000	525	65,000	9,469	55,000	8,012	157,906
2027					12,000	450	7,000	263	70,000	6,938	55,000	6,637	158,288
2028									75,000	4,219	55,000	5,262	139,481
2029									75,000	1,406	60,000	3,825	140,231
2030											60,000	2,325	62,325
2031											62,991	787	63,778
	\$ 535,000	\$ 80,645	\$ 765,000	\$ 204,892	\$ 120,000	\$ 31,390	\$ 71,000	\$ 18,417	\$ 855,000	\$ 227,707	\$ 822,991	\$ 175,908	\$ 3,907,950

City of Gladwin, Michigan  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b> (amounts expressed in thousands)	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Formal Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2004	3,017	\$ n/a	\$ n/a	n/a	n/a	n/a	n/a
2005	2,978	n/a	n/a	n/a	n/a	n/a	n/a
2006	2,963	n/a	n/a	n/a	n/a	n/a	n/a
2007	2,914	n/a	n/a	n/a	n/a	n/a	n/a
2008	2,880	n/a	n/a	n/a	n/a	n/a	n/a
2009	2,854	n/a	n/a	n/a	n/a	n/a	n/a
2010	2,933	n/a	n/a	n/a	n/a	n/a	n/a
2011	2,950	n/a	n/a	n/a	n/a	n/a	n/a
2012	2,950	n/a	n/a	n/a	n/a	n/a	n/a
2013	2,950	n/a	n/a	n/a	n/a	n/a	n/a
2014	2,933	n/a	n/a	n/a	n/a	n/a	n/a
2015	2,933	n/a	n/a	n/a	n/a	n/a	n/a

The population for 2011 through 2013 is based on the 2010 U.S. Census. Information is no longer available for cities of our size. The population for 2014 and 2015 is estimated based on available information. Population demographic information is no longer available for cities of our size.

City of Gladwin, Michigan  
Principal Employers  
Current Year and Ten Years Ago

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Gladwin School District	249	1	n/a	n/a	n/a	n/a
County of Gladwin	198	2	n/a	n/a	n/a	n/a
Mid Michigan Medical Center	156	3	n/a	n/a	n/a	n/a
Mid Michigan Gladwin Pines	141	4	n/a	n/a	n/a	n/a
Loose Plastics	126	5	n/a	n/a	n/a	n/a
Gladwin City Housing Commission	88	6	n/a	n/a	n/a	n/a
Roll Rite, LLC	76	7	n/a	n/a	n/a	n/a
D&W Fine Pack	65	8	n/a	n/a	n/a	n/a
Family Fare Supermarkets	63	9	n/a	n/a	n/a	n/a
McDonald's Restaurant	60	10	n/a	n/a	n/a	n/a

Source: Gladwin County Chamber of Commerce

Information on the principal employers is not available for 2006. This information will be updated in future years as the information becomes available.

City of Gladwin, Michigan  
 Full-time Equivalent City Government Employees by Function  
 Last Ten Fiscal Years

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General government	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.5	5.5
Public safety:										
Police:										
Officers	6.0	6.0	6.0	7.0	7.5	7.5	6.5	8.5	7.5	7.5
Civilians	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Highways and streets:										
Engineering										
Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0
Recreation & culture	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0
Water	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Sewer	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total</b>	<b>22.0</b>	<b>22.0</b>	<b>22.0</b>	<b>22.5</b>	<b>23.0</b>	<b>23.0</b>	<b>20.5</b>	<b>22.5</b>	<b>21.0</b>	<b>21.0</b>

Source: Various governmental departments

City of Gladwin, Michigan  
 Operating Indicators by Function  
 Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police									
Arrests and Apprehensions	466	399	499	447	534	353	362	425	309
Complaints	931	692	795	818	816	854	764	791	675
Traffic Citations	891	669	832	567	582	572	399	610	545
Recreation & culture									
Campers admitted	2,558	2,664	2,526	2,518	2,939	2,921	3,313	2,865	3,213
Day use passes issued	3,141	2,896	2,327	2,374	2,321	1,914	1,671	1,268	1,893
Water									
New connections	9	6	2	-	-	1	-	-	-
Water main breaks	-	1	-	1	-	-	-	2	4
Average daily consumption (thousands of gallons)	274	269	344	331	321	320	339	342	346
Wastewater									
Average daily sewage treatment (thousands of gallons)	684	703	600	600	600	556	520	520	520

Sources: Various government departments

Note: Indicators are not available for the general government function

City of Gladwin, Michigan  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Streets & highways										
Streets (miles)	25.3	25.3	25.4	25.4	25.6	25.6	25.6	25.6	25.6	25.6
Traffic signals	2	2	2	2	2	2	2	2	3	3
Recreation & culture										
Parks acreage	48.45	48.45	48.45	48.45	48.45	48.45	48.45	48.45	48.45	48.45
Parks	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	-	-
Water										
Water mains (miles)	23.6	23.6	23.6	23.7	24.8	25.3	25.3	25.3	25.3	25.3
Fire hydrants	208	208	224	224	224	226	226	226	226	228
Maximum daily capacity (gal)	442,000	422,000	464,000	464,000	464,000	1,656,000	1,656,000	1,656,000	1,656,000	1,656,000
Average daily consumption (gal)	332,000	323,000	344,000	331,000	320,721	319,857	339,000	342,000	346,000	317,000
Wastewater										
Sanitary sewers (miles)	20	20	20	20	20	21	21	21	21	21
Storm sewers (miles)	7.2	7.2	7.2	7.2	7.2	7.6	7.6	7.6	8.6	8.6
Maximum daily capacity (gal)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Average daily treatment (gal)	684,000	703,000	600,000	600,000	600,000	600,000	520,000	520,000	520,000	550,000

Sources: Various government departments

Note: No capital asset indicators are available for the general government function

# Internal Control and Compliance

Independent Auditors' 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*

City Council  
City of Gladwin  
Gladwin, 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 Gladwin, Michigan as of and for the year ended June 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 November 9, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

*Andrews Hooper Paulik PLC*

Midland, Michigan  
November 9, 2015