

City of Bridgman,
Michigan



Year Ended
June 30, 2018

Financial
Statements

CITY OF BRIDGMAN, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

November 30, 2018

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, the discretely presented component unit, 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, 2018, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bridgman, Michigan as of June 30, 2018, 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 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 November 30, 2018 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.

Rehmann Lobson LLC

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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, 2018. 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 \$9,936,665 (*net position*), a decrease of \$320,129 from the prior year. Of this amount, \$1,378,940 (*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 \$2,121,600, an increase of \$655,756 from fiscal year 2017. Approximately 67% of this total amount, or \$1,412,073, 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 \$2,697,260, a decrease of \$115,290 from fiscal year 2017.

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).

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.

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

The government-wide financial statements include not only the City itself (known as the primary government), but also three 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, 2018 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, 2018 and no activity for the year then ended. The Corridor Improvement Authority is a legally separate entity that captures tax revenue used to correct and prevent deterioration in the business district and to promote economic growth. It is presented as a discretely presented component unit in the financial statements.

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 and capital projects funds, which are considered to be major funds. Information on the City's nonmajor governmental funds is summarized in the basic financial statements with a detailed statement 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.

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.

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

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 of resources exceeded liabilities and deferred inflows of resources by \$9,936,665 at the close of fiscal year 2018, a decrease of \$320,129 from fiscal year 2017. Governmental activities reported a decrease in net position of \$204,839 while business-type activities reported a decrease in net position of \$115,290. Key elements in these changes are discussed below.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 2,475,522	\$ 1,587,168	\$ 3,071,861	\$ 2,792,514	\$ 5,547,383	\$ 4,379,682
Capital assets, net	7,152,020	7,019,600	3,556,948	3,681,826	10,708,968	10,701,426
Total assets	9,627,542	8,606,768	6,628,809	6,474,340	16,256,351	15,081,108
Deferred outflows of resources	94,974	103,045	121,001	131,845	215,975	234,890
Liabilities						
Long-term debt outstanding	1,680,402	707,544	3,660,319	3,418,746	5,340,721	4,126,290
Other liabilities	726,615	486,560	358,606	343,108	1,085,221	829,668
Total liabilities	2,407,017	1,194,104	4,018,925	3,761,854	6,425,942	4,955,958
Deferred inflows of resources	83,530	78,901	26,189	24,345	109,719	103,246
Net position						
Net investment in capital assets	5,889,747	6,336,768	2,268,678	2,403,826	8,158,425	8,740,594
Restricted	329,794	294,413	69,506	46,344	399,300	340,757
Unrestricted	1,012,428	805,627	366,512	369,816	1,378,940	1,175,443
Total net position	\$ 7,231,969	\$ 7,436,808	\$ 2,704,696	\$ 2,819,986	\$ 9,936,665	\$ 10,256,794

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

A substantial portion of the City's net position (82.1 percent) reflects its investment in capital assets (e.g., land, buildings and systems, 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, (4.0 percent or \$399,300), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (13.9 percent or \$1,378,940) may be used to meet the government's ongoing obligations to citizens and creditors.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 37,087	\$ 50,097	\$ 1,480,634	\$ 1,462,504	\$ 1,517,721	\$ 1,512,601
Operating grants and contributions	299,009	234,534	297,514	181,685	596,523	416,219
General revenues:						
Property taxes	1,559,753	1,539,388	-	-	1,559,753	1,539,388
Unrestricted grants	277,048	273,487	-	-	277,048	273,487
Unrestricted investment earnings	11,687	8,980	-	-	11,687	8,980
Total revenues	2,184,584	2,106,486	1,778,148	1,644,189	3,962,732	3,750,675
Expenses						
General government	691,068	755,564	-	-	691,068	755,564
Public safety	722,841	714,639	-	-	722,841	714,639
Public works	346,739	432,077	-	-	346,739	432,077
Highways and streets	582,321	553,968	-	-	582,321	553,968
Interest on long-term debt	46,454	19,420	-	-	46,454	19,420
Parks	-	-	377,490	325,315	377,490	325,315
Sewer	-	-	972,337	704,190	972,337	704,190
Water	-	-	543,611	556,035	543,611	556,035
Total expenses	2,389,423	2,475,668	1,893,438	1,585,540	4,282,861	4,061,208
Change in net position	(204,839)	(369,182)	(115,290)	58,649	(320,129)	(310,533)
Net position, beginning of year	7,436,808	7,805,990	2,819,986	2,761,337	10,256,794	10,567,327
Net position, end of year	\$ 7,231,969	\$ 7,436,808	\$ 2,704,696	\$ 2,819,986	\$ 9,936,665	\$ 10,256,794

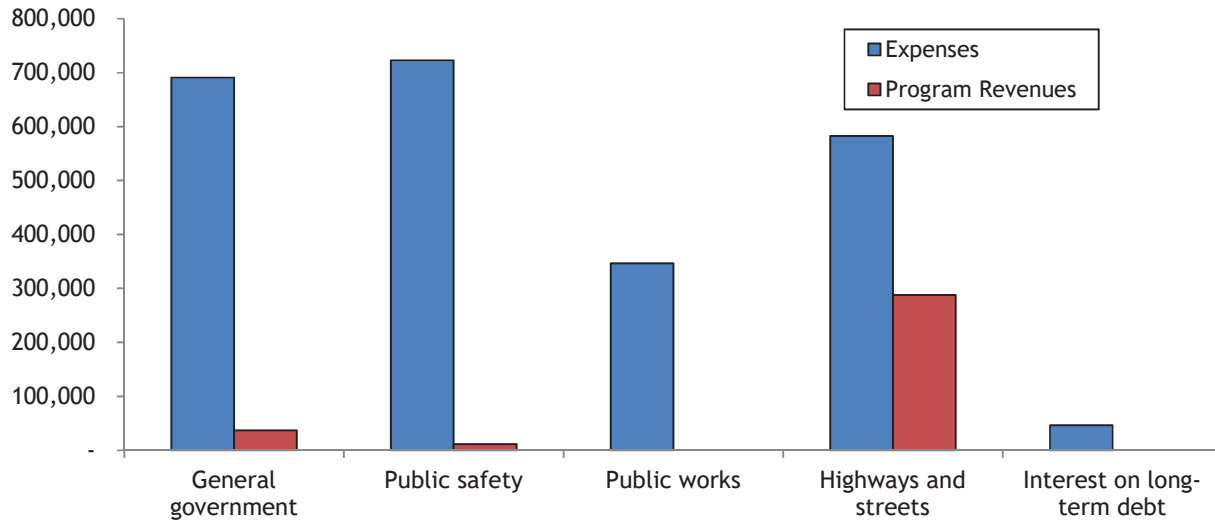
CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

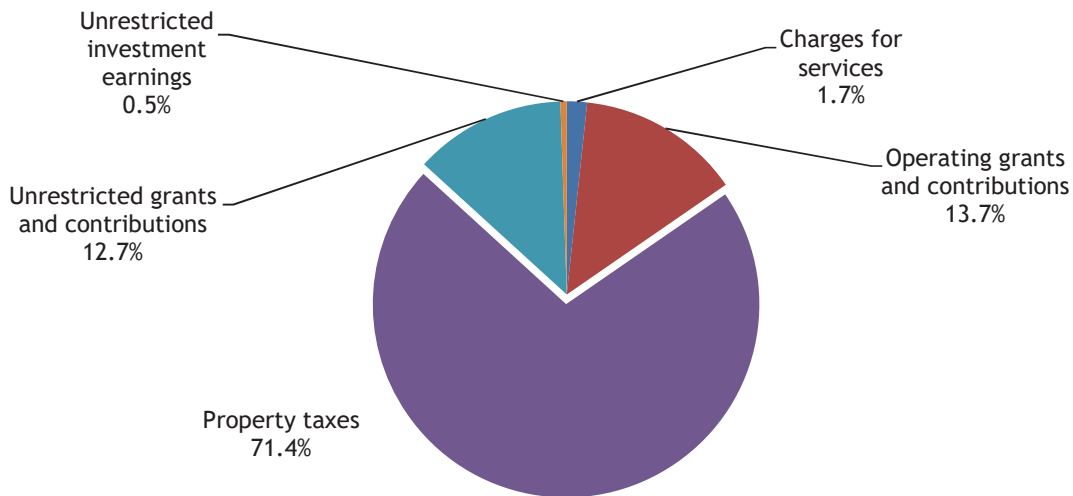
The City's net position decreased by \$320,129 during the current fiscal year. This is primarily related to governmental activities, as described below.

Governmental Activities. Governmental activities decreased the City's net position by \$204,839. Overall, activity during the current year remained relatively consistent with that of the prior year, with a slight increase in revenues and a minor decrease in expenses.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

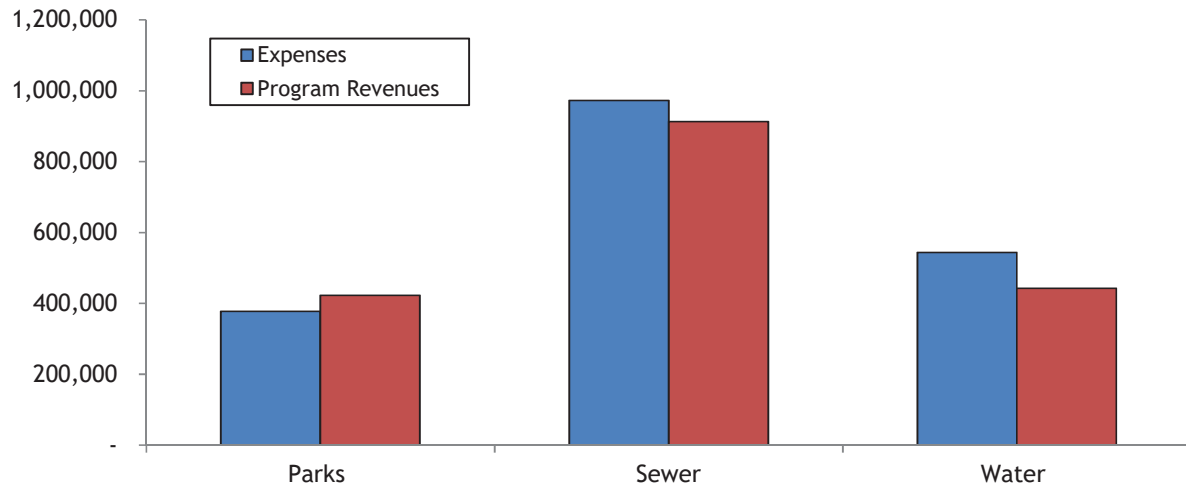


Business-type Activities. Business-type activities decreased the City's net position by \$115,290. The City Council has set utility rates at a level that is expected to cover current operating expense while also accumulating resources for future capital repair and replacement. The increase in operating grants and contributions and sewer expenses in fiscal year 2018 relates to a State grant for stormwater asset management planning.

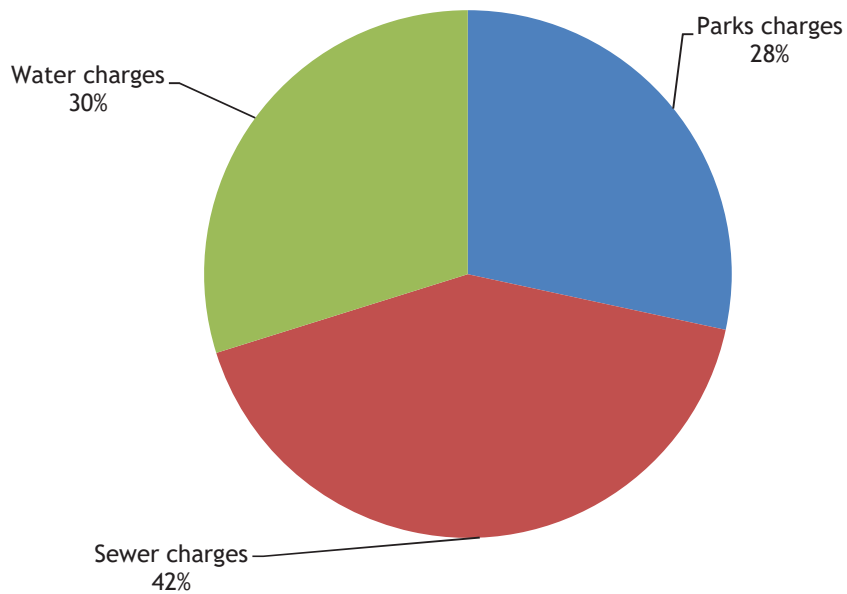
CITY OF BRIDGMAN, MICHIGAN

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 \$2,121,600, an increase of \$655,756 in comparison with the prior year. Of this total amount, 66.6%, or \$1,412,073, constitutes unassigned fund balance. The remainder of fund balance is in nonspendable form as it represents prepaid items (\$20,348), restricted for capital project purposes (\$388,424), restricted for major and local street purposes (\$273,634), restricted for police purposes (\$962), or assigned for the subsequent year's budget deficit (\$26,159).

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 \$1,412,073, while total fund balance was \$1,454,675. 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 84% of total general fund expenditures.

The fund balance of the City's general fund increased by \$226,242 during the current fiscal year. The key elements of this increase was increased revenue from licenses and permits and other revenue while expenditures for general government and public works decreased.

The fund balance of the City's capital projects fund increased by \$388,424 during the current fiscal year. The key element of this increase was the current year issuance of debt to fund several projects that will be completed in the subsequent fiscal year.

Proprietary funds. Unrestricted net position (deficit) of the parks, sewer and water enterprise funds at the end of the year amounted to \$259,616, \$139,999 and (\$40,539), respectively.

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. Significant amendments to the general fund budget include:

- Overall, the City's final budget for revenues approximated the original budget, with a total increase in budgeted revenues of \$34,652.
- The budget for public works was decreased from an original budget amount of \$501,538 to a final budget amount of \$252,774 due to the fact that the allowed for operating funds to be used for the street department garage renovations, however, bond proceeds were used to finance the entire project instead.

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

- The budgeted amount for transfers out to other funds of \$93,601, represented a potential operating subsidy to the sewer fund (\$40,000) and/or water fund (\$16,000) if either fund ended the year in a deficit position. The remaining amount for transfers out was intended to cover debt service (\$37,601).

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

- All other variances were minimal. In total, expenditures were \$116,106 less than the final budget, a variance of only 6.5%. Revenues were \$28,698 less than the final budget, a variance of only 1.5%. The largest factor to the variance in expenditures was the street department garage renovations not being funded from the operating budget, but rather from bond proceeds.

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, 2018, amounted to \$10,708,968 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, equipment, and infrastructure.

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

- Improvements to Donna and Vista drives
- Renovations to the Department of Public Works garage

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 134,600	\$ 134,600	\$ 59,293	\$ 59,293	\$ 193,893	\$ 193,893
Construction in progress	674,838	-	32,270	-	707,108	-
Buildings and systems	355,534	395,687	3,446,743	3,600,374	3,802,277	3,996,061
Equipment	1,077,851	928,536	18,642	22,159	1,096,493	950,695
Infrastructure	4,909,197	5,560,777	-	-	4,909,197	5,560,777
Total capital assets, net	\$ 7,152,020	\$ 7,019,600	\$ 3,556,948	\$ 3,681,826	\$10,708,968	\$10,701,426

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

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$5,340,721.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation limited tax bonds	\$ 1,647,388	\$ 620,000	\$ 3,537,497	\$ 3,285,735	\$ 5,184,885	\$ 3,905,735
Installment purchase contracts	-	59,155	-	-	-	59,155
Unamortized bond premium	3,309	3,677	105,286	115,475	108,595	119,152
Compensated absences	29,705	24,712	17,536	17,536	47,241	42,248
Total long-term debt	\$ 1,680,402	\$ 707,544	\$ 3,660,319	\$ 3,418,746	\$ 5,340,721	\$ 4,126,290

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

The City's total long-term debt increased by \$1,214,431 during the current fiscal year. This is the result of the issuance of the 2018 general obligation limited tax bonds, less scheduled principal payments.

CITY OF BRIDGMAN, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for the 2019 fiscal year:

- Projections of commercial, industrial, tourism and residential growth potential;
- Growth and development trends as a result of new businesses and proposed developments;
- Completion of capital improvement projects including a new sanitary sewer lift station, renovation of the street department building and street improvements for Donna Dr. and Vista Dr.
- Available taxing, bonding and grant resources.
- Capital expenditure purchases on equipment for the street department including a one ton dump truck, asphalt recycler and hot box trailer. Also, assigning funds for future purchase of a fire truck and police patrol vehicle.

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.

BASIC FINANCIAL STATEMENTS

CITY OF BRIDGMAN, MICHIGAN

Statement of Net Position June 30, 2018

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Pooled cash and cash equivalents	\$ 1,526,546	\$ 789,564	\$ 2,316,110	\$ 4,861
Restricted cash and cash equivalents	-	69,506	69,506	-
Receivables	181,509	170,831	352,340	-
Internal balances	746,589	(746,589)	-	-
Other assets	20,878	15,899	36,777	-
Investment in Galien River Sanitary District	-	2,772,650	2,772,650	-
Capital assets not being depreciated	809,438	91,563	901,001	-
Capital assets being depreciated, net	6,342,582	3,465,385	9,807,967	-
Total assets	9,627,542	6,628,809	16,256,351	4,861
Deferred outflows of resources				
Deferred charge on bond refunding	-	91,223	91,223	-
Deferred pension amounts	94,974	29,778	124,752	-
Total deferred outflows of resources	94,974	121,001	215,975	-
Liabilities				
Accounts payable and accrued liabilities	318,874	179,597	498,471	-
Unearned revenue	825	51,424	52,249	-
Long-term debt:				
Due within one year	182,488	225,416	407,904	-
Due in more than one year	1,497,914	3,434,903	4,932,817	-
Net pension liability (due in more than one year)	406,916	127,585	534,501	-
Total liabilities	2,407,017	4,018,925	6,425,942	-
Deferred inflows of resources				
Deferred pension amounts	83,530	26,189	109,719	-
Net position				
Net investment in capital assets	5,889,747	2,268,678	8,158,425	-
Restricted for major and local streets	328,832	-	328,832	-
Restricted for public safety	962	-	962	-
Restricted for system repair and replacement	-	69,506	69,506	-
Unrestricted	1,012,428	366,512	1,378,940	4,861
Total net position	\$ 7,231,969	\$ 2,704,696	\$ 9,936,665	\$ 4,861

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

CITY OF BRIDGMAN, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 691,068	\$ 28,838	\$ 8,435	\$ -	\$ (653,795)
Public safety	722,841	8,249	3,028	-	(711,564)
Public works	346,739	-	-	-	(346,739)
Highways and streets	582,321	-	287,546	-	(294,775)
Interest on long-term debt	46,454	-	-	-	(46,454)
Total governmental activities	<u>2,389,423</u>	<u>37,087</u>	<u>299,009</u>	<u>-</u>	<u>(2,053,327)</u>
Business-type activities:					
Parks	377,490	420,495	2,361	-	45,366
Sewer	972,337	618,360	294,490	-	(59,487)
Water	543,611	441,779	663	-	(101,169)
Total business-type activities	<u>1,893,438</u>	<u>1,480,634</u>	<u>297,514</u>	<u>-</u>	<u>(115,290)</u>
Total primary government	<u>\$ 4,282,861</u>	<u>\$ 1,517,721</u>	<u>\$ 596,523</u>	<u>\$ -</u>	<u>\$ (2,168,617)</u>
Component unit					
Corridor Improvement Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

continued...

CITY OF BRIDGMAN, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2018

	Governmental Activities	Business-type Activities	Total	Component Unit
Changes in net position				
Net (expense) revenue	\$ (2,053,327)	\$ (115,290)	\$ (2,168,617)	\$ -
General revenues:				
Property taxes	1,559,753	-	1,559,753	3,217
Grants and contributions not restricted to specific programs	277,048	-	277,048	-
Unrestricted investment earnings	11,687	-	11,687	-
Total general revenues	1,848,488	-	1,848,488	3,217
Change in net position	(204,839)	(115,290)	(320,129)	3,217
Net position, beginning of year	7,436,808	2,819,986	10,256,794	1,644
Net position, end of year	\$ 7,231,969	\$ 2,704,696	\$ 9,936,665	\$ 4,861

concluded

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

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CITY OF BRIDGMAN, MICHIGAN

Balance Sheet Governmental Funds June 30, 2018

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total
Assets				
Pooled cash and cash equivalents	\$ 650,764	\$ 615,994	\$ 258,273	\$ 1,525,031
Accounts receivable	7,240	-	-	7,240
Special assessments receivable	-	-	51,293	51,293
Due from other governments	79,416	-	43,560	122,976
Due from other funds	754,025	-	-	754,025
Prepaid items	16,443	-	3,905	20,348
Total assets	\$ 1,507,888	\$ 615,994	\$ 357,031	\$ 2,480,913
Liabilities				
Accounts payable	\$ 22,983	\$ 227,570	\$ 26,294	\$ 276,847
Accrued liabilities	29,405	-	943	30,348
Unearned revenue	825	-	-	825
Total liabilities	53,213	227,570	27,237	308,020
Deferred inflows of resources				
Unavailable revenues - special assessments	-	-	51,293	51,293
Fund balances				
Nonspendable	16,443	-	3,905	20,348
Restricted	-	388,424	274,596	663,020
Assigned	26,159	-	-	26,159
Unassigned	1,412,073	-	-	1,412,073
Total fund balances	1,454,675	388,424	278,501	2,121,600
Total liabilities, deferred inflows of resources and fund balances	\$ 1,507,888	\$ 615,994	\$ 357,031	\$ 2,480,913

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, 2018

Fund balances - total governmental funds \$ 2,121,600

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	809,438
Capital assets being depreciated, net	5,478,906

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 receivable	51,293
--	--------

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	865,721
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	(1,647,388)
Premium on bonds payable, net	(3,309)
Accrued interest payable on long-term debt	(11,679)
Compensated absences	(29,705)

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	(406,916)
Deferred outflows related to the net pension liability	94,974
Deferred inflows related to the net pension liability	(83,530)

Net position of governmental activities \$ 7,231,969

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, 2018

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues				
Property taxes	\$ 1,559,753	\$ -	\$ -	\$ 1,559,753
Special assessments	-	-	5,768	5,768
Intergovernmental	251,211	-	274,144	525,355
Charges for services	9,326	-	-	9,326
Investment earnings	9,444	2,241	3,350	15,035
Licenses and permits	52,863	-	-	52,863
Fines and forfeitures	7,785	-	-	7,785
Other	14,406	-	-	14,406
Total revenues	1,904,788	2,241	283,262	2,190,291
Expenditures				
Current:				
General government	471,091	-	-	471,091
Public safety	666,373	-	1,641	668,014
Public works	208,858	674,838	-	883,696
Highways and streets	-	-	169,856	169,856
Other	332,224	-	-	332,224
Debt service:				
Principal	-	-	55,000	55,000
Interest and fiscal charges	-	-	15,675	15,675
Bond issuance costs	-	21,367	-	21,367
Total expenditures	1,678,546	696,205	242,172	2,616,923
Revenues over (under) expenditures	226,242	(693,964)	41,090	(426,632)
Other financing sources (uses)				
Issuance of long-term debt	-	1,082,388	-	1,082,388
Transfers in	-	-	94,932	94,932
Transfers out	-	-	(94,932)	(94,932)
Total other financing sources (uses)	-	1,082,388	-	1,082,388
Net change in fund balances	226,242	388,424	41,090	655,756
Fund balances, beginning of year	1,228,433	-	237,411	1,465,844
Fund balances, end of year	\$ 1,454,675	\$ 388,424	\$ 278,501	\$ 2,121,600

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, 2018

Net change in fund balances - total governmental funds	\$ 655,756
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	674,838
Depreciation expense	(443,526)
Governmental funds record revenues from special assessments as they are collected.	
Change in deferred special assessments receivable	(5,709)
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	55,000
Issuance of long-term debt	(1,082,388)
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	(38,527)
Nonoperating expenses from internal service funds	(679)
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	(9,100)
Amortization of bond premium	368
Change in the accrual for compensated absences	(4,993)
Change in the net pension liability and related deferred amounts	(5,879)
Change in net position of governmental activities	<u>\$ (204,839)</u>

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,591,922	\$ 1,601,874	\$ 1,559,753	\$ (42,121)
Intergovernmental	212,846	231,046	251,211	20,165
Charges for services	10,625	10,625	9,326	(1,299)
Investment earnings	11,641	11,641	9,444	(2,197)
Licenses and permits	60,000	60,000	52,863	(7,137)
Fines and forfeitures	7,700	8,300	7,785	(515)
Other	4,100	10,000	14,406	4,406
Total revenues	1,898,834	1,933,486	1,904,788	(28,698)
Expenditures				
General government:				
City council	46,051	44,551	35,273	(9,278)
City manager	125,200	127,768	121,431	(6,337)
Elections	4,710	3,395	2,988	(407)
Assessor	31,921	35,300	32,027	(3,273)
General office	222,699	215,571	208,302	(7,269)
Building and grounds	97,928	78,468	65,425	(13,043)
Planning commission	6,500	7,500	4,390	(3,110)
Zoning administrator	2,200	2,200	1,255	(945)
Total general government	537,209	514,753	471,091	(43,662)
Public safety:				
Police	486,877	514,830	509,915	(4,915)
Fire	203,997	160,193	143,611	(16,582)
Building inspector	21,850	21,850	12,847	(9,003)
Total public safety	712,724	696,873	666,373	(30,500)
Public works	501,538	252,774	208,858	(43,916)
Other:				
General administration	329,862	317,552	319,932	2,380
Economic development	12,700	12,700	12,292	(408)
Total other	342,562	330,252	332,224	1,972
Total expenditures	2,094,033	1,794,652	1,678,546	(116,106)

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	\$ (195,199)	\$ 138,834	\$ 226,242	\$ 87,408
Other financing uses				
Transfers out	(93,601)	(93,601)	-	(93,601)
Net change in fund balance	(288,800)	45,233	226,242	181,009
Fund balance, beginning of year	1,228,433	1,228,433	1,228,433	-
Fund balance, end of year	<u>\$ 939,633</u>	<u>\$ 1,273,666</u>	<u>\$ 1,454,675</u>	<u>\$ 181,009</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, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Parks	Sewer	Water	Total	Internal Service Fund
Assets					
Current assets:					
Pooled cash and cash equivalents	\$ 357,402	\$ 427,823	\$ 4,339	\$ 789,564	\$ 1,515
Accounts receivable	-	107,840	62,991	170,831	-
Due from other funds	-	-	81,009	81,009	-
Inventories	-	-	8,552	8,552	-
Prepaid items	1,693	504	5,150	7,347	530
Total current assets	<u>359,095</u>	<u>536,167</u>	<u>162,041</u>	<u>1,057,303</u>	<u>2,045</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	-	69,506	69,506	-
Investment in Galien River Sanitary District	-	2,772,650	-	2,772,650	-
Capital assets not being depreciated	19,610	50,700	21,253	91,563	-
Capital assets being depreciated, net	428,033	734,734	2,302,618	3,465,385	863,676
Total noncurrent assets	<u>447,643</u>	<u>3,558,084</u>	<u>2,393,377</u>	<u>6,399,104</u>	<u>863,676</u>
Total assets	<u>806,738</u>	<u>4,094,251</u>	<u>2,555,418</u>	<u>7,456,407</u>	<u>865,721</u>
Deferred outflows of resources					
Deferred charge on bond refunding	-	91,223	-	91,223	-
Deferred pension amounts	-	-	29,778	29,778	-
Total deferred outflows of resources	<u>-</u>	<u>91,223</u>	<u>29,778</u>	<u>121,001</u>	<u>-</u>
Liabilities					
Current liabilities:					
Accounts payable	27,996	92,925	14,041	134,962	-
Accrued liabilities	15,153	14,416	12,396	41,965	-
Due to other funds	-	794,571	40,463	835,034	-
Deposits payable	1,750	460	460	2,670	-
Unearned revenue	51,424	-	-	51,424	-
Compensated absences, current	1,752	1,752	6,233	9,737	-
Bonds and notes payable, current	-	193,679	22,000	215,679	-
Total current liabilities	<u>98,075</u>	<u>1,097,803</u>	<u>95,593</u>	<u>1,291,471</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences, net of current	1,404	1,404	4,991	7,799	-
Bonds and notes payable, net of current	-	2,193,104	1,234,000	3,427,104	-
Net pension liability	-	-	127,585	127,585	-
Total noncurrent liabilities	<u>1,404</u>	<u>2,194,508</u>	<u>1,366,576</u>	<u>3,562,488</u>	<u>-</u>
Total liabilities	<u>99,479</u>	<u>3,292,311</u>	<u>1,462,169</u>	<u>4,853,959</u>	<u>-</u>
Deferred inflows of resources					
Deferred pension amounts	-	-	26,189	26,189	-
Net position					
Net investment in capital assets	447,643	753,164	1,067,871	2,268,678	863,676
Restricted for system repairs and replacement	-	-	69,506	69,506	-
Unrestricted (deficit)	<u>259,616</u>	<u>139,999</u>	<u>(40,539)</u>	<u>359,076</u>	<u>2,045</u>
Total net position	<u>\$ 707,259</u>	<u>\$ 893,163</u>	<u>\$ 1,096,838</u>	<u>\$ 2,697,260</u>	<u>\$ 865,721</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, 2018

Net position - enterprise funds \$ 2,697,260

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 \$ 2,704,696

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, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Parks	Sewer	Water	Total	Internal Service Fund
Operating revenues					
Charges for services	\$ 333,437	\$ 618,360	\$ 366,779	\$ 1,318,576	\$ 60,365
Rent	22,900	-	75,000	97,900	-
Other	64,158	-	-	64,158	-
Total operating revenues	<u>420,495</u>	<u>618,360</u>	<u>441,779</u>	<u>1,480,634</u>	<u>60,365</u>
Operating expenses					
Operations	328,869	865,820	400,394	1,595,083	-
Depreciation	48,621	32,395	99,341	180,357	98,892
Total operating expenses	<u>377,490</u>	<u>898,215</u>	<u>499,735</u>	<u>1,775,440</u>	<u>98,892</u>
Operating income (loss)	<u>43,005</u>	<u>(279,855)</u>	<u>(57,956)</u>	<u>(294,806)</u>	<u>(38,527)</u>
Nonoperating revenues (expenses)					
Investment income	2,361	1,487	663	4,511	1
Intergovernmental revenue	-	293,003	-	293,003	-
Bond issuance costs	-	(10,382)	-	(10,382)	-
Interest expense	-	(63,740)	(43,876)	(107,616)	(680)
Total nonoperating revenues (expenses)	<u>2,361</u>	<u>220,368</u>	<u>(43,213)</u>	<u>179,516</u>	<u>(679)</u>
Change in net position	45,366	(59,487)	(101,169)	(115,290)	(39,206)
Net position, beginning of year	<u>661,893</u>	<u>952,650</u>	<u>1,198,007</u>	<u>2,812,550</u>	<u>904,927</u>
Net position, end of year	<u>\$ 707,259</u>	<u>\$ 893,163</u>	<u>\$ 1,096,838</u>	<u>\$ 2,697,260</u>	<u>\$ 865,721</u>

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, 2018

	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	\$ 398,290	\$ 621,978	\$ 448,814	\$ 1,469,082	\$ -
Cash received for interfund services	-	-	-	-	56,657
Cash payments to employees	(24,706)	(12,707)	(298,363)	(335,776)	-
Cash payments to suppliers	(298,658)	(1,018,128)	(87,855)	(1,404,641)	(530)
Net cash provided by (used in) operating activities	74,926	(408,857)	62,596	(271,335)	56,127
Cash flows from noncapital financing activities					
Intergovernmental grants received	-	386,264	-	386,264	-
Cash flows from capital and related financing activities					
Purchase of capital assets	(23,209)	(32,270)	-	(55,479)	-
Issuance of long-term debt	-	417,612	-	417,612	-
Principal payments on long-term debt	-	(143,850)	(22,000)	(165,850)	(59,155)
Interest payments on long-term debt	-	(65,101)	(43,876)	(108,977)	(680)
Bond issuance costs	-	(10,382)	-	(10,382)	-
Net cash provided by (used in) capital and related financing activities	(23,209)	166,009	(65,876)	76,924	(59,835)
Cash flows from investing activities					
Investment income received	2,361	1,487	663	4,511	1
Net increase (decrease) in cash and cash equivalents	54,078	144,903	(2,617)	196,364	(3,707)
Cash and cash equivalents, beginning of year	303,324	282,920	76,462	662,706	5,222
Cash and cash equivalents, end of year	\$ 357,402	\$ 427,823	\$ 73,845	\$ 859,070	\$ 1,515
Cash and cash equivalents are reported on the statement of net position as follows					
Pooled cash and cash equivalents	\$ 357,402	\$ 427,823	\$ 4,339	\$ 789,564	\$ 1,515
Restricted cash and cash equivalents	-	-	69,506	69,506	-
Total cash and cash equivalents	\$ 357,402	\$ 427,823	\$ 73,845	\$ 859,070	\$ 1,515

continued...

CITY OF BRIDGMAN, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2018

	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)	\$ 43,005	\$ (279,855)	\$ (57,956)	\$ (294,806)	\$ (38,527)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	48,621	32,395	99,341	180,357	98,892
Changes in assets and liabilities:					
Accounts receivable	2,824	3,643	6,463	12,930	-
Inventories	-	-	1,773	1,773	-
Prepaid items	(404)	(197)	(697)	(1,298)	(530)
Investment in Galien River Sanitary District	-	(123,919)	-	(123,919)	-
Accounts payable	2,319	(43,630)	7,869	(33,442)	-
Accrued liabilities	3,590	2,731	1,448	7,769	-
Due to other funds	(66,328)	-	597	(65,731)	(3,708)
Deposits payable	(1,175)	(25)	(25)	(1,225)	-
Unearned revenue	42,474	-	-	42,474	-
Net pension liability	-	-	(77)	(77)	-
Deferred outflows of resources related to pension	-	-	2,016	2,016	-
Deferred inflows of resources related to pension	-	-	1,844	1,844	-
Net cash provided by (used in) operating activities	<u>\$ 74,926</u>	<u>\$ (408,857)</u>	<u>\$ 62,596</u>	<u>\$ (271,335)</u>	<u>\$ 56,127</u>

concluded

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

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. The Building Authority had no assets as of June 30, 2018 and no activity for the year ended June 30, 2018.

Discretely Presented Component Unit

The Corridor Improvement Authority is governed by a seven-member board of trustees appointed by the City Council. Its main purpose is to correct and prevent deterioration in business districts and to promote economic growth in the districts. Members of the governing body are appointed by the City Council which is also responsible for approving the budget. The City also has the ability to significantly influence operations of the Corridor Improvement Authority.

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, 2018, 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 a contribution of \$10,000 for the fiscal year ended June 30, 2018. 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, 2018. 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, intergovernmental revenue, 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 funds:

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 *capital projects fund* is used to account for ongoing capital projects of the City.

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 \$69,506 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 the lower of cost or market 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 land, buildings, improvements, systems, 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.

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

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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.

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.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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 as well as a specified designee, such as the City Administrator. 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 the sum of the top two taxpayers total annual City tax or 40% of general fund revenue, whichever is higher. Based on actual results for the fiscal year ending June 30, 2018, unassigned fund balance of the general fund represented 84% of current year general fund revenues.

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.

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. All annual appropriations lapse at fiscal year end.

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

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. 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, 2018, 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			
Other:			
General administration	\$ 317,552	\$ 319,932	\$ 2,380
Nonmajor governmental funds			
Major streets fund:			
Transfers out	85,446	94,932	9,486
Local streets fund:			
Debt service:			
Principal	-	55,000	55,000
Interest and fiscal charges	-	15,675	15,675

4. DEPOSITS

Deposits

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

	Governmental Activities	Governmental Activities	Component Unit	Total
Pooled cash and cash equivalents	\$ 1,526,546	\$ 789,564	\$ 4,861	\$ 2,320,971
Restricted cash and cash equivalents	-	69,506	-	69,506
Total	<u>\$ 1,526,546</u>	<u>\$ 859,070</u>	<u>\$ 4,861</u>	<u>\$ 2,390,477</u>

Deposits consist of the following at June 30, 2018:

Bank deposits –	
Checking and savings accounts	\$ 2,389,427
Cash on hand	1,050
Total	<u>\$ 2,390,477</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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, \$2,144,640 of the City's bank balance of \$2,394,640 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.

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
Accounts receivable	\$ 7,240	\$ 170,831
Special assessments	51,293	-
Due from other governments	122,976	-
	<u>\$ 181,509</u>	<u>\$ 170,831</u>
 Due in more than one year:		
Special assessments	<u>\$ 45,601</u>	<u>\$ -</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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	\$ 276,847	\$ 134,962
Accrued liabilities	30,348	41,965
Accrued interest on long-term debt	11,679	-
Deposits payable	-	2,670
	<u> </u>	<u> </u>
Total accounts payable and accrued liabilities	<u>\$ 318,874</u>	<u>\$ 179,597</u>

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2018, the interfund receivables and payables were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 754,025	\$ -
Sewer enterprise fund	-	794,571
Water enterprise fund	81,009	40,463
	<u> </u>	<u> </u>
Total	<u>\$ 835,034</u>	<u>\$ 835,034</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, 2018, interfund transfers consisted of a transfer out from the major streets fund of \$94,932 into the local streets fund.

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, 2018, 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	-	674,838	-	-	674,838
	<u>134,600</u>	<u>674,838</u>	<u>-</u>	<u>-</u>	<u>809,438</u>
Capital assets, being depreciated:					
Buildings and improvements	1,709,625	-	-	-	1,709,625
Equipment	3,217,283	-	-	-	3,217,283
Infrastructure	17,058,139	-	-	-	17,058,139
	<u>21,985,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,985,047</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,313,938)	(40,153)	-	-	(1,354,091)
Equipment	(2,013,686)	(125,746)	-	-	(2,139,432)
Infrastructure	(11,772,423)	(376,519)	-	-	(12,148,942)
	<u>(15,100,047)</u>	<u>(542,418)</u>	<u>-</u>	<u>-</u>	<u>(15,642,465)</u>
Total capital assets being depreciated, net	<u>6,885,000</u>	<u>(542,418)</u>	<u>-</u>	<u>-</u>	<u>6,342,582</u>
Governmental activities capital assets, net	<u>\$ 7,019,600</u>	<u>\$ 132,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,152,020</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
Construction in progress	-	32,270	-	-	32,270
	<u>59,293</u>	<u>32,270</u>	<u>-</u>	<u>-</u>	<u>91,563</u>
Capital assets, being depreciated:					
Buildings, improvements, and systems	8,961,894	23,209	-	-	8,985,103
Equipment	116,084	-	-	-	116,084
	<u>9,077,978</u>	<u>23,209</u>	<u>-</u>	<u>-</u>	<u>9,101,187</u>
Less accumulated depreciation for:					
Buildings, improvements, and systems	(5,361,520)	(176,840)	-	-	(5,538,360)
Equipment	(93,925)	(3,517)	-	-	(97,442)
	<u>(5,455,445)</u>	<u>(180,357)</u>	<u>-</u>	<u>-</u>	<u>(5,635,802)</u>
Total capital assets being depreciated, net	<u>3,622,533</u>	<u>(157,148)</u>	<u>-</u>	<u>-</u>	<u>3,465,385</u>
Business-type activities capital assets, net	<u>\$ 3,681,826</u>	<u>\$ (124,878)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,556,948</u>

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

Depreciation of governmental activities by function	
General government	\$ 42,721
Public safety	20,186
Public works	4,099
Highways and streets	376,520
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>98,892</u>
Total depreciation expense - governmental activities	<u>\$ 542,418</u>
Depreciation of business-type activities by function	
Parks	\$ 48,621
Sewer	32,395
Water	<u>99,341</u>
Total depreciation expense - business-type activities	<u>\$ 180,357</u>

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%	\$ 565,000
2018 Limited Tax General Obligation Bonds, due in annual installments through 2027	1,082,388	\$97,415 to \$122,671	2.79%	<u>1,082,388</u>
Total governmental activities				<u>\$ 1,647,388</u>
Business-type activities:				
2010 Capital Improvement General Obligation Limited Tax Bonds, due in annual installments through 2050	\$ 1,460,000	\$17,000 to \$60,000	3.75%	\$ 1,256,000
2013 GRSD Authority General Obligation Limited Tax Bonds, due in annual installments through 2028	2,424,900	\$135,630 to \$199,335	4.10%	1,863,885
2018 Limited Tax General Obligation Bonds, due in annual installments through 2027	417,612	\$37,585 to \$47,329	2.79%	<u>417,612</u>
Total business-type activities				<u>\$ 3,537,497</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
2019	\$ 152,415	\$ 43,399	\$ 205,490	\$ 116,988
2020	152,415	40,756	210,600	112,590
2021	161,023	36,883	214,047	106,896
2022	164,631	32,684	220,549	101,086
2023	169,631	28,265	227,714	95,043
2024-2028	847,273	68,690	1,261,762	347,455
2029-2033	-	-	364,335	176,020
2034-2038	-	-	197,000	138,283
2039-2043	-	-	234,000	97,913
2044-2048	-	-	280,000	49,876
2049-2050	-	-	122,000	4,538
	<u>\$ 1,647,388</u>	<u>\$ 250,677</u>	<u>\$ 3,537,497</u>	<u>\$ 1,346,688</u>

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation limited tax bonds	\$ 620,000	\$ 1,082,388	\$ (55,000)	\$ 1,647,388	\$ 152,415
Installment purchase contracts	59,155	-	(59,155)	-	-
	<u>679,155</u>	<u>1,082,388</u>	<u>(114,155)</u>	<u>1,647,388</u>	<u>152,415</u>
Unamortized bond premium	3,677	-	(368)	3,309	368
Compensated absences	24,712	54,092	(49,099)	29,705	29,705
Total	<u>\$ 707,544</u>	<u>\$ 1,136,480</u>	<u>\$ (163,622)</u>	<u>\$ 1,680,402</u>	<u>\$ 182,488</u>

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type Activities					
General obligation limited tax bonds	\$ 3,285,735	\$ 417,612	\$ (165,850)	\$ 3,537,497	\$ 205,490
Unamortized bond premium	115,475	-	(10,189)	105,286	10,189
Compensated absences	17,536	22,709	(22,709)	17,536	9,737
Total	\$ 3,418,746	\$ 440,321	\$ (198,748)	\$ 3,660,319	\$ 225,416

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. 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, 2018, 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.

11. 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 2017-18 was 14.6118 mills.

12. 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.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

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.

Employees Covered by Benefit Terms. At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>16</u>
 Total membership	 <u><u>28</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. At June 30, 2018, monthly employer contributions range from 6.20% to 7.81% 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 0% to 2% depending on division/bargaining unit.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2017, 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, 2017 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 explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.5%.

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>0.25%</u>
Investment rate of return			<u><u>8.00%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2017 was 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF 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, 2016	\$ 1,839,690	\$ 1,298,291	\$ 541,399
Changes for the year:			
Service cost	54,446	-	54,446
Interest	146,028	-	146,028
Differences between expected and actual experience	56,431	-	56,431
Employer contributions	-	75,943	(75,943)
Employee contributions	-	16,393	(16,393)
Net investment income	-	174,220	(174,220)
Benefit payments, including refunds of employee contributions	(83,135)	(83,135)	-
Administrative expense	-	(2,753)	2,753
Net changes	<u>173,770</u>	<u>180,668</u>	<u>(6,898)</u>
Balances at December 31, 2017	<u>\$ 2,013,460</u>	<u>\$ 1,478,959</u>	<u>\$ 534,501</u>

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 8.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
City's net pension liability	\$ 758,144	\$ 534,501	\$ 345,061

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, 2018, the City recognized pension expense of \$84,742. 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	\$ 47,026	\$ 78,322	\$ (31,296)
Changes in assumptions	39,447	-	39,447
Net differences between projected and actual earnings on pension plan investments	-	31,397	(31,397)
	<u>86,473</u>	<u>109,719</u>	<u>(23,246)</u>
Contributions subsequent to the measurement date	38,279	-	38,279
	<u>\$ 124,752</u>	<u>\$ 109,719</u>	<u>\$ 15,033</u>
Total			

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, 2019. 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
2019	\$ 2,028
2020	(2,055)
2021	(24,459)
2022	(8,166)
2023	<u>9,406</u>
Total	<u>\$ (23,246)</u>

Payable to the Pension Plan. At June 30, 2018, the City had no amounts payable to the pension plan required for the year ended June 30, 2018.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

13. 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, 2018, is as follows:

Cumulative surplus (shortfall), beginning of year	\$	(70,164)
Building permit revenue		14,976
Related expenses –		
Building inspector		<u>(12,847)</u>
Cumulative surplus (shortfall), end of year	\$	<u><u>(68,035)</u></u>

14. GALIEN RIVER SANITARY DISTRICT

Investment in Joint Venture

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, 2017, audited by other auditors, whose report dated May 21, 2018, 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, 2018 is as follows:

	Total GRSD Authority	City of Bridgman 16.6%
Total assets	\$ 16,819,840	\$ 2,792,093
Total liabilities	117,129	19,443
Net position	\$ 16,702,711	\$ 2,772,650
Operating revenues	\$ 3,286,502	\$ 545,560
Operating expenses	(2,428,588)	(403,146)
Operating income	857,914	142,414
Nonoperating revenues (expenses)	(111,414)	(18,495)
Change in net position	746,500	123,919
Net position, beginning of year	15,956,211	2,648,731
Net position, end of year	\$ 16,702,711	\$ 2,772,650

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

Long-term Debt

In September 2003, the Authority issued general obligation limited tax bonds for the design, acquisition, construction, and equipping of a plant expansion. The bonds were refunded in May 2013. The City of Bridgman is responsible for 41.1% of the principal and interest and is billed by the Authority for these amounts as they become due. The City's share of the outstanding debt at June 30, 2018 of \$1,863,885 is recorded in the sewer enterprise fund.

In February 2007, the Authority issued general obligation limited tax bonds for plant improvements which were refunded in December 2016. The bonds are expected to be repaid with excess reserves on hand at the Authority. Should those resources be insufficient, the City of Bridgman is responsible for 20% of the principal and interest on the outstanding balance which amounted to \$1,185,000 at December 31, 2016. Inasmuch as the City's liability is contingent upon resources at the Authority being insufficient (of which there is no indication), a corresponding liability has not been recorded.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

15. 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	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid items	16,443	-	3,905	20,348
Restricted				
Capital projects	-	388,424	-	388,424
Major streets	-	-	207,053	207,053
Local streets	-	-	66,581	66,581
Police forfeiture	-	-	713	713
Police training	-	-	249	249
Total restricted	-	388,424	274,596	663,020
Assigned				
Subsequent year's budget deficit	26,159	-	-	26,159
Unassigned	1,412,073	-	-	1,412,073
Total fund balances, governmental funds	\$ 1,454,675	\$ 388,424	\$ 278,501	\$ 2,121,600

16. COMMITMENTS

Construction commitments on outstanding projects at June 30, 2018 total approximately \$489,000. Of these \$551,000 approximate costs, \$162,000 relate to governmental activities and \$327,000 relate to business-type activities.

On June 4, 2018, the City Commissioners approved and entered into an agreement to purchase a F-350 dump truck from Siemans Ford for \$53,785. As of the fiscal year end this asset is under construction and is expected to be received in December 2018.

CITY OF BRIDGMAN, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of the City's net investment in capital assets as of June 30, 2018, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 809,438	\$ 91,563
Capital assets being depreciated, net	6,342,582	3,465,385
	<u>7,152,020</u>	<u>3,556,948</u>
Related debt:		
Total bonds and notes payable	1,647,388	3,537,497
Unexpended bond proceeds	(388,424)	(385,342)
Deferred charge on bond refunding	-	(91,223)
Unamortized premium on bonds payable	3,309	105,286
Less: non-capital debt for joint venture:		
Bonds payable	-	(1,863,885)
Unamortized premium	-	(105,286)
Deferred charge on bond refunding	-	91,223
	<u>1,262,273</u>	<u>1,288,270</u>
Net investment in capital assets	<u>\$ 5,889,747</u>	<u>\$ 2,268,678</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,			
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 54,446	\$ 51,821	\$ 51,187	\$ 49,327
Interest	146,028	137,930	137,260	129,229
Differences between expected and actual experience	56,431	(21,308)	(128,235)	-
Changes in assumptions	-	-	78,897	-
Benefit payments, including refunds of employee contributions	(83,135)	(53,934)	(105,079)	(59,226)
Other changes	-	-	453	-
Net change in total pension liability	173,770	114,509	34,483	119,330
Total pension liability, beginning of year	1,839,690	1,725,181	1,690,698	1,571,368
Total pension liability, end of year	2,013,460	1,839,690	1,725,181	1,690,698
Plan fiduciary net position				
Employer contributions	75,943	77,434	70,682	57,936
Employee contributions	16,393	15,745	15,014	15,086
Net investment income (loss)	174,220	132,178	(16,577)	69,721
Benefit payments, including refunds of employee contributions	(83,135)	(53,934)	(105,079)	(59,226)
Administrative expense	(2,753)	(2,605)	(2,522)	(2,560)
Net change in plan fiduciary net position	180,668	168,818	(38,482)	80,957
Plan fiduciary net position, beginning of year	1,298,291	1,129,473	1,167,955	1,086,998
Plan fiduciary net position, end of year	1,478,959	1,298,291	1,129,473	1,167,955
City's net pension liability	\$ 534,501	\$ 541,399	\$ 595,708	\$ 522,743
Plan fiduciary net position as a percentage of total pension liability	73.45%	70.57%	65.47%	69.08%
Covered payroll	\$ 856,451	\$ 834,219	\$ 812,168	\$ 782,950
City's net pension liability as a percentage of covered payroll	62.41%	64.90%	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.

The changes of assumptions in 2016 primarily related to an adjustment to the mortality table to reflect longer lifetimes, the assumed annual rate of return, net of all expenses, was lowered from 8.0% to 7.75%, and the asset smoothing was changed from 10 to 5 years.

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 Payroll	Net Pension Liability as Percentage of Covered Payroll
2018	\$ 2,013,460	\$ 1,478,959	\$ 534,501	73.45%	\$ 856,451	62.41%
2017	1,839,690	1,298,291	541,399	70.57%	834,219	64.90%
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 Payroll	Contributions as Percentage of Covered Payroll
2018	\$ 68,046	\$ 75,081	\$ (7,035)	\$ 889,259	8.44%
2017	76,193	76,193	-	893,605	8.53%
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 (2018, based on the 12/31/2015 actuarial valuation):

Actuarial cost method Entry-age normal
 Amortization method Level percent of payroll, open
 Remaining amortization period 24 years
 Asset valuation method Open; 10 year smoothed
 Inflation 2.5%
 Salary increases 3.75% in the long-term
 Investment rate of return 7.5%, 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 2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The mortality tables were first used for the December 31, 2015 actuarial valuations.

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

CITY OF BRIDGMAN, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Funds				Total
	Major Streets	Local Streets	Police Forfeiture	Police Training	
Assets					
Pooled cash and cash equivalents	\$ 200,850	\$ 56,461	\$ 713	\$ 249	\$ 258,273
Special assessments receivable	-	51,293	-	-	51,293
Due from other governments	32,482	11,078	-	-	43,560
Prepaid items	1,953	1,952	-	-	3,905
Total assets	\$ 235,285	\$ 120,784	\$ 713	\$ 249	\$ 357,031
Liabilities					
Accounts payable	\$ 25,558	\$ 736	\$ -	\$ -	\$ 26,294
Accrued liabilities	721	222	-	-	943
Total liabilities	26,279	958	-	-	27,237
Deferred inflows of resources					
Unavailable revenues - special assessments	-	51,293	-	-	51,293
Fund balances					
Nonspendable	1,953	1,952	-	-	3,905
Restricted	207,053	66,581	713	249	274,596
Total fund balances	209,006	68,533	713	249	278,501
Total liabilities, deferred inflows of resources and fund balances	\$ 235,285	\$ 120,784	\$ 713	\$ 249	\$ 357,031

CITY OF BRIDGMAN, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	Special Revenue Funds				Total
	Major Streets	Local Streets	Police Forfeiture	Police Training	
Revenues					
Special assessments	\$ -	\$ 5,768	\$ -	\$ -	\$ 5,768
Intergovernmental	189,864	83,384	-	896	274,144
Investment earnings	1,340	2,010	-	-	3,350
Total revenues	191,204	91,162	-	896	283,262
Expenditures					
Current:					
Public safety	-	-	372	1,269	1,641
Highways and streets	107,721	62,135	-	-	169,856
Debt service:					
Principal	-	55,000	-	-	55,000
Interest and fiscal charges	-	15,675	-	-	15,675
Total expenditures	107,721	132,810	372	1,269	242,172
Revenues over (under) expenditures	83,483	(41,648)	(372)	(373)	41,090
Other financing sources (uses)					
Transfers in	-	94,932	-	-	94,932
Transfers out	(94,932)	-	-	-	(94,932)
Total other financing sources (uses)	(94,932)	94,932	-	-	-
Net change in fund balances	(11,449)	53,284	(372)	(373)	41,090
Fund balances, beginning of year	220,455	15,249	1,085	622	237,411
Fund balances, end of year	\$ 209,006	\$ 68,533	\$ 713	\$ 249	\$ 278,501

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 178,891	\$ 178,891	\$ 189,864	\$ 10,973
Investment earnings	500	500	1,340	840
Total revenues	179,391	179,391	191,204	11,813
Expenditures				
Highways and streets:				
Routine maintenance	52,246	66,633	61,599	(5,034)
Traffic services	13,885	11,935	10,105	(1,830)
Winter services	38,734	36,556	36,017	(539)
Total expenditures	104,865	115,124	107,721	(7,403)
Revenues over expenditures	74,526	64,267	83,483	19,216
Other financing uses				
Transfers out	(85,446)	(85,446)	(94,932)	9,486
Net change in fund balance	(10,920)	(21,179)	(11,449)	9,730
Fund balance, beginning of year	220,455	220,455	220,455	-
Fund balance, end of year	\$ 209,535	\$ 199,276	\$ 209,006	\$ 9,730

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 5,700	\$ 5,700	\$ 5,768	\$ 68
Intergovernmental	62,757	62,757	83,384	20,627
Investment earnings	1,650	1,650	2,010	360
Total revenues	70,107	70,107	91,162	21,055
Expenditures				
Current - highways and streets:				
Routine maintenance	37,009	40,818	30,908	(9,910)
Traffic services	10,417	8,193	6,947	(1,246)
Winter services	32,602	26,300	24,280	(2,020)
Total highways and streets	80,028	75,311	62,135	(13,176)
Debt service:				
Principal	-	-	55,000	55,000
Interest and fiscal charges	-	-	15,675	15,675
Total expenditures	80,028	75,311	132,810	57,499
Revenues under expenditures	(9,921)	(5,204)	(41,648)	(36,444)
Other financing sources (uses)				
Transfers in	85,446	85,446	94,932	9,486
Transfers out	(127,675)	(127,675)	-	(127,675)
Total other financing sources (uses)	(42,229)	(42,229)	94,932	137,161
Net change in fund balance	(52,150)	(47,433)	53,284	100,717
Fund balance, beginning of year	15,249	15,249	15,249	-
Fund balance (deficit), end of year	\$ (36,901)	\$ (32,184)	\$ 68,533	\$ 100,717

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ 500	\$ 500	\$ -	\$ (500)
Investment earnings	10	10	-	(10)
Total revenues	510	510	-	(510)
Expenditures				
Current:				
Public safety	-	500	372	(128)
Net change in fund balance	510	10	(372)	(382)
Fund balance, beginning of year	1,085	1,085	1,085	-
Fund balance, end of year	\$ 1,595	\$ 1,095	\$ 713	\$ (382)

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 1,000	\$ 1,000	\$ 896	\$ (104)
Investment earnings	10	10	-	(10)
Total revenues	1,010	1,010	896	(114)
Expenditures				
Current:				
Public safety	1,500	1,500	1,269	(231)
Net change in fund balance	(490)	(490)	(373)	117
Fund balance, beginning of year	622	622	622	-
Fund balance, end of year	\$ 132	\$ 132	\$ 249	\$ 117

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COMPONENT UNIT

CITY OF BRIDGMAN, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Corridor Improvement Authority Component Unit

June 30, 2018

	Governmental Fund	Adjustments	Statement of Net Position
Assets			
Pooled cash and cash equivalents	\$ 4,861	\$ -	\$ 4,861
Fund balance			
Unassigned	\$ 4,861	(4,861)	
Net position			
Unrestricted		\$ 4,861	\$ 4,861

CITY OF BRIDGMAN, MICHIGAN

**Statement of Activities and Governmental Fund Revenues,
Expenditures and Change in Fund Balance
Corridor Improvement Authority Component Unit
For the Year Ended June 30, 2018**

	Governmental Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 3,217	\$ -	\$ 3,217
Fund balance / net position, beginning of year	<u>1,644</u>	<u>-</u>	<u>1,644</u>
Fund balance / net position, end of year	<u><u>\$ 4,861</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,861</u></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

November 30, 2018

The Honorable Mayor and
Members of the City Council
City of 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, the discretely presented component unit, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001, that we consider to be a material weakness.

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.

Rehmann Lobson LLC

CITY OF BRIDGMAN, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2018

2018-001 - Material Audit Adjustments and Preparation of Financial Statements in Accordance with GAAP (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 financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls. In addition, the City relied on the auditors for assistance with adjusting certain year-end balances, including capital assets, the net pension liability and related deferred amounts, long-term debt, and the investment in joint venture, which had a material impact on the City's financial reporting.

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 City to perform this task internally, including the adjustment of certain balances at year-end.

Effect. As a result of this condition, the City lacks 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. All of the adjustments proposed by the auditors relate to balances that are only adjusted at year-end in order to meet external financing reporting requirements. The impact on budgetary data used by the City Council throughout the year is not expected to be significant.

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. Management has evaluated the cost vs. 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.

