

City of Bridgman,
Michigan



Year Ended
June 30, 2016

Financial
Statements

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CITY OF BRIDGMAN, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

December 20, 2016

The Honorable Mayor and
Members of the City Council
City of Bridgman, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Bridgman, Michigan* (the "City"), as of and for the year ended June 30, 2016, 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.

Independent 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 Audit 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, each major fund, and the aggregate remaining fund information of the City of Bridgman, Michigan as of June 30, 2016, 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.

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

As management of the City of Bridgman, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to financial statements.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$10,567,327 (*net position*), a decrease of \$163,068 from the prior year. Of this amount, \$1,021,069 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,422,892, an increase of \$95,110 from fiscal year 2015. Approximately 82% of this total amount, or \$1,170,251, is available for spending at the government's discretion (*unassigned fund balance of governmental funds*).
- At the end of the current fiscal year, the City's enterprise funds reported combined total net position of \$2,753,901 an increase of \$46,716 from fiscal year 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the remaining amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the 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., earned but unused vacation leave).

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

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, and highways and streets. The business-type activities of the City include water and sewer operations as well as parks and recreation.

The government-wide financial statements include not only the City itself (known as the primary government), but also two component units. The Brownfield Development Authority is a legally separate authority for which the City is financially accountable. The Authority had no assets as of June 30, 2016 and no activity for the year then ended. The City of Bridgman Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore, when active, is included as an integral part of the primary government. The City of Bridgman Building Authority had no assets as of June 30, 2016 and no activity for the year then ended.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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

The City maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Information on the City's nonmajor government funds is summarized in the basic financial statements with a detailed schedule presented as supplementary information.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements and schedules have been provided herein to demonstrate compliance with those budgets.

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

Proprietary Funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution operations, as well as parks and recreation. *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 vehicle and equipment maintenance activities. Because this service predominantly benefits governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within governmental activities in the government-wide statement of net position. A portion of the net income (loss) and net position of the internal service fund have been allocated to business-type activities based on the enterprise funds' percentage of the total activity.

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 sewer and water operations, as well as parks and recreation, all of which are considered to be major funds of the City.

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 fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI). RSI includes this management's discussion and analysis, along with the information concerning the City's progress in funding its obligation to provide pension benefits to employees. These schedules are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Bridgman, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,567,327 at the close of fiscal year 2016, a decrease of \$163,068 from fiscal year 2015. Governmental activities reported an decrease in net position of \$209,616 while business-type activities reported an increase in net position of \$46,548. Key elements in these changes have been discussed below.

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 1,571,917	\$ 1,951,424	\$ 2,974,706	\$ 2,563,553	\$ 4,546,623	\$ 4,514,977
Capital assets, net	7,511,559	7,941,247	3,847,978	4,015,563	11,359,537	11,956,810
Total assets	9,083,476	9,892,671	6,822,684	6,579,116	15,906,160	16,471,787
Deferred outflows of resources						
	146,011	32,579	174,604	132,373	320,615	164,952
Liabilities						
Long-term liabilities	851,457	987,992	3,591,730	3,759,345	4,443,187	4,747,337
Other liabilities	498,349	921,652	611,050	237,355	1,109,399	1,159,007
Total liabilities	1,349,806	1,909,644	4,202,780	3,996,700	5,552,586	5,906,344
Deferred inflows of resources						
	73,691	-	33,171	-	106,862	-
Net position						
Net investment in capital assets	6,686,999	6,982,229	2,548,978	2,697,563	9,235,977	9,679,792
Restricted	280,607	229,877	29,674	29,629	310,281	259,506
Unrestricted (deficit)	838,384	803,500	182,685	(12,403)	1,021,069	791,097
Total net position	\$ 7,805,990	\$ 8,015,606	\$ 2,761,337	\$ 2,714,789	\$10,567,327	\$10,730,395

A substantial portion of the City's net position (87.4 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, 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 net position, (2.9 percent or \$310,281), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (9.7 percent or \$1,021,069) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 40,003	\$ 45,316	\$ 1,325,212	\$ 942,214	\$ 1,365,215	\$ 987,530
Operating grants	232,610	199,207	674	28	233,284	199,235
Capital grants	71,788	981,368	-	-	71,788	981,368
General revenues:						
Property taxes	1,544,148	1,505,847	-	-	1,544,148	1,505,847
Unrestricted grants	241,488	230,251	-	-	241,488	230,251
Investment earnings	12,675	956	-	-	12,675	956
Gain on sale of capital assets	13,426	63,065	-	-	13,426	63,065
Total revenues	2,156,138	3,026,010	1,325,886	942,242	3,482,024	3,968,252
Expenses						
General government	611,116	665,274	-	-	611,116	665,274
Public safety	668,482	678,222	-	-	668,482	678,222
Public works	414,433	421,224	-	-	414,433	421,224
Highways and streets	535,082	522,909	-	-	535,082	522,909
Interest on long-term debt	17,241	27,281	-	-	17,241	27,281
Parks	-	-	310,677	307,565	310,677	307,565
Sewer	-	-	542,887	463,235	542,887	463,235
Water	-	-	545,174	523,668	545,174	523,668
Total expenses	2,246,354	2,314,910	1,398,738	1,294,468	3,645,092	3,609,378
Change in net position, before transfers	(90,216)	711,100	(72,852)	(352,226)	(163,068)	358,874
Transfers	(119,400)	(383,736)	119,400	383,736	-	-
Change in net position	(209,616)	327,364	46,548	31,510	(163,068)	358,874
Net position, beginning of year	8,015,606	8,002,644	2,714,789	2,824,799	10,730,395	10,827,443
Restatement for GASB 68	-	(314,402)	-	(141,520)	-	(455,922)
Net position, end of year	\$ 7,805,990	\$ 8,015,606	\$ 2,761,337	\$ 2,714,789	\$10,567,327	\$10,730,395

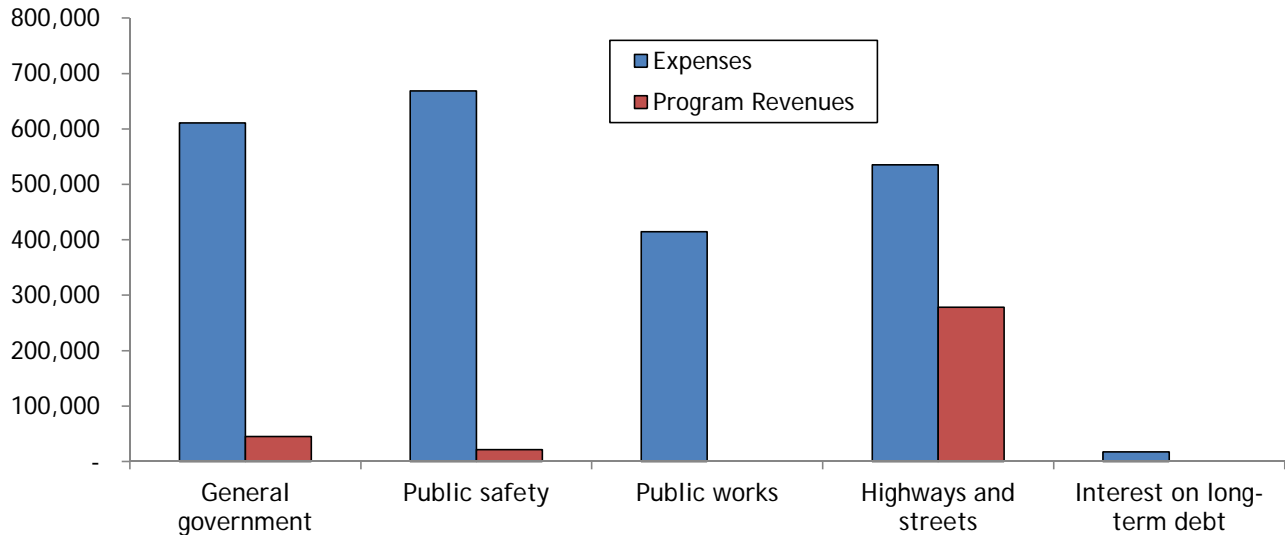
The City's net position decreased by \$163,068 during the current fiscal year. This is primarily related to governmental activities, as described below.

Governmental Activities. Governmental activities decreased the City's net position by \$209,616. The key element of this decrease was depreciation expense exceeding capital asset additions. Capital grant revenue decreased in the current year due to completion of the MDOT-financed Red Arrow Highway project. Transfers out to business-type activities decreased as well due to increased charges for services in enterprise funds.

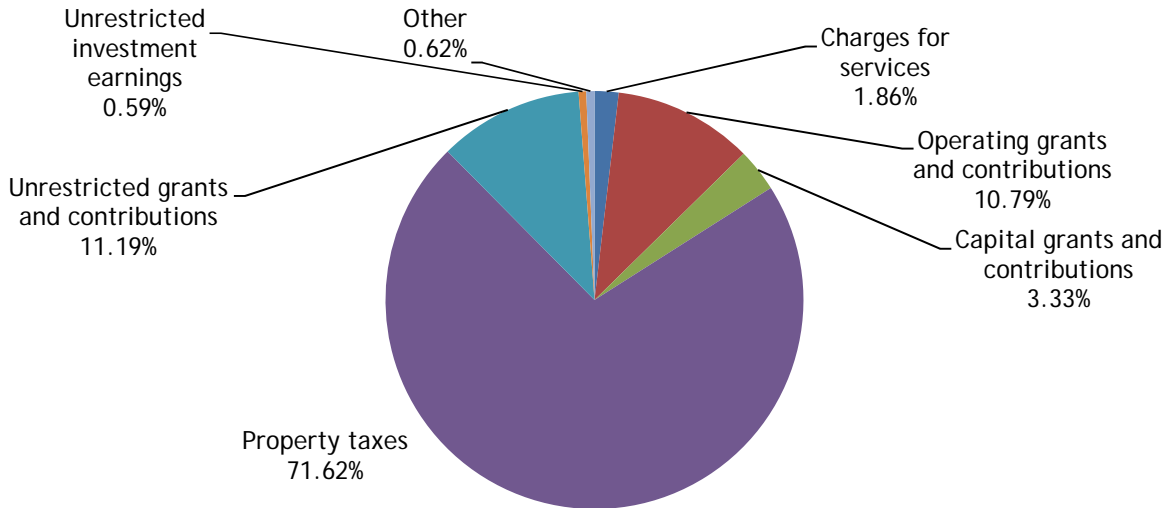
CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

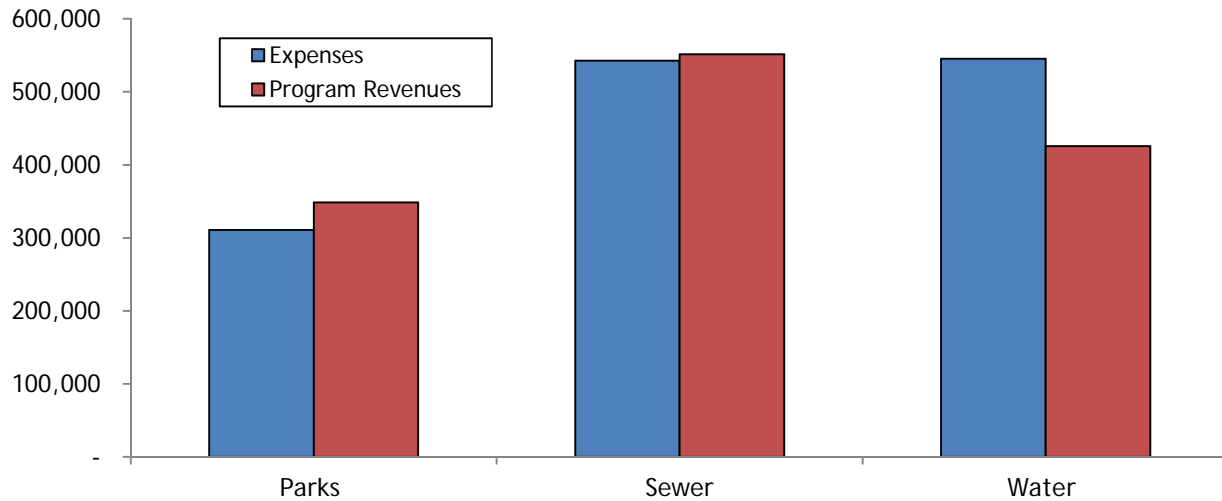


Business-type Activities. Business-type activities increased the City's net position by \$46,548. This increase was primarily the result of increased water and sewer rates effective July 1, 2015. The increase in charges for services reduced the need for the general fund to subsidize these operations. The City expects to see this trend continue until the enterprise funds can operate without interfund transfers.

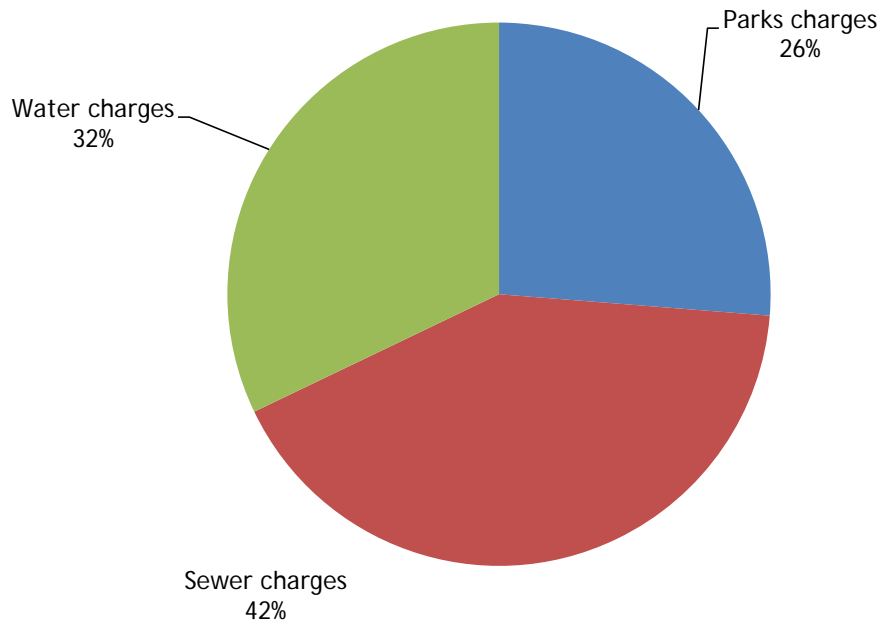
CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for 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 \$1,422,892 an increase of \$95,110 in comparison with the prior year. Of this total amount, 82.2%, or \$1,170,251, constitutes unassigned fund balance. The remainder of fund balance is in nonspendable form as it represents prepaid items and long-term loans receivable (\$36,095), restricted for major street purposes (\$215,312), restricted for police purposes (\$894), or assigned for local street purposes (\$340).

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 \$1,170,251, while total fund balance was \$1,202,949. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 64% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$34,546 during the current fiscal year. Revenues exceeded expenditures by \$223,640 for the fiscal year, but this amount was offset by transfers out totaling \$189,094. These transfers were necessary to subsidize activity in other funds.

Proprietary funds. Unrestricted net position of the parks, sewer and water enterprise funds at the end of the year amounted to \$74,112, \$41,409 and \$59,728, respectively. This was an improvement from the prior year when the water fund reported an unrestricted deficit.

General Fund Budgetary Highlights

The City is required by State law to adopt an operating budget for its general fund and special revenue funds prior to the commencement of the fiscal year. During the year, as more information on funding sources and uses of funds becomes available, the City Council may amend the budget to reflect the changing circumstances. The City had no budget amendments for the year ended June 30, 2016.

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

Differences between the final amended budget and the actual results were a result of:

- There was approximately a \$24,000 dollar variance in general office expenditures due to staffing turnover and contracted services.
- All other variances were minimal. In total, expenditures were \$97,231 less than the final budget, a variance of only 5.9%. Revenues were \$18,309 higher than the final budget, a variance of only 0.98%.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its government and business-type activities as of June 30, 2016, amounted to \$11,359,537 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads and highways.

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

- Completion of the Red Arrow Highway project
- Final payment on a new dump truck

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 134,600	\$ 134,600	\$ 59,293	\$ 59,293	\$ 193,893	\$ 193,893
Construction in progress	-	1,073,849	-	-	-	1,073,849
Buildings and systems	435,840	475,993	3,777,233	3,954,400	4,213,073	4,430,393
Equipment	1,003,823	1,148,777	11,452	1,870	1,015,275	1,150,647
Infrastructure	5,937,296	5,108,028	-	-	5,937,296	5,108,028
Total capital assets, net	\$ 7,511,559	\$ 7,941,247	\$ 3,847,978	\$ 4,015,563	\$11,359,537	\$11,956,810

Additional information on the City's capital assets can be found in Note 8 to the financial statements.

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$4,443,187.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 675,000	\$ 725,000	\$ 3,448,530	\$ 3,607,270	\$ 4,123,530	\$ 4,332,270
Installment purchase contracts	145,515	229,605	-	-	145,515	229,605
Unamortized bond premium	4,045	4,413	125,664	135,853	129,709	140,266
Compensated absences	26,897	28,974	17,536	16,222	44,433	45,196
Total long-term debt	\$ 851,457	\$ 987,992	\$ 3,591,730	\$ 3,759,345	\$ 4,443,187	\$ 4,747,337

Additional information on the City's long-term debt can be found in Note 9 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for the 2017 fiscal year:

- Projections of commercial, industrial, tourism and residential growth potential;
- Growth and development trends as a result of new businesses and proposed developments;
- Projected capital improvements projects by the City;
- Available taxing, bonding and grant resources.

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, 9765 Maple Street, P.O. Box 366, Bridgman, MI 49106.

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BASIC FINANCIAL STATEMENTS

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CITY OF BRIDGMAN, MICHIGAN

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 1,479,058	\$ -	\$ 1,479,058
Restricted cash and cash equivalents	-	29,674	29,674
Receivables	201,741	167,824	369,565
Internal balances	(126,836)	126,836	-
Other assets	17,954	17,019	34,973
Investment in Galien River Sanitary District	-	2,633,353	2,633,353
Capital assets not being depreciated	134,600	59,293	193,893
Capital assets being depreciated, net	7,376,959	3,788,685	11,165,644
Total assets	9,083,476	6,822,684	15,906,160
Deferred outflows of resources			
Deferred charge on bond refunding	-	108,879	108,879
Deferred pension amounts	146,011	65,725	211,736
Total deferred outflows of resources	146,011	174,604	320,615
Liabilities			
Negative equity in pooled cash	-	262,579	262,579
Accounts payable and accrued liabilities	86,726	154,091	240,817
Unearned revenue	825	9,470	10,295
Long-term debt:			
Due within one year	167,914	182,721	350,635
Due in more than one year	683,543	3,409,009	4,092,552
Net pension liability	410,798	184,910	595,708
Total liabilities	1,349,806	4,202,780	5,552,586
Deferred inflows of resources			
Deferred pension amounts	73,691	33,171	106,862
Net position			
Net investment in capital assets	6,686,999	2,548,978	9,235,977
Restricted for major and local streets	279,713	-	279,713
Restricted for public safety	894	-	894
Restricted for system repair and replacement	-	29,674	29,674
Unrestricted	838,384	182,685	1,021,069
Total net position	\$ 7,805,990	\$ 2,761,337	\$ 10,567,327

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 611,116	\$ 32,224	\$ -	\$ 12,822	\$ (566,070)
Public safety	668,482	7,779	13,382	-	(647,321)
Public works	414,433	-	-	-	(414,433)
Highways and streets	535,082	-	219,228	58,966	(256,888)
Interest on long-term debt	17,241	-	-	-	(17,241)
Total governmental activities	<u>2,246,354</u>	<u>40,003</u>	<u>232,610</u>	<u>71,788</u>	<u>(1,901,953)</u>
Business-type activities:					
Parks	310,677	347,962	404	-	37,689
Sewer	542,887	551,583	112	-	8,808
Water	545,174	425,667	158	-	(119,349)
Total business-type activities	<u>1,398,738</u>	<u>1,325,212</u>	<u>674</u>	<u>-</u>	<u>(72,852)</u>
Total	<u>\$ 3,645,092</u>	<u>\$ 1,365,215</u>	<u>\$ 233,284</u>	<u>\$ 71,788</u>	<u>\$ (1,974,805)</u>

continued...

CITY OF BRIDGMAN, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net expense	\$ (1,901,953)	\$ (72,852)	\$ (1,974,805)
General revenues:			
Property taxes	1,544,148	-	1,544,148
Grants and contributions not restricted to specific programs	241,488	-	241,488
Unrestricted investment earnings	12,675	-	12,675
Gain on sale of capital assets	13,426	-	13,426
Transfers - internal activities	(119,400)	119,400	-
Total general revenues and transfers	1,692,337	119,400	1,811,737
Change in net position	(209,616)	46,548	(163,068)
Net position, beginning of year	8,015,606	2,714,789	10,730,395
Net position, end of year	\$ 7,805,990	\$ 2,761,337	\$ 10,567,327

concluded.

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2016

	General	Nonmajor Governmental Funds	Total
Assets			
Pooled cash and cash equivalents	\$ 1,291,765	\$ 198,464	\$ 1,490,229
Loans receivable	18,141	-	18,141
Special assessments receivable	-	62,702	62,702
Due from other governments	83,579	37,319	120,898
Due from other funds	-	11,100	11,100
Prepaid items	14,557	3,397	17,954
Total assets	\$ 1,408,042	\$ 312,982	\$ 1,721,024
Liabilities			
Negative equity in pooled cash	\$ -	\$ 20,142	\$ 20,142
Accounts payable	53,917	8,221	62,138
Accrued liabilities	19,851	1,974	21,825
Due to other funds	130,500	-	130,500
Unearned revenue	825	-	825
Total liabilities	205,093	30,337	235,430
Deferred inflows of resources			
Unavailable revenues - special assessments	-	62,702	62,702
Fund balances			
Nonspendable	32,698	3,397	36,095
Restricted	-	216,206	216,206
Assigned	-	340	340
Unassigned	1,170,251	-	1,170,251
Total fund balances	1,202,949	219,943	1,422,892
Total liabilities, deferred inflows of resources and fund balances	\$ 1,408,042	\$ 312,982	\$ 1,721,024

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances - total governmental funds \$ 1,422,892

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	134,600
Capital assets being depreciated, net	6,291,974

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Deferred inflows of resources for long-term special assessments	62,702
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of governmental-type internal service fund are included in governmental activities in the statement of net position.

Total internal service fund net position	948,441
Internal service fund net position accounted for in business-type activities	(7,436)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds and notes payable	(675,000)
Premium on bonds payable, net	(4,045)
Accrued interest payable on long-term debt	(2,763)
Compensated absences	(26,897)

Certain pension-related amounts, such as the net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.

Net pension liability	(410,798)
Deferred outflows related to the net pension liability	146,011
Deferred inflows related to the net pension liability	(73,691)

Net position of governmental activities \$ 7,805,990

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General	Nonmajor Governmental Funds	Total
Revenues			
Property taxes	\$ 1,544,148	\$ -	\$ 1,544,148
Special assessments	-	8,695	8,695
Intergovernmental	217,461	267,169	484,630
Charges for services	10,264	-	10,264
Investment earnings	12,669	2,314	14,983
Licenses and permits	66,631	-	66,631
Fines and forfeitures	6,955	391	7,346
Other	1,881	-	1,881
Total revenues	1,860,009	278,569	2,138,578
Expenditures			
Current:			
General government	416,589	-	416,589
Public safety	625,547	-	625,547
Public works	284,138	-	284,138
Highways and streets	-	219,924	219,924
Other	310,095	-	310,095
Debt service:			
Principal	-	50,000	50,000
Interest and fiscal charges	-	17,775	17,775
Total expenditures	1,636,369	287,699	1,924,068
Revenues over (under) expenditures	223,640	(9,130)	214,510
Other financing sources (uses)			
Transfers in	-	69,694	69,694
Transfers out	(189,094)	-	(189,094)
Total other financing sources (uses)	(189,094)	69,694	(119,400)
Net change in fund balances	34,546	60,564	95,110
Fund balances, beginning of year	1,168,403	159,379	1,327,782
Fund balances, end of year	\$ 1,202,949	\$ 219,943	\$ 1,422,892

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 95,110
Amounts reported for <i>governmental activities</i> 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.	
Capital assets purchased/constructed	70,931
Donated capital assets	12,822
Depreciation expense	(429,984)
Governmental funds record revenues from special assessments as they are collected. However, in the statement of activities, special assessments are recognized as revenue in the year levied.	
Change in deferred special assessments receivable	(8,694)
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.	
Principal payments on long-term debt	50,000
An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net (expense) revenue attributable to those funds is reported with governmental activities.	
Net operating loss of the internal service fund	(5,436)
Net operating loss of the internal service fund allocated to business-type activities	168
Nonoperating income from internal service funds	13,432
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in accrued interest payable on bonds	166
Amortization of bond premium	368
Change in the accrual for compensated absences	2,077
Change in the net pension liability and related deferred amounts	(10,576)
Change in net position of governmental activities	\$ (209,616)

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,549,800	\$ 1,549,800	\$ 1,544,148	\$ (5,652)
Intergovernmental	213,900	213,900	217,461	3,561
Charges for services	11,500	11,500	10,264	(1,236)
Investment earnings	5,000	5,000	12,669	7,669
Licenses and permits	54,000	54,000	66,631	12,631
Fines and forfeitures	7,500	7,500	6,955	(545)
Other	-	-	1,881	1,881
Total revenues	1,841,700	1,841,700	1,860,009	18,309
Expenditures				
General government:				
City council	36,800	36,800	29,181	(7,619)
City manager	118,900	118,900	120,096	1,196
Elections	11,400	11,400	2,274	(9,126)
Assessor	31,300	31,300	26,295	(5,005)
General office	146,100	146,100	170,487	24,387
Building and grounds	74,700	74,700	44,560	(30,140)
Surveyor	-	-	2,500	2,500
Planning commission	48,700	48,700	21,196	(27,504)
Zoning administrator	100	100	-	(100)
Total general government	468,000	468,000	416,589	(51,411)
Public safety:				
Police	451,300	451,300	438,896	(12,404)
Fire	199,700	199,700	170,048	(29,652)
Building inspector	12,300	12,300	16,603	4,303
Total public safety	663,300	663,300	625,547	(37,753)
Public works	290,200	290,200	284,138	(6,062)
Other:				
General administration	297,100	297,100	310,095	12,995
Economic development	15,000	15,000	-	(15,000)
Total other	312,100	312,100	310,095	(2,005)
Total expenditures	1,733,600	1,733,600	1,636,369	(97,231)

continued...

CITY OF BRIDGMAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over expenditures	\$ 108,100	\$ 108,100	\$ 223,640	\$ 115,540
Other financing uses				
Transfers out	(266,800)	(266,800)	(189,094)	(77,706)
Net change in fund balance	(158,700)	(158,700)	34,546	193,246
Fund balance, beginning of year	1,168,403	1,168,403	1,168,403	-
Fund balance, end of year	<u>\$ 1,009,703</u>	<u>\$ 1,009,703</u>	<u>\$ 1,202,949</u>	<u>\$ 193,246</u>

concluded.

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Parks	Sewer	Water	Total	Internal Service Fund
Assets					
Current assets:					
Pooled cash and cash equivalents	\$ 159,597	\$ -	\$ -	\$ 159,597	\$ 8,971
Accounts receivable	-	97,931	69,893	167,824	-
Due from other funds	-	-	119,400	119,400	-
Inventories	-	-	10,325	10,325	-
Prepaid items	1,772	704	4,218	6,694	-
Total current assets	<u>161,369</u>	<u>98,635</u>	<u>203,836</u>	<u>463,840</u>	<u>8,971</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	-	29,674	29,674	-
Investment in Galien River Sanitary District	-	2,633,353	-	2,633,353	-
Capital assets not being depreciated	19,610	18,430	21,253	59,293	-
Capital assets being depreciated, net	487,840	799,544	2,501,301	3,788,685	1,084,985
Total noncurrent assets	<u>507,450</u>	<u>3,451,327</u>	<u>2,552,228</u>	<u>6,511,005</u>	<u>1,084,985</u>
Total assets	<u>668,819</u>	<u>3,549,962</u>	<u>2,756,064</u>	<u>6,974,845</u>	<u>1,093,956</u>
Deferred outflows of resources					
Deferred charge on bond refunding	-	108,879	-	108,879	-
Deferred pension amounts	13,685	11,195	40,845	65,725	-
Total deferred outflows of resources	<u>13,685</u>	<u>120,074</u>	<u>40,845</u>	<u>174,604</u>	<u>-</u>
Liabilities					
Current liabilities:					
Negative equity in pooled cash	-	407,754	14,422	422,176	-
Accounts payable	31,626	74,840	13,457	119,923	-
Accrued liabilities	8,181	11,955	9,712	29,848	-
Deposits payable	3,100	610	610	4,320	-
Unearned revenue	9,470	-	-	9,470	-
Compensated absences, current	1,752	1,752	6,233	9,737	-
Bonds and notes payable, current	-	151,984	21,000	172,984	86,372
Total current liabilities	<u>54,129</u>	<u>648,895</u>	<u>65,434</u>	<u>768,458</u>	<u>86,372</u>
Noncurrent liabilities:					
Compensated absences, net of current	1,404	1,404	4,991	7,799	-
Bonds and notes payable, net of current	-	2,123,210	1,278,000	3,401,210	59,143
Net pension liability	38,502	31,494	114,914	184,910	-
Total noncurrent liabilities	<u>39,906</u>	<u>2,156,108</u>	<u>1,397,905</u>	<u>3,593,919</u>	<u>59,143</u>
Total liabilities	<u>94,035</u>	<u>2,805,003</u>	<u>1,463,339</u>	<u>4,362,377</u>	<u>145,515</u>
Deferred inflows of resources					
Deferred pension amounts	6,907	5,650	20,614	33,171	-
Net position					
Net investment in capital assets	507,450	817,974	1,223,554	2,548,978	939,470
Restricted for system repairs and replacement	-	-	29,674	29,674	-
Unrestricted	74,112	41,409	59,728	175,249	8,971
Total net position	<u>\$ 581,562</u>	<u>\$ 859,383</u>	<u>\$ 1,312,956</u>	<u>\$ 2,753,901</u>	<u>\$ 948,441</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

■ Reconciliation

Net Position for Enterprise Funds
to Net Position of Business-type Activities
June 30, 2016

Net position - enterprise funds \$ 2,753,901

Amounts reported for *business-type activities* in the statement of net position are different because:

An internal service fund is used by management to charge the costs of certain equipment usage to individual enterprise funds. The portion of the net position of the internal service fund attributable to these charges are included in business-type activities in the statement of net position.

Net position of business-type activities accounted for in the internal service fund 7,436

Net position of business-type activities \$ 2,761,337

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

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

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Parks	Sewer	Water	Total	Internal Service Fund
Operating revenues					
Charges for services	\$ 318,788	\$ 551,583	\$ 350,667	\$ 1,221,038	\$ 193,700
Rent	25,534	-	75,000	100,534	-
Other	3,640	-	-	3,640	-
Total operating revenues	347,962	551,583	425,667	1,325,212	193,700
Operating expenses					
Operations	263,538	444,540	400,256	1,108,334	46,827
Depreciation	46,971	32,418	99,646	179,035	152,309
Total operating expenses	310,509	476,958	499,902	1,287,369	199,136
Operating income (loss)	37,453	74,625	(74,235)	37,843	(5,436)
Nonoperating revenues (expenses)					
Investment income	404	112	158	674	6
Gain on sale of capital assets	-	-	-	-	13,426
Interest expense	-	(65,929)	(45,272)	(111,201)	-
Total nonoperating revenues (expenses)	404	(65,817)	(45,114)	(110,527)	13,432
Income (loss) before transfers	37,857	8,808	(119,349)	(72,684)	7,996
Transfers in	-	-	119,400	119,400	-
Change in net position	37,857	8,808	51	46,716	7,996
Net position, beginning of year	543,705	850,575	1,312,905	2,707,185	940,445
Net position, end of year	\$ 581,562	\$ 859,383	\$ 1,312,956	\$ 2,753,901	\$ 948,441

The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Reconciliation

Change in Net Position for Enterprise Funds
to Change in Net Position of Business-type Activities
For the Year Ended June 30, 2016

Net change in net position - total enterprise funds	\$ 46,716
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Amounts reported for *business-type activities* in the statement of activities are different because:

An internal service fund is used by management to charge the costs of certain equipment usage to individual enterprise funds. The net (expense) revenue attributable to those funds is reported with business-type activities.

Net operating loss from business-type activities in the internal service fund	<u>(168)</u>
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Change in net position of business-type activities	<u><u>\$ 46,548</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BRIDGMAN, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Parks	Sewer	Water	Total	Internal Service Fund
Cash flows from operating activities					
Cash received from customers and others	\$ 352,909	\$ 525,275	\$ 396,026	\$ 1,274,210	\$ 11,292
Cash (paid) received for interfund services	(6,000)	-	-	(6,000)	193,700
Cash payments to employees	(153,693)	(56,163)	(282,590)	(492,446)	(56,511)
Cash payments to suppliers	(25,342)	(669,948)	(183,099)	(878,389)	-
Net cash provided by (used in) operating activities	<u>167,874</u>	<u>(200,836)</u>	<u>(69,663)</u>	<u>(102,625)</u>	<u>148,481</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	119,400	119,400	-
Cash flows from capital and related financing activities					
Purchase of capital assets	(11,450)	-	-	(11,450)	(68,852)
Proceeds from sale of capital assets	-	-	-	-	13,426
Bond/note principal payments	-	(139,740)	(19,000)	(158,740)	(84,090)
Bond/note interest payments	-	(67,290)	(45,272)	(112,562)	-
Net cash used in capital and related financing activities	<u>(11,450)</u>	<u>(207,030)</u>	<u>(64,272)</u>	<u>(282,752)</u>	<u>(139,516)</u>
Cash flows from investing activities					
Investment income received	404	112	158	674	6
Net change in cash and cash equivalents	<u>156,828</u>	<u>(407,754)</u>	<u>(14,377)</u>	<u>(265,303)</u>	<u>8,971</u>
Cash and cash equivalents, beginning of year	2,769	-	29,629	32,398	-
Cash and cash equivalents, end of year	<u>\$ 159,597</u>	<u>\$ (407,754)</u>	<u>\$ 15,252</u>	<u>\$ (232,905)</u>	<u>\$ 8,971</u>
Cash and cash equivalents are reported on the statement of net position as follows					
Pooled cash and cash equivalents	\$ 159,597	\$ -	\$ -	\$ 159,597	\$ 8,971
Restricted cash and cash equivalents	-	-	29,674	29,674	-
Negative equity in pooled cash	-	(407,754)	(14,422)	(422,176)	-
Total cash and cash equivalents	<u>\$ 159,597</u>	<u>\$ (407,754)</u>	<u>\$ 15,252</u>	<u>\$ (232,905)</u>	<u>\$ 8,971</u>

continued...

CITY OF BRIDGMAN, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Parks	Sewer	Water	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 37,453	\$ 74,625	\$ (74,235)	\$ 37,843	\$ (5,436)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	46,971	32,418	99,646	179,035	152,309
Changes in assets and liabilities:					
Accounts receivable	1,352	(26,258)	(29,591)	(54,497)	-
Due from other funds	54,000	-	(80,266)	(26,266)	10,584
Inventories	-	-	(260)	(260)	-
Prepaid items	1,024	663	1,365	3,052	764
Investment in Galien River Sanitary District	-	(736)	-	(736)	-
Accounts payable	20,428	53,214	10,962	84,604	(8,788)
Accrued liabilities	1,596	(647)	(580)	369	(952)
Net pension liability and deferred amounts	992	810	2,958	4,760	-
Due to other funds	-	(335,338)	-	(335,338)	-
Deposits payable	1,675	(50)	(50)	1,575	-
Unearned revenue	1,920	-	-	1,920	-
Compensated absences	463	463	388	1,314	-
Net cash provided by (used in) operating activities	\$ 167,874	\$ (200,836)	\$ (69,663)	\$ (102,625)	\$ 148,481

concluded.

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Bridgman, Michigan (the "City" or the "government") is a municipal corporation governed by a seven-member council and by an appointed City Manager. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Blended Component Unit

The Building Authority is governed by a three-member board appointed by the City Council. Its sole function is to oversee the financing and construction, if any, of the City's public buildings; therefore, it is reported as if it were part of the primary government.

Discretely Presented Component Unit

The City's Brownfield Authority was created to revitalize selected environmentally distressed areas within the City limits. The Authority had no assets or liabilities as of June 30, 2016, and no activity for the period then ended.

Joint Venture - Galien River Sanitary District

The Galien River Sanitary District Sewer Authority (the "Authority") is a legally separate entity, created through a joint venture by area governments in Berrien County, Michigan. The City of Bridgman became a constituent member (owner) of the Authority in 2004. Detailed information on this relationship is presented in Note 15.

Jointly Governed Organization - Bridgman Growth Alliance

The City of Bridgman and Lake Township created the Bridgman Growth Alliance, a 501(c)(3) not-for-profit organization that provides economic and community development services. The Alliance is governed by a 15-member board of directors of which five are appointed by the Bridgman City Council, 5 are appointed by Lake Charter Township, and 5 are elected by the business members of the Alliance. The City has no on-going financial responsibility or equity interest in the Alliance and made no contribution for the fiscal year ended June 30, 2016. Separately issued financial statements are not prepared for this entity.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

Related Organization - Bridgman Public Library

The Bridgman Public Library was established by the City pursuant to Public Act 164, as amended. The Library is governed by a joint board of directors comprised of elected members from the City of Bridgman and appointed members from Lake Charter Township. The City levies property taxes of 1.0 mills as authorized by State law, and an additional 0.7347 mills as approved by the voters. The entire amount of such revenues is transferred to the Library who retains all operational control. The City has no on-going financial responsibility for or equity interest in the Library and made no contributions for the fiscal year ended June 30, 2016. Accordingly, the Library does not meet the definition of a component unit and has not been included in the reporting entity of the City. Separately issued financial statements for the Library are prepared and can be obtained by contacting the Library at 4460 Lake Street, Bridgman, Michigan 49106.

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property 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 revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Intergovernmental revenues are accrued when earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

The City reports the following major proprietary funds:

The *parks fund* accounts for the operation and maintenance of the City's parks and recreational facilities.

The *sewer fund* accounts for the City's participation in the Galien River Sanitary District.

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

Additionally, the City reports the following fund types:

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

The *internal service fund* accounts for the City's fleet of vehicles and equipment.

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

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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 enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds and the internal service fund 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.

Restricted net position is reported for assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents

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

Restricted cash and cash equivalents consists of a required reserve balance of \$29,674 for repair, replacement, and improvement of the City's water infrastructure system, based on the terms of the USDA Rural Development loan obtained to finance the project.

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

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- 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 the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

Receivables

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

Interfund Receivables and Payables

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

Other Assets

All inventories are valued at cost using the first-in/first-out (FIFO) 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, sidewalks, and similar items constructed or acquired after 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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 acquisition cost at the date of donation.

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

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

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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

	Years
Buildings	30
Public domain infrastructure	50
System infrastructure	50
Vehicles	3-20
Equipment	5-10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows of resources for its charge on bond refundings. This amount represents the difference between the carrying amount of the refunded debt and the amount placed in escrow for purposes of paying the remaining balance of refunded debt. The amount is being amortized using the straight-line method over the life of the related bonds. The City also reports deferred outflows of resources for the change in expected and actual investment returns, assumptions, and benefits provided in its pension plan, as well as a portion that represents contributions to the plan subsequent to the plan measurement date.

Compensated Absences

It is the City's policy to not permit employees to accumulate unused vacation from year to year. Any vacation that is not used within the year following the year within which it was earned is considered lapsed. Non-lapsed vacation time and 1/3 of sick leave accumulated prior to June 30, 1999 are accrued in the government-wide and proprietary fund financial statements. The City does not permit accrual of sick leave earned after June 30, 1999. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations

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

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.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, accordingly, will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources for the change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. Assigned fund balance represents amounts that are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has the authority to assign fund balance and has not delegated this authority. Unassigned fund balance is the residual classification for the general fund.

The City Council has adopted a minimum fund balance policy in which unassigned fund balance of the general fund will be equal to at least 75% (or nine months) of expenditures and operating transfers out. Based on actual results for the fiscal year ending June 30, 2016, unassigned fund balance of the general fund represented 64% of current year general fund expenditures and operating transfers out.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

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 Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Budgets were not adopted for the police forfeiture and police training special revenue funds. All annual appropriations lapse at fiscal year end.

On or before the third Monday in May of each year, the City Superintendent must present the proposed budget to the City Commission for review. The Commission holds public hearings and a final budget must be prepared and adopted no later than the third Monday in June.

The appropriated budget is prepared by fund and department. The City Superintendent may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control is the department level.

3. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

Excess of Expenditures over Appropriations in Budgetary Funds

During the year ended June 30, 2016, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as detailed below.

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
General government:			
City manager	\$ 118,900	\$ 120,096	\$ 1,196
General office	146,100	170,487	24,387
Surveyor	-	2,500	2,500
Public safety:			
Building inspector	12,300	16,603	4,303
Other:			
General administration	297,100	310,095	12,995
Nonmajor governmental funds			
Major streets fund - construction	-	40,616	40,616
Local streets fund:			
Traffic services	3,600	4,298	698
Winter services	27,500	29,711	2,211

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

Deposits and Investments

The captions on the government-wide and fund statements relating to cash and cash equivalents and deposits are as follows:

	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	\$ 1,479,058	\$ -	\$ 1,479,058
Restricted cash and cash equivalents	-	29,674	29,674
Negative equity in pooled cash	-	(262,579)	(262,579)
Total	\$ 1,479,058	\$ (232,905)	\$ 1,246,153

Deposits and investments consist of the following at June 30, 2016:

Deposits and investments

Bank deposits –	
Checking and savings accounts	\$ 1,245,453
Cash on hand	700
Total	\$ 1,246,153

Deposit and Investment Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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, \$1,068,874 of the City's bank balance of \$1,318,874 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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 in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk.

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Due from customers	\$ -	\$ 167,824
Loans receivable	18,141	-
Special assessments	62,702	-
Due from other governments	120,898	-
	<u>201,741</u>	<u>167,824</u>
Total receivables	\$ 201,741	\$ 167,824
Due in more than one year:		
Loans receivable	\$ 9,966	\$ -
Special assessments	57,002	-
	<u>66,968</u>	<u>-</u>
Total due in more than one year	\$ 66,968	\$ -

Loans receivable consist of amounts due from a local business under the City's revolving loan program. The balance is due in monthly installments over 5 years and bears interest at 1.5%.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 62,138	\$ 119,923
Accrued liabilities	24,588	29,848
Deposits payable	-	4,320
	<u>86,726</u>	<u>154,091</u>
Total accounts payable and accrued liabilities	\$ 86,726	\$ 154,091

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2016, the interfund receivables and payables were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 130,500
Nonmajor governmental funds	11,100	-
Water enterprise fund	119,400	-
Total	<u>\$ 130,500</u>	<u>\$ 130,500</u>

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

In addition, an interfund balance existed between governmental activities and business-type activities in the amount of \$7,436. This resulted from the allocation of a portion of internal service fund net position of governmental-type internal service funds to business-type activities.

For the year ended June 30, 2016, interfund transfers consisted of the following:

Transfers In	Transfers Out General Fund
Nonmajor governmental funds	\$ 69,694
Water enterprise fund	119,400
Total	<u>\$ 189,094</u>

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

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

8. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 134,600	\$ -	\$ -	\$ -	\$ 134,600
Construction in progress	1,073,849	131,938	-	(1,205,787)	-
	<u>1,208,449</u>	<u>131,938</u>	<u>-</u>	<u>(1,205,787)</u>	<u>134,600</u>
Capital assets, being depreciated:					
Buildings and improvements	1,709,625	-	-	-	1,709,625
Equipment	2,936,333	20,667	(106,994)	-	2,850,006
Infrastructure	16,157,975	-	-	1,205,787	17,363,762
	<u>20,803,933</u>	<u>20,667</u>	<u>(106,994)</u>	<u>1,205,787</u>	<u>21,923,393</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,233,632)	(40,153)	-	-	(1,273,785)
Equipment	(1,787,556)	(165,621)	106,994	-	(1,846,183)
Infrastructure	(11,049,947)	(376,519)	-	-	(11,426,466)
	<u>(14,071,135)</u>	<u>(582,293)</u>	<u>106,994</u>	<u>-</u>	<u>(14,546,434)</u>
Total capital assets being depreciated, net	<u>6,732,798</u>	<u>(561,626)</u>	<u>-</u>	<u>1,205,787</u>	<u>7,376,959</u>
Governmental activities capital assets, net	<u>\$ 7,941,247</u>	<u>\$ (429,688)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,511,559</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 59,293	\$ -	\$ -	\$ -	\$ 59,293
Capital assets, being depreciated:					
Buildings, improvements, and systems	8,961,894	-	-	-	8,961,894
Equipment	92,782	11,450	-	-	104,232
	<u>9,054,676</u>	<u>11,450</u>	<u>-</u>	<u>-</u>	<u>9,066,126</u>
Less accumulated depreciation for:					
Buildings, improvements, and systems	(5,007,494)	(177,167)	-	-	(5,184,661)
Equipment	(90,912)	(1,868)	-	-	(92,780)
	<u>(5,098,406)</u>	<u>(179,035)</u>	<u>-</u>	<u>-</u>	<u>(5,277,441)</u>
Total capital assets being depreciated, net	<u>3,956,270</u>	<u>(167,585)</u>	<u>-</u>	<u>-</u>	<u>3,788,685</u>
Business-type activities capital assets, net	<u>\$ 4,015,563</u>	<u>\$ (167,585)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,847,978</u>

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

Depreciation of governmental activities by function

General government	\$ 36,765
Public safety	13,660
Public works	3,040
Highways and streets	376,519
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>152,309</u>

Total depreciation expense - governmental activities

\$ 582,293

Depreciation of business-type activities by function

Parks	\$ 46,971
Sewer	32,418
Water	<u>99,646</u>

Total depreciation expense - business-type activities

\$ 179,035

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are issued as serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Installments	Interest Rates	Amount
Governmental activities:				
2012 Limited Tax General Obligation Bonds, due in annual installments through 2027	\$ 870,000	\$45,000 to \$70,000	2.00 - 2.87%	<u>\$ 675,000</u>
Business-type activities:				
2010 Capital Improvement General Obligation Limited Tax Bonds, due in annual installments through 2050	1,460,000	\$17,000 to \$66,000	3.75%	\$ 1,299,000
2013 GRSD Authority General Obligation Limited Tax Bonds, due in annual installments through 2028	2,424,900	\$135,630 to \$199,335	4.10%	<u>2,149,530</u>
Total business-type activities				<u><u>\$ 3,448,530</u></u>

Installment Purchase Contracts

The City enters into installment purchase agreements to finance the acquisition of certain equipment. Installment purchase contracts outstanding at year end are as follows:

Purpose	Original Amount	Installments	Interest Rates	Amount
Governmental activities: 2013 Fire Truck	\$ 415,000	\$ 7,463	2.990%	<u>\$ 145,515</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

Debt service requirements to maturity for installment debt are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 141,372	\$ 19,760	\$ 162,795	\$ 113,175
2018	114,143	16,149	165,850	109,512
2019	55,000	14,375	167,905	105,790
2020	55,000	13,275	173,015	101,987
2021	60,000	12,120	175,070	97,342
2022-2026	325,000	37,333	969,440	400,429
2027-2031	70,000	2,012	732,455	219,256
2032-2036	-	-	183,000	152,533
2037-2041	-	-	219,000	114,882
2042-2046	-	-	260,000	70,126
2047-2051	-	-	240,000	18,151
	<u>\$ 820,515</u>	<u>\$ 115,024</u>	<u>\$ 3,448,530</u>	<u>\$ 1,503,183</u>

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation limited tax bonds	\$ 725,000	\$ -	\$ (50,000)	\$ 675,000	\$ 55,000
Installment purchase contracts	229,605	-	(84,090)	145,515	86,372
	<u>954,605</u>	<u>-</u>	<u>(134,090)</u>	<u>820,515</u>	<u>141,372</u>
Unamortized bond premium	4,413	-	(368)	4,045	368
Compensated absences	28,974	46,320	(48,397)	26,897	26,174
Total	<u>\$ 987,992</u>	<u>\$ 46,320</u>	<u>\$ (182,855)</u>	<u>\$ 851,457</u>	<u>\$ 167,914</u>
Business-type Activities					
General obligation limited tax bonds	\$ 3,607,270	\$ -	\$ (158,740)	\$ 3,448,530	\$ 162,795
Unamortized bond premium	135,853	-	(10,189)	125,664	10,189
Compensated absences	16,222	19,652	(18,338)	17,536	9,737
Total	<u>\$ 3,759,345</u>	<u>\$ 19,652</u>	<u>\$ (187,267)</u>	<u>\$ 3,591,730</u>	<u>\$ 182,721</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for it are included as part of the above totals for governmental activities. For the governmental activities, compensated absences are generally liquidated by the general fund.

10. SEGMENT INFORMATION - ENTERPRISE FUNDS

The government issued revenue bonds to finance certain improvements to its water and sewer systems. Because the parks fund, water fund and the sewer fund are each reported as major funds in the fund financial statements and account entirely for a specific segment, disclosures are not required herein.

11. 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; injuries to employees; and natural disasters. During the year ended June 30, 2016, the City carried insurance through various commercial carriers, including Employers Mutual Casualty Company, to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

12. PROPERTY TAXES

The City's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Berrien County. The City's general operating tax rate for fiscal year 2015-16 was 14.7001 mills.

13. PENSION PLAN

General Information About the Plan

Plan Description. The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City 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.

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 5 year period) and a multiplier of 1.5%. Participants are fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service or age 55 with 15 years of service.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

Employees Covered by Benefit Terms. At December 31, 2015, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>17</u>
 Total membership	 <u><u>25</u></u>

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. Employer contributions range from 9.33% to 10.97% as a percentage of payroll depending on division/bargaining unit. In addition, the employer may establish contribution rates to be paid by its covered employees. Currently, employees contribute between 0% to 2% depending on division/bargaining unit.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

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

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

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

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real assets	12.50%	4.23%	0.51%
Diversifying strategies	<u>10.00%</u>	6.56%	0.66%
	<u><u>100.00%</u></u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.50%</u>
Investment rate of return			<u><u>8.25%</u></u>

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2015. 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 BRIDGMAN, MICHIGAN

Notes to Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 1,690,698	\$ 1,167,955	\$ 522,743
Changes for the year:			
Service cost	51,187	-	51,187
Interest	137,260	-	137,260
Differences between expected and actual experience	(128,235)	-	(128,235)
Changes in assumptions	78,897	-	78,897
Employer contributions	-	70,682	(70,682)
Employee contributions	-	15,014	(15,014)
Net investment income (loss)	-	(16,577)	16,577
Benefit payments, including refunds of employee contributions	(105,079)	(105,079)	-
Administrative expense	-	(2,522)	2,522
Other changes	453	-	453
Net changes	34,483	(38,482)	72,965
Balances at December 31, 2015	\$ 1,725,181	\$ 1,129,473	\$ 595,708

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% 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%)
City's net pension liability	\$ 799,945	\$ 595,708	\$ 421,853

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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

For the year ended June 30, 2016, the City recognized pension expense of \$95,489. The City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 106,862	\$ (106,862)
Changes in assumptions	65,747	-	65,747
Net differences between projected and actual earnings on pension plan investments	105,607	-	105,607
	<u>171,354</u>	<u>106,862</u>	<u>64,492</u>
Contributions subsequent to the measurement date	40,382	-	40,382
Total	<u>\$ 211,736</u>	<u>\$ 106,862</u>	<u>\$ 104,874</u>

The amount of deferred outflows of resources related to City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 14,533
2018	14,533
2019	14,531
2020	10,449
2021	<u>10,446</u>
Total	<u>\$ 64,492</u>

Payable to the Pension Plan. At June 30, 2016, the City has a payable of \$510 for contributions to the pension plan required for the year ended June 30, 2016.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

14. CONSTRUCTION CODE FEES

The City oversees building construction, in accordance with the State’s construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity for the year ended June 30, 2016, is as follows:

Cumulative surplus (shortfall), beginning of year	\$ (78,805)
Building permit revenue	20,763
Related expenses –	
Building inspector	<u>(16,603)</u>
Cumulative surplus (shortfall), end of year	<u><u>\$ (74,645)</u></u>

15. INVESTMENT IN GALIEN RIVER SANITARY DISTRICT

The Galien River Sanitary District Sewer Authority (the “Authority”) is a legally separate entity, created through a joint venture by area governments in Berrien County, Michigan. The City of Bridgman became a constituent member (owner) of the Authority in 2004.

Participating municipalities and their respective shares of ownership are as follows:

	Percent of Ownership
Chikaming Township	28.6%
City of New Buffalo	21.6%
New Buffalo Township	16.6%
Lake Charter Township	16.6%
City of Bridgman	<u>16.6%</u>
Total	<u><u>100.0%</u></u>

The City of Bridgman is accounting for its investment in the Authority as a joint venture in accordance with generally accepted accounting principles. Information presented below is taken from financial statements of the Authority for the year ended December 31, 2015, audited by other auditors, whose report dated June 22, 2016, expressed an unmodified opinion on those statements.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

Summary information of the City of Bridgman's investment in the Authority for the year ended June 30, 2016 is as follows:

	Total GRSD Authority	City of Bridgman 16.6%
Total assets	\$ 15,942,377	\$ 2,646,435
Total liabilities	<u>78,807</u>	<u>13,082</u>
Net position	<u>\$ 15,863,570</u>	<u>\$ 2,633,353</u>
Operating revenues	\$ 2,149,269	\$ 356,779
Operating expenses	<u>(2,008,465)</u>	<u>(333,405)</u>
Operating income	140,804	23,374
Nonoperating revenues (expenses)	<u>(136,373)</u>	<u>(22,638)</u>
Change in net position	4,431	736
Net position, beginning of year	<u>15,859,139</u>	<u>2,632,617</u>
Net position, end of year	<u>\$ 15,863,570</u>	<u>\$ 2,633,353</u>

Complete financial statements for the Galien River Sanitary District Sewer Authority may be obtained at the Authority's administrative office.

Galien River Sanitary District Sewer Authority
 10831 Kruger Road
 New Buffalo, MI 49117

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

16. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, the City classifies fund balances of governmental funds based on the extent to which it is bound to observe constraints imposed on the use of the resources. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable			
Prepaid items	\$ 14,557	\$ 3,397	\$ 17,954
Long-term loans receivable	18,141	-	18,141
Total nonspendable	<u>32,698</u>	<u>3,397</u>	<u>36,095</u>
Restricted			
Major streets	-	215,312	215,312
Police forfeiture	-	391	391
Police training	-	503	503
Total restricted	<u>-</u>	<u>216,206</u>	<u>216,206</u>
Assigned			
Local streets	-	340	340
Unassigned	<u>1,170,251</u>	<u>-</u>	<u>1,170,251</u>
Total fund balances, governmental funds	<u>\$ 1,202,949</u>	<u>\$ 219,943</u>	<u>\$ 1,422,892</u>

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of the City's net investment in capital assets as of June 30, 2016, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 134,600	\$ 59,293
Capital assets being depreciated, net	7,376,959	3,788,685
	<u>7,511,559</u>	<u>3,847,978</u>
Related debt:		
Total bonds and notes payable	820,515	3,448,530
Deferred charge on bond refunding	-	(108,879)
Unamortized premium on bonds payable	4,045	125,664
Less: non-capital debt for joint venture:		
Bonds payable	-	(2,149,530)
Unamortized premium	-	(125,664)
Deferred charge on bond refunding	-	108,879
	<u>824,560</u>	<u>1,299,000</u>
Net investment in capital assets	<u>\$ 6,686,999</u>	<u>\$ 2,548,978</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRIDGMAN, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended June 30	
	2016	2015
Total pension liability		
Service cost	\$ 51,187	\$ 49,327
Interest	137,260	129,229
Differences between expected and actual experience	(128,235)	-
Changes in assumptions	78,897	-
Benefit payments, including refunds of employee contributions	(105,079)	(59,226)
Other changes	453	-
Net change in total pension liability	<u>34,483</u>	<u>119,330</u>
Total pension liability, beginning of year	<u>1,690,698</u>	<u>1,571,368</u>
Total pension liability, end of year	<u>1,725,181</u>	<u>1,690,698</u>
Plan fiduciary net position		
Employer contributions	70,682	57,936
Employee contributions	15,014	15,086
Net investment income (loss)	(16,577)	69,721
Benefit payments, including refunds of employee contributions	(105,079)	(59,226)
Administrative expense	(2,522)	(2,560)
Net change in plan fiduciary net position	<u>(38,482)</u>	<u>80,957</u>
Plan fiduciary net position, beginning of year	<u>1,167,955</u>	<u>1,086,998</u>
Plan fiduciary net position, end of year	<u>1,129,473</u>	<u>1,167,955</u>
City's net pension liability	<u>\$ 595,708</u>	<u>\$ 522,743</u>
Plan fiduciary net position as a percentage of total pension liability	65.47%	69.08%
Covered-employee payroll	\$ 812,168	\$ 782,950
City's net pension liability as a percentage of covered-employee payroll	73.35%	66.77%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BRIDGMAN, MICHIGAN

Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2016	\$ 1,725,181	\$ 1,129,473	\$ 595,708	65.47%	\$ 812,168	73.35%
2015	1,690,698	1,167,955	522,743	69.08%	782,950	66.77%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BRIDGMAN, MICHIGAN

Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2016	\$ 80,153	\$ 80,153	\$ -	\$ 822,011	9.75%
2015	60,398	60,398	-	795,649	7.59%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method Entry-age normal
- Amortization method Level percent of payroll, open
- Remaining amortization period 23 years
- Asset valuation method 10 year smoothed
- Inflation 2.5%
- Salary increases 3.75% in the long-term
- Investment rate of return 7.75%, net of investment and administrative expense including inflation
- Retirement age Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
- Mortality Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

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CITY OF BRIDGMAN, MICHIGAN

Combining Balance Sheet

By Activity - General Fund

June 30, 2016

	General Fund (101)	Economic Development (244)	Public Improvement (245)	Eliminations	Total General Fund
Assets					
Pooled cash and cash equivalents	\$ 1,291,765	\$ -	\$ -	\$ -	\$ 1,291,765
Loans receivable	18,141	-	-	-	18,141
Due from other governments	83,579	-	-	-	83,579
Prepaid items	14,557	-	-	-	14,557
Total assets	\$ 1,408,042	\$ -	\$ -	\$ -	\$ 1,408,042
Liabilities					
Accounts payable	\$ 53,917	\$ -	\$ -	\$ -	\$ 53,917
Accrued liabilities	19,851	-	-	-	19,851
Due to other funds	130,500	-	-	-	130,500
Unearned revenue	825	-	-	-	825
Total liabilities	205,093	-	-	-	205,093
Fund balances					
Nonspendable	32,698	-	-	-	32,698
Unassigned	1,170,251	-	-	-	1,170,251
Total fund balances	1,202,949	-	-	-	1,202,949
Total liabilities and fund balances	\$ 1,408,042	\$ -	\$ -	\$ -	\$ 1,408,042

CITY OF BRIDGMAN, MICHIGAN

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

By Activity - General Fund
For the Year Ended June 30, 2016

	General Fund (101)	Economic Development (244)	Public Improvement (245)	Eliminations	Total General Fund
Revenues					
Property taxes	\$ 1,544,148	\$ -	\$ -	\$ -	\$ 1,544,148
Intergovernmental	217,461	-	-	-	217,461
Charges for services	10,264	-	-	-	10,264
Investment earnings	12,669	-	-	-	12,669
Licenses and permits	66,631	-	-	-	66,631
Fines and forfeitures	6,955	-	-	-	6,955
Other	1,881	-	-	-	1,881
Total revenues	1,860,009	-	-	-	1,860,009
Expenditures					
General government:					
City council	29,181	-	-	-	29,181
City manager	120,096	-	-	-	120,096
Elections	2,274	-	-	-	2,274
Assessor	26,295	-	-	-	26,295
General office	170,487	-	-	-	170,487
Building and grounds	44,560	-	-	-	44,560
Surveyor	2,500	-	-	-	2,500
Planning commission	21,196	-	-	-	21,196
Total general government	416,589	-	-	-	416,589
Public safety:					
Police	438,896	-	-	-	438,896
Fire	170,048	-	-	-	170,048
Building inspector	16,603	-	-	-	16,603
Total public safety	625,547	-	-	-	625,547
Public works	284,138	-	-	-	284,138
Other:					
General administration	310,095	-	-	-	310,095
Total expenditures	1,636,369	-	-	-	1,636,369
Revenues over expenditures	223,640	-	-	-	223,640

continued...

CITY OF BRIDGMAN, MICHIGAN

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

By Activity - General Fund

For the Year Ended June 30, 2016

	General Fund (101)	Economic Development (244)	Public Improvement (245)	Eliminations	Total General Fund
Other financing sources (uses)					
Transfers in	\$ -	\$ 242	\$ 36,946	\$ (37,188)	\$ -
Transfers out	(226,282)	-	-	37,188	(189,094)
Total other financing sources (uses)	<u>(226,282)</u>	<u>242</u>	<u>36,946</u>	<u>-</u>	<u>(189,094)</u>
Net change in fund balances	(2,642)	242	36,946	-	34,546
Fund balances (deficits), beginning of year	<u>1,205,591</u>	<u>(242)</u>	<u>(36,946)</u>	<u>-</u>	<u>1,168,403</u>
Fund balances, end of year	<u>\$ 1,202,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,202,949</u>

concluded.

CITY OF BRIDGMAN, MICHIGAN

Detail Schedule of Revenues, Expenditures and Changes in Fund Balance

By Activity - Budget and Actual - General Fund

For the Year Ended June 30, 2016

	General Fund (101)			
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,549,800	\$ 1,549,800	\$ 1,544,148	\$ (5,652)
Intergovernmental	213,900	213,900	217,461	3,561
Charges for services	11,500	11,500	10,264	(1,236)
Investment earnings	5,000	5,000	12,669	7,669
Licenses and permits	54,000	54,000	66,631	12,631
Fines and forfeitures	7,500	7,500	6,955	(545)
Other	-	-	1,881	1,881
Total revenues	1,841,700	1,841,700	1,860,009	18,309
Expenditures				
General government:				
City council	36,800	36,800	29,181	(7,619)
City manager	118,900	118,900	120,096	1,196
Elections	11,400	11,400	2,274	(9,126)
Assessor	31,300	31,300	26,295	(5,005)
General office	146,100	146,100	170,487	24,387
Building and grounds	74,700	74,700	44,560	(30,140)
Surveyor	-	-	2,500	2,500
Planning commission	48,700	48,700	21,196	(27,504)
Zoning administrator	100	100	-	(100)
Total general government	468,000	468,000	416,589	(51,411)
Public safety:				
Police	451,300	451,300	438,896	(12,404)
Fire	199,700	199,700	170,048	(29,652)
Building inspector	12,300	12,300	16,603	4,303
Total public safety	663,300	663,300	625,547	(37,753)
Public works	290,200	290,200	284,138	(6,062)

CITY OF BRIDGMAN, MICHIGAN

Detail Schedule of Revenues, Expenditures and Changes in Fund Balance
 By Activity - Budget and Actual - General Fund
 For the Year Ended June 30, 2016

	Eliminations			
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Other	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
General government:				
City council	-	-	-	-
City manager	-	-	-	-
Elections	-	-	-	-
Assessor	-	-	-	-
General office	-	-	-	-
Building and grounds	-	-	-	-
Surveyor	-	-	-	-
Planning commission	-	-	-	-
Zoning administrator	-	-	-	-
Total general government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Building inspector	-	-	-	-
Total public safety	-	-	-	-
Public works	-	-	-	-



Total General Fund			
Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 1,549,800	\$ 1,549,800	\$ 1,544,148	\$ (5,652)
213,900	213,900	217,461	3,561
11,500	11,500	10,264	(1,236)
5,000	5,000	12,669	7,669
54,000	54,000	66,631	12,631
7,500	7,500	6,955	(545)
-	-	1,881	1,881
<hr/>	<hr/>	<hr/>	<hr/>
1,841,700	1,841,700	1,860,009	18,309
<hr/>	<hr/>	<hr/>	<hr/>
36,800	36,800	29,181	(7,619)
118,900	118,900	120,096	1,196
11,400	11,400	2,274	(9,126)
31,300	31,300	26,295	(5,005)
146,100	146,100	170,487	24,387
74,700	74,700	44,560	(30,140)
-	-	2,500	2,500
48,700	48,700	21,196	(27,504)
100	100	-	(100)
<hr/>	<hr/>	<hr/>	<hr/>
468,000	468,000	416,589	(51,411)
<hr/>	<hr/>	<hr/>	<hr/>
451,300	451,300	438,896	(12,404)
199,700	199,700	170,048	(29,652)
12,300	12,300	16,603	4,303
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663,300	663,300	625,547	(37,753)
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290,200	290,200	284,138	(6,062)

continued...

CITY OF BRIDGMAN, MICHIGAN

Detail Schedule of Revenues, Expenditures and Changes in Fund Balance
 By Activity - Budget and Actual - General Fund
 For the Year Ended June 30, 2016

	General Fund (101)			
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Other:				
General administration	\$ 297,100	\$ 297,100	\$ 310,095	\$ 12,995
Economic development	-	-	-	-
Total other	<u>297,100</u>	<u>297,100</u>	<u>310,095</u>	<u>12,995</u>
Total expenditures	<u>1,718,600</u>	<u>1,718,600</u>	<u>1,636,369</u>	<u>(82,231)</u>
Revenues over (under) expenditures	<u>123,100</u>	<u>123,100</u>	<u>223,640</u>	<u>100,540</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(281,800)	(281,800)	(226,282)	55,518
Total other financing source (uses)	<u>(281,800)</u>	<u>(281,800)</u>	<u>(226,282)</u>	<u>55,518</u>
Net change in fund balance	<u>(158,700)</u>	<u>(158,700)</u>	<u>(2,642)</u>	<u>156,058</u>
Fund balance (deficit), beginning of year	<u>1,205,591</u>	<u>1,205,591</u>	<u>1,205,591</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,046,891</u>	<u>\$ 1,046,891</u>	<u>\$ 1,202,949</u>	<u>\$ 156,058</u>



Economic Development (244)				Public Improvement (245)			
Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15,000	15,000	-	(15,000)	-	-	-	-
15,000	15,000	-	(15,000)	-	-	-	-
15,000	15,000	-	(15,000)	-	-	-	-
(15,000)	(15,000)	-	15,000	-	-	-	-
15,000	15,000	242	(14,758)	-	-	36,946	36,946
-	-	-	-	-	-	-	-
15,000	15,000	242	(14,758)	-	-	36,946	36,946
-	-	242	242	-	-	36,946	36,946
(242)	(242)	(242)	-	(36,946)	(36,946)	(36,946)	-
\$ (242)	\$ (242)	\$ -	\$ 242	\$ (36,946)	\$ (36,946)	\$ -	\$ 36,946

continued...

CITY OF BRIDGMAN, MICHIGAN

Detail Schedule of Revenues, Expenditures and Changes in Fund Balance
 By Activity - Budget and Actual - General Fund
 For the Year Ended June 30, 2016

	Eliminations			
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Other:				
General administration	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	-
Total other	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	(15,000)	(15,000)	(37,188)	(22,188)
Transfers out	15,000	15,000	37,188	22,188
Total other financing source (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance (deficit), beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -



Total General Fund			
Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 297,100	\$ 297,100	\$ 310,095	\$ 12,995
15,000	15,000	-	(15,000)
<u>312,100</u>	<u>312,100</u>	<u>310,095</u>	<u>(2,005)</u>
1,733,600	1,733,600	1,636,369	(97,231)
<u>108,100</u>	<u>108,100</u>	<u>223,640</u>	<u>115,540</u>
-	-	-	-
<u>(266,800)</u>	<u>(266,800)</u>	<u>(189,094)</u>	<u>77,706</u>
<u>(266,800)</u>	<u>(266,800)</u>	<u>(189,094)</u>	<u>77,706</u>
(158,700)	(158,700)	34,546	193,246
<u>1,168,403</u>	<u>1,168,403</u>	<u>1,168,403</u>	<u>-</u>
<u>\$ 1,009,703</u>	<u>\$ 1,009,703</u>	<u>\$ 1,202,949</u>	<u>\$ 193,246</u>

concluded.

CITY OF BRIDGMAN, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds				Total
	Major Streets	Local Streets	Police Forfeiture	Police Training	
Assets					
Pooled cash and cash equivalents	\$ 197,570	\$ -	\$ 391	\$ 503	\$ 198,464
Special assessments receivable	-	62,702	-	-	62,702
Due from other governments	26,126	11,193	-	-	37,319
Due from other funds	-	11,100	-	-	11,100
Prepaid items	1,699	1,698	-	-	3,397
Total assets	\$ 225,395	\$ 86,693	\$ 391	\$ 503	\$ 312,982
Liabilities					
Negative equity in pooled cash	\$ -	\$ 20,142	\$ -	\$ -	\$ 20,142
Accounts payable	7,444	777	-	-	8,221
Accrued liabilities	940	1,034	-	-	1,974
Total liabilities	8,384	21,953	-	-	30,337
Deferred inflows of resources					
Unavailable revenues - special assessments	-	62,702	-	-	62,702
Fund balances					
Nonspendable	1,699	1,698	-	-	3,397
Restricted	215,312	-	391	503	216,206
Assigned	-	340	-	-	340
Total fund balances	217,011	2,038	391	503	219,943
Total liabilities, deferred inflows of resources and fund balances	\$ 225,395	\$ 86,693	\$ 391	\$ 503	\$ 312,982

CITY OF BRIDGMAN, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue Funds				Total
	Major Streets	Local Streets	Police Forfeiture	Police Training	
Revenues					
Special assessments	\$ -	\$ 8,695	\$ -	\$ -	\$ 8,695
Intergovernmental	201,536	65,130	-	503	267,169
Investment earnings	168	2,146	-	-	2,314
Fines and forfeitures	-	-	391	-	391
Total revenues	201,704	75,971	391	503	278,569
Expenditures					
Current:					
Highways and streets	143,174	76,750	-	-	219,924
Debt service:					
Principal	-	50,000	-	-	50,000
Interest and fiscal charges	-	17,775	-	-	17,775
Total expenditures	143,174	144,525	-	-	287,699
Revenues over (under) expenditures	58,530	(68,554)	391	503	(9,130)
Other financing sources					
Transfers in	-	69,694	-	-	69,694
Net change in fund balances	58,530	1,140	391	503	60,564
Fund balances, beginning of year	158,481	898	-	-	159,379
Fund balances, end of year	\$ 217,011	\$ 2,038	\$ 391	\$ 503	\$ 219,943

CITY OF BRIDGMAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	135,000	\$ 135,000	\$ 201,536	\$ 66,536
Investment earnings	-	-	168	168
Total revenues	135,000	135,000	201,704	66,704
Expenditures				
Highways and streets:				
Construction	-	-	40,616	40,616
Routine maintenance	56,900	56,900	49,190	(7,710)
Traffic services	9,800	9,800	9,201	(599)
Winter services	44,900	44,900	44,167	(733)
Total expenditures	111,600	111,600	143,174	31,574
Net change in fund balance	23,400	23,400	58,530	35,130
Fund balance, beginning of year	158,481	158,481	158,481	-
Fund balance, end of year	\$ 181,881	\$ 181,881	\$ 217,011	\$ 35,130

CITY OF BRIDGMAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 6,000	\$ 6,000	\$ 8,695	\$ 2,695
Intergovernmental	49,300	49,300	65,130	15,830
Investment earnings	2,100	2,100	2,146	46
Total revenues	57,400	57,400	75,971	18,571
Expenditures				
Current - highways and streets:				
Construction	45,000	45,000	-	(45,000)
Routine maintenance	49,500	49,500	42,741	(6,759)
Traffic services	3,600	3,600	4,298	698
Winter services	27,500	27,500	29,711	2,211
Total highways and streets	125,600	125,600	76,750	(48,850)
Debt service:				
Principal	50,000	50,000	50,000	-
Interest and fiscal charges	17,800	17,800	17,775	(25)
Total expenditures	193,400	193,400	144,525	(48,875)
Revenues under expenditures	(136,000)	(136,000)	(68,554)	67,446
Other financing sources				
Transfers in	136,000	136,000	69,694	(66,306)
Net change in fund balance	-	-	1,140	1,140
Fund balance, beginning of year	898	898	898	-
Fund balance, end of year	\$ 898	\$ 898	\$ 2,038	\$ 1,140

CITY OF BRIDGMAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Police Forfeiture Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 391	\$ 391
Expenditures				
Public safety	-	-	-	-
Net change in fund balance	-	-	391	391
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391</u>	<u>\$ 391</u>

CITY OF BRIDGMAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Police Training Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 503	\$ 503
Expenditures				
Public safety	-	-	-	-
Net change in fund balance	-	-	503	503
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 503</u>	<u>\$ 503</u>

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INTERNAL CONTROL AND COMPLIANCE

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**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**

December 20, 2016

The Honorable Mayor and
Members of the City Council
City of Bridgman
Bridgman, 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, each major fund, and the aggregate remaining fund information of the *City of Bridgman, Michigan* (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2016 .

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

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.

Compliance and Other Matters

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

City of Bridgman's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

CITY OF BRIDGMAN, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2016

2016-001 - Preparation of Financial Statements in Accordance with GAAP/Material Audit Adjustments (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition. As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. This assistance included proposing several audit adjustments, all of which were reviewed and approved by management. These entries included adjustments to beginning equity, cash and interfund transfers. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause. This condition was caused by the City's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. In addition, staffing turnover created delays in the closing of the fiscal year and reconciling of certain accounts.

Effect. As a result of this condition, the City lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task. The City's records were initially misstated by amounts material to the financial statements, for which appropriate correcting entries have been recorded by management.

Recommendation. The City's decision to rely, in part, on its auditors for the preparation of external financial statements is allowable provided that it is disclosed as part of the report on internal control and compliance in accordance with *Government Auditing Standards*. Therefore, no specific corrective action is required at this time.

View of Responsible Officials. The City has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.



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