

# **CITY OF VASSAR**

Tuscola County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2015

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June 30, 2015

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
City of Vassar, Michigan

### Report on Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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.

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

### Opinions

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

## **Change in Accounting Principle and Emphasis of Matter**

During the year ended June 30, 2015 as described in Note 10 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, and also as discussed in Note 13, the City's net pension liability has been recognized on the government-wide and proprietary statements and prior year net position has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8), schedule of changes in the net pension liability and related ratios (page 48), schedule of pension contributions (page 49), schedule of other postemployment benefits funding progress, (page 50), and budgetary comparison information (pages 51 through 54) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vassar's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the 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 October 22, 2015 on our consideration of the City of Vassar'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 of Vassar's internal control over financial reporting and compliance.

*Berthiaume & Co.*

Saginaw, Michigan  
October 22, 2015

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

As management of the City of Vassar (the "City"), 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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS:

- The City's combined total net position is reported as \$9,919,488 for the fiscal year ended June 30, 2015, compared to \$9,965,686 for the fiscal year ended June 30, 2014 (restated).
- In the City's governmental activities, revenues generated were \$1,795,380 while expenses totaled \$1,879,053.
- In the City's business-type activities, revenues generated were \$1,144,092 while expenses totaled \$1,107,117.
- Total net position decreased by \$46,198.

### 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 required supplementary information and other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the City's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities with the difference between them reported as net position. The *statement of activities* presents all of the City's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the City of Vassar are divided into three categories:

**Governmental Activities** – Most of the City's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

**Business-type Activities** – The City charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include electric, water and sewer, and solid waste.

**Component Units** – The City includes the Downtown Development Authority and the Economic Development Corporation as discretely presented component units.

#### Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. 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.

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The City has three types of funds:

**Governmental Funds** – Many of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The City maintains eight (8) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund, and Local Street Fund which are considered to be "major" funds. Data from the other five (5) governmental funds, considered to be "nonmajor" funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been presented for major governmental funds to demonstrate compliance with those budgets.

**Proprietary Funds** – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds. The City has no internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The City's enterprise funds are the Sewer Fund and Water Fund.

**Fiduciary Funds** – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

### **Notes to the Financial Statements:**

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

### **Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information.

### **THE CITY OF VASSAR AS A WHOLE:**

The City's total combined net position for the fiscal year ended June 30, 2015 is \$9,919,488, consisting of \$3,947,113 in governmental activities and \$5,972,375 in business-type activities.

# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$336,040. Governmental activities unrestricted net position is a deficit of \$691,925, while business-type activities unrestricted net position is a positive \$1,027,965.

The following table shows comparisons of total assets, total deferred outflows, total liabilities, and total net position in a condensed format as of June 30, 2015 and June 30, 2014 (restated).

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
<b>Assets:</b>						
Current and other assets	\$ 1,449,932	\$ 1,384,095	\$ 1,896,458	\$ 1,633,846	\$ 3,346,390	\$ 3,017,941
Capital assets, net	<u>4,204,128</u>	<u>4,338,808</u>	<u>6,063,220</u>	<u>5,956,757</u>	<u>10,267,348</u>	<u>10,295,565</u>
Total assets	<u>5,654,060</u>	<u>5,722,903</u>	<u>7,959,678</u>	<u>7,590,603</u>	<u>13,613,738</u>	<u>13,313,506</u>
<b>Deferred outflows</b>	<u>77,367</u>	<u>51,276</u>	<u>76,498</u>	<u>67,522</u>	<u>153,865</u>	<u>118,798</u>
<b>Liabilities:</b>						
Current and other liabilities	117,965	114,977	109,760	48,557	227,725	163,534
Long-term liabilities	<u>1,666,349</u>	<u>1,628,916</u>	<u>1,954,041</u>	<u>1,674,168</u>	<u>3,620,390</u>	<u>3,303,084</u>
Total liabilities	<u>1,784,314</u>	<u>1,743,893</u>	<u>2,063,801</u>	<u>1,722,725</u>	<u>3,848,115</u>	<u>3,466,618</u>
<b>Net position:</b>						
Net investment in capital assets	4,204,128	4,338,808	4,938,076	5,043,757	9,142,204	9,382,565
Restricted	434,910	347,948	6,334	3,167	441,244	351,115
Unrestricted (deficit)	<u>(691,925)</u>	<u>(656,470)</u>	<u>1,027,965</u>	<u>888,476</u>	<u>336,040</u>	<u>232,006</u>
Total net position	<u>\$ 3,947,113</u>	<u>\$ 4,030,286</u>	<u>\$ 5,972,375</u>	<u>\$ 5,935,400</u>	<u>\$ 9,919,488</u>	<u>\$ 9,965,686</u>

The City's combined total net position decreased by \$46,198 during the current fiscal year. Governmental activities decreased by \$83,173 while business-type activities increased by \$36,975.

### Governmental Activities:

The total governmental revenue is reported at \$1,795,380, a decrease of \$611,326 from the prior fiscal year. In fiscal year 2014, the Major Street Fund had a negotiated project for Huron Avenue reconstruction in the amount of \$506,471 with MDOT. This amount was included in capital grants revenue and the total related project cost of \$665,399 was capitalized. Total expenses decreased by \$64,657 from the prior fiscal year.

### Business-type Activities:

The total business-type revenue is reported at \$1,144,092, a decrease of \$53,947 from the prior fiscal year. Total expenses increased by \$33,605 from the prior fiscal year.



# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2015</i>	<i>2014 *</i>	<i>2015</i>	<i>2014 *</i>	<i>2015</i>	<i>2014 *</i>
Net position, beginning	\$ 4,030,286	\$ 4,447,476	\$ 5,935,400	\$ 6,645,913	\$ 9,965,686	\$ 11,093,389
<b>Revenues:</b>						
Program revenues						
Charges for services	462,593	416,247	1,141,172	1,094,711	1,603,765	1,510,958
Operating grants	299,413	402,365	2,075	1,947	301,488	404,312
Capital grants	10,000	525,796	-	100,315	10,000	626,111
General revenues						
Property taxes	692,204	723,058	-	-	692,204	723,058
Franchise fees	12,952	12,035	-	-	12,952	12,035
State revenue sharing	308,236	302,012	-	-	308,236	302,012
Investment earnings	3,357	1,533	845	1,066	4,202	2,599
Other	6,625	23,660	-	-	6,625	23,660
Total revenues	<u>1,795,380</u>	<u>2,406,706</u>	<u>1,144,092</u>	<u>1,198,039</u>	<u>2,939,472</u>	<u>3,604,745</u>
<b>Program Expenses:</b>						
General government	379,283	494,470	-	-	379,283	494,470
Public safety	580,666	545,474	-	-	580,666	545,474
Public works	758,242	679,516	-	-	758,242	679,516
Health and welfare	21,576	21,576	-	-	21,576	21,576
Community and economic development	200	1,725	-	-	200	1,725
Recreation and culture	118,106	178,274	-	-	118,106	178,274
Interest on long-term debt	20,980	22,675	-	-	20,980	22,675
Sewer	-	-	751,970	724,868	751,970	724,868
Water	-	-	355,147	348,644	355,147	348,644
Total program expenses	<u>1,879,053</u>	<u>1,943,710</u>	<u>1,107,117</u>	<u>1,073,512</u>	<u>2,986,170</u>	<u>3,017,222</u>
Increase (decrease) in net position before other	<u>(83,673)</u>	<u>462,996</u>	<u>36,975</u>	<u>124,527</u>	<u>(46,698)</u>	<u>587,523</u>
<b>Other items:</b>						
Contributions to principal	300	1,150	-	-	300	1,150
Disposal of capital assets	200	10,487	-	-	200	10,487
Transfers	-	(7,600)	-	7,600	-	-
Total other items	<u>500</u>	<u>4,037</u>	<u>-</u>	<u>7,600</u>	<u>500</u>	<u>11,637</u>
<b>Change in net position</b>	<b>(83,173)</b>	<b>467,033</b>	<b>36,975</b>	<b>132,127</b>	<b>(46,198)</b>	<b>599,160</b>
<b>Impact of GASB Statement No. 68 *</b>						
	<u>-</u>	<u>(884,223)</u>	<u>-</u>	<u>(842,640)</u>	<u>-</u>	<u>(1,726,863)</u>
Net position, ending	<u>\$ 3,947,113</u>	<u>\$ 4,030,286</u>	<u>\$ 5,972,375</u>	<u>\$ 5,935,400</u>	<u>\$ 9,919,488</u>	<u>\$ 9,965,686</u>

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

\* GASB Statement No. 68 was implemented by the City in fiscal year 2015. Fiscal year 2014 amounts shown have not been modified to reflect the retroactive application of the change; however, the ending net position for that year was adjusted to properly state the fiscal year 2015 beginning net position.

### **THE CITY OF VASSAR'S FUNDS:**

Presentation of the City of Vassar's major funds and aggregate nonmajor funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the City's largest governmental fund and one of three governmental funds that is considered a major fund. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2015, General Fund financing uses exceeded its financing sources by \$28,669, decreasing its ending fund balance to \$906,125. The City's second major governmental fund, the Major Street Fund increased its ending fund balance by \$66,262. The City's third major governmental fund, the Local Street Fund increased its ending fund balance by \$22,370.

### **General Fund Budgetary Highlights:**

The General Fund budget, as originally adopted, projected a net decrease in fund balance of \$143,524. During the year, the City made budget amendments which changed the projection to a net decrease in fund balance of \$122,563. The actual results for the year yielded a decrease in fund balance of \$28,669.

### **Capital Assets and Debt Administration:**

At June 30, 2015, the City of Vassar had \$10,267,348 invested in a range of capital assets including land, buildings and improvements, furniture and equipment, equipment, vehicles, water and sewer systems, streets, and other infrastructure, net of accumulated depreciation. At June 30, 2014, this total was \$10,295,565. Additional information about the City's capital assets is presented in Note 1 and Note 5 of the Notes to the Financial Statements.

At June 30, 2015, the City of Vassar's total long-term indebtedness (not including compensated absences, net OPEB obligation, and net pension liability) was \$1,529,690, which was backed by the full faith and credit of the City. Additional information about the City's indebtedness is presented in Note 6 of the Notes to the Financial Statements.

### **Future Economic Factors:**

The City of Vassar's economic future is currently dependent upon factors that are beyond the control of the City Council and City management. In fiscal year 2015, the City of Vassar's taxable property value decreased 4.72%.

### **Contacting the City's Financial Management:**

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. If you have questions about this report or need additional financial information, contact Vassar City Hall, 287 E. Huron Avenue, Vassar, MI 48768.

***BASIC FINANCIAL STATEMENTS***

# CITY OF VASSAR

## STATEMENT OF NET POSITION

June 30, 2015

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,233,138	\$ 1,674,031	\$ 2,907,169	\$ 131,020
Receivables	160,163	211,782	371,945	42,000
Inventory	15,543	-	15,543	-
Prepaid expenses	41,088	4,311	45,399	-
Restricted cash and cash equivalents	-	6,334	6,334	-
Capital assets:				
Capital assets not being depreciated	554,654	43,009	597,663	52,663
Capital assets being depreciated, net	<u>3,649,474</u>	<u>6,020,211</u>	<u>9,669,685</u>	<u>-</u>
Total assets	<u>5,654,060</u>	<u>7,959,678</u>	<u>13,613,738</u>	<u>225,683</u>
<b>Deferred Outflows of Resources:</b>				
Bond refunding costs	-	26,856	26,856	-
Pension	<u>77,367</u>	<u>49,642</u>	<u>127,009</u>	<u>-</u>
Total deferred outflows of resources	<u>77,367</u>	<u>76,498</u>	<u>153,865</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	117,965	109,760	227,725	375
Long-term liabilities:				
Due within one year	34,340	80,000	114,340	-
Due in more than one year	<u>1,632,009</u>	<u>1,874,041</u>	<u>3,506,050</u>	<u>-</u>
Total liabilities	<u>1,784,314</u>	<u>2,063,801</u>	<u>3,848,115</u>	<u>375</u>
<b>Net position:</b>				
Net investment in capital assets	4,204,128	4,938,076	9,142,204	52,663
Restricted for:				
Drug law enforcement	20	-	20	-
Community and economic development	19,363	-	19,363	-
Nonexpendable cemetery principal	131,159	-	131,159	-
Repair, replacement and improvements	-	6,334	6,334	-
Street lighting	1,555	-	1,555	-
Streets	282,813	-	282,813	-
Unrestricted (deficit)	<u>(691,925)</u>	<u>1,027,965</u>	<u>336,040</u>	<u>172,645</u>
Total net position	<u>\$ 3,947,113</u>	<u>\$ 5,972,375</u>	<u>\$ 9,919,488</u>	<u>\$ 225,308</u>

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 379,283	\$ 159,092	\$ -	\$ -	\$ (220,191)
Public safety	580,666	120,559	976	10,000	(449,131)
Public works	758,242	140,040	284,497	-	(333,705)
Health and welfare	21,576	21,839	-	-	263
Community and economic development	200	60	-	-	(140)
Recreation and culture	118,106	21,003	13,940	-	(83,163)
Interest on long-term debt	20,980	-	-	-	(20,980)
Total governmental activities	<u>1,879,053</u>	<u>462,593</u>	<u>299,413</u>	<u>10,000</u>	<u>(1,107,047)</u>
<i>Business-type activities:</i>					
Sewer	751,970	736,301	26	-	(15,643)
Water	355,147	404,871	2,049	-	51,773
Total business-type activities	<u>1,107,117</u>	<u>1,141,172</u>	<u>2,075</u>	<u>-</u>	<u>36,130</u>
Total primary government	<u>\$2,986,170</u>	<u>\$ 1,603,765</u>	<u>\$ 301,488</u>	<u>\$ 10,000</u>	<u>\$(1,070,917)</u>
<b>COMPONENT UNITS:</b>					
Economic development corporation	\$ 4,163	\$ -	\$ -	\$ -	\$ (4,163)
Downtown development authority	25,816	-	-	-	(25,816)
Total component units	<u>\$ 29,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,979)</u>

continued

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2015

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (1,107,047)	\$ 36,130	\$ (1,070,917)	\$ (29,979)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	619,401	-	619,401	-
Property taxes, County allocation for streets	62,642	-	62,642	-
Property taxes, captured by component units	-	-	-	51,957
Payment in lieu of property taxes	10,161	-	10,161	-
Franchise fees	12,952	-	12,952	-
Grants and contributions not restricted to specific programs	308,236	-	308,236	-
Unrestricted investment earnings	3,357	845	4,202	91
Other	6,625	-	6,625	5,890
Contributions to principal of permanent fund	300	-	300	-
Special item - Disposal of capital assets	200	-	200	-
Total general revenues and other	<u>1,023,874</u>	<u>845</u>	<u>1,024,719</u>	<u>57,938</u>
Changes in net position	(83,173)	36,975	(46,198)	27,959
Net position, beginning of year, restated	<u>4,030,286</u>	<u>5,935,400</u>	<u>9,965,686</u>	<u>197,349</u>
Net position, end of year	<u>\$ 3,947,113</u>	<u>\$ 5,972,375</u>	<u>\$ 9,919,488</u>	<u>\$ 225,308</u>

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

# CITY OF VASSAR

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2015

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 823,581	\$ 141,362	\$ 90,428	\$ 177,767	\$ 1,233,138
Accounts receivable	22,278	-	-	400	22,678
Special assessments receivable	-	-	741	-	741
Notes receivable	-	-	-	4,804	4,804
Due from other governments	51,620	35,092	39,062	6,166	131,940
Due from other funds	3,797	-	-	-	3,797
Inventory	15,543	-	-	-	15,543
Prepaid expenditures	36,626	2,231	2,231	-	41,088
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 953,445</u>	<u>\$ 178,685</u>	<u>\$ 132,462</u>	<u>\$ 189,137</u>	<u>\$ 1,453,729</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 47,300	\$ 797	\$ 58,095	\$ 36	\$ 106,228
Due to other funds	-	-	-	3,797	3,797
Deposits payable	20	-	-	-	20
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>47,320</u>	<u>797</u>	<u>58,095</u>	<u>3,833</u>	<u>110,045</u>
<b>Fund balances:</b>					
Nonspendable:					
Inventory	15,543	-	-	-	15,543
Prepaid expenditures	36,626	2,231	2,231	-	41,088
Long term receivables	-	-	-	4,204	4,204
Nonexpendable cemetery principal	-	-	-	131,159	131,159
Restricted for:					
Drug law enforcement	-	-	-	20	20
Community development	-	-	-	19,363	19,363
Street lighting	1,555	-	-	-	1,555
Streets	-	175,657	72,136	30,558	278,351
Assigned to:					
Fire protection services	102,676	-	-	-	102,676
Cemetery operations	29,707	-	-	-	29,707
Parks and recreation	114,275	-	-	-	114,275
Equipment replacement	74,289	-	-	-	74,289
Accumulated employee benefits	23,121	-	-	-	23,121
Unassigned	508,333	-	-	-	508,333
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>906,125</u>	<u>177,888</u>	<u>74,367</u>	<u>185,304</u>	<u>1,343,684</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 953,445</u>	<u>\$ 178,685</u>	<u>\$ 132,462</u>	<u>\$ 189,137</u>	<u>\$ 1,453,729</u>

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

**RECONCILIATION OF FUND BALANCES OF THE  
GOVERNMENTAL FUNDS TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES**

June 30, 2015

<b>Fund balances of governmental funds</b>	\$ 1,343,684
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	554,654
Capital assets being depreciated, net	3,649,474
Accrued interest in the governmental activities is not payable from current resources and therefore is not reported in the governmental funds.	(11,717)
Deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as City contributions made after the measurement date of the net pension liability are not reported in the funds.	77,367
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Long-term debt	(377,690)
Compensated absences payable	(30,762)
Net OPEB obligation	(92,004)
Net pension liability	<u>(1,165,893)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 3,947,113</u></b>

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



# CITY OF VASSAR

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Revenues:</b>					
Property taxes	\$ 629,562	\$ 41,823	\$ 20,819	\$ -	\$ 692,204
Licenses and permits	14,977	-	-	-	14,977
Federal grants	10,000	-	-	-	10,000
State grants	320,516	175,153	89,678	19,666	605,013
Contributions from other units	89,523	-	-	-	89,523
Charges for services	366,215	-	-	-	366,215
Fines and forfeits	3,633	-	-	-	3,633
Interest and rents	60,599	43	20	2,518	63,180
Other revenue	19,408	-	5	510	19,923
	<u>1,514,433</u>	<u>217,019</u>	<u>110,522</u>	<u>22,694</u>	<u>1,864,668</u>
Total revenues					
<b>Expenditures:</b>					
Current					
General government	354,827	-	-	-	354,827
Public safety	457,362	-	-	-	457,362
Public works	293,113	130,757	186,152	18,169	628,191
Health and welfare	21,576	-	-	-	21,576
Community and economic development	-	-	-	200	200
Recreation and culture	70,913	-	-	-	70,913
Other	130,219	-	-	-	130,219
Capital outlay	83,210	-	-	-	83,210
Debt service					
Principal	34,340	-	-	-	34,340
Interest and fees	22,046	-	-	-	22,046
	<u>1,467,606</u>	<u>130,757</u>	<u>186,152</u>	<u>18,369</u>	<u>1,802,884</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>46,827</u>	<u>86,262</u>	<u>(75,630)</u>	<u>4,325</u>	<u>61,784</u>
<b>Other financing sources (uses):</b>					
Transfers from (to) other funds	<u>(75,496)</u>	<u>(20,000)</u>	<u>98,000</u>	<u>(2,504)</u>	<u>-</u>
Changes in fund balances	(28,669)	66,262	22,370	1,821	61,784
Fund balances, beginning of year, restated	<u>934,794</u>	<u>111,626</u>	<u>51,997</u>	<u>183,483</u>	<u>1,281,900</u>
Fund balances, end of year	<u>\$ 906,125</u>	<u>\$ 177,888</u>	<u>\$ 74,367</u>	<u>\$ 185,304</u>	<u>\$ 1,343,684</u>

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

# CITY OF VASSAR

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

<b>Changes in fund balances of governmental funds</b>	\$ 61,784
Change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Purchases of capital assets	48,606
Less depreciation expense	(183,287)
Repayments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net position.	34,340
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 governmental funds.	
Change in accrued interest payable	1,066
Change in compensated absences payable	3,232
Change in net OPEB obligation	(12,297)
Change in net pension liability and related deferred outflows	(36,617)
<b>Change in net position of governmental activities</b>	<u>\$ (83,173)</u>

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

# CITY OF VASSAR

## PROPRIETARY FUNDS STATEMENT OF NET POSITION

June 30, 2015

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 705,527	\$ 968,504	\$ 1,674,031
Accounts receivable	148,270	56,493	204,763
Special assessments receivable	762	1,415	2,177
Prepaid expenses	3,229	1,082	4,311
Total current assets	<u>857,788</u>	<u>1,027,494</u>	<u>1,885,282</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	6,334	-	6,334
Special assessments receivable	1,695	3,147	4,842
<b>Capital assets:</b>			
Capital assets not being depreciated	33,422	9,587	43,009
Capital assets being depreciated, net	4,195,667	1,824,544	6,020,211
Total noncurrent assets	<u>4,237,118</u>	<u>1,837,278</u>	<u>6,074,396</u>
Total assets	<u>5,094,906</u>	<u>2,864,772</u>	<u>7,959,678</u>
<b>Deferred outflows of resources:</b>			
Bond refunding costs	15,147	11,709	26,856
Pension	24,532	25,110	49,642
Total deferred outflows of resources	<u>39,679</u>	<u>36,819</u>	<u>76,498</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	12,419	91,146	103,565
Accrued interest payable	5,099	1,096	6,195
Current portion of long-term debt	50,352	29,648	80,000
Total current liabilities	<u>67,870</u>	<u>121,890</u>	<u>189,760</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable	9,166	3,241	12,407
Long-term debt, net of current portion	901,524	170,476	1,072,000
Net OPEB obligation	33,148	8,394	41,542
Net pension liability	369,693	378,399	748,092
Total noncurrent liabilities	<u>1,313,531</u>	<u>560,510</u>	<u>1,874,041</u>
Total liabilities	<u>1,381,401</u>	<u>682,400</u>	<u>2,063,801</u>

continued

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

# CITY OF VASSAR

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*PROPRIETARY FUNDS*  
**STATEMENT OF NET POSITION, CONTINUED**  
June 30, 2015

	<u><i>Sewer Fund</i></u>	<u><i>Water Fund</i></u>	<u><i>Total</i></u>
<b>Net position:</b>			
Net investment in capital assets	3,292,360	1,645,716	4,938,076
Restricted for:			
Repair, replacement and improvement	6,334	-	6,334
Unrestricted	<u>454,490</u>	<u>573,475</u>	<u>1,027,965</u>
Total net position	<u>\$ 3,753,184</u>	<u>\$ 2,219,191</u>	<u>\$ 5,972,375</u>

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

# CITY OF VASSAR

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## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2015

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services	\$ 723,017	\$ 388,538	\$ 1,111,555
Penalties	-	14,690	14,690
Other	13,284	1,643	14,927
Total operating revenues	<u>736,301</u>	<u>404,871</u>	<u>1,141,172</u>
<b>Operating expenses:</b>			
Personal services	237,788	129,775	367,563
Supplies	22,136	19,857	41,993
Contracted services	6,854	7,852	14,706
Administrative expense	43,223	47,503	90,726
Other services and charges	166,497	66,873	233,370
Depreciation	253,000	75,202	328,202
Total operating expenses	<u>729,498</u>	<u>347,062</u>	<u>1,076,560</u>
Operating income (loss)	<u>6,803</u>	<u>57,809</u>	<u>64,612</u>
<b>Non-operating revenues (expenses):</b>			
State grants	-	2,000	2,000
Interest income	255	590	845
Special assessments interest	26	49	75
Interest and amortization expense	<u>(22,472)</u>	<u>(8,085)</u>	<u>(30,557)</u>
Net non-operating revenues	<u>(22,191)</u>	<u>(5,446)</u>	<u>(27,637)</u>
Changes in net position	(15,388)	52,363	36,975
Net position, beginning of year, restated	<u>3,768,572</u>	<u>2,166,828</u>	<u>5,935,400</u>
Net position, end of year	<u>\$ 3,753,184</u>	<u>\$ 2,219,191</u>	<u>\$ 5,972,375</u>

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

# CITY OF VASSAR

*PROPRIETARY FUNDS*  
**STATEMENT OF CASH FLOWS**  
 Year Ended June 30, 2015

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 731,366	\$ 401,870	\$ 1,133,236
Payments to and on behalf of employees	(220,755)	(122,676)	(343,431)
Payments to suppliers	<u>(263,062)</u>	<u>(55,851)</u>	<u>(318,913)</u>
Net cash provided by operating activities	<u>247,549</u>	<u>223,343</u>	<u>470,892</u>
<b>Cash flows from non-capital financing activities:</b>			
State grants	<u>-</u>	<u>2,000</u>	<u>2,000</u>
<b>Cash flows from capital and related financing activities:</b>			
Special assessments	1,391	2,585	3,976
Acquisition of capital assets	(344,440)	(90,225)	(434,665)
Proceeds received from bond	374,000	-	374,000
Principal payments	(105,352)	(29,648)	(135,000)
Interest paid	<u>(16,613)</u>	<u>(4,862)</u>	<u>(21,475)</u>
Net cash used by capital and related financing activities	<u>(91,014)</u>	<u>(122,150)</u>	<u>(213,164)</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>255</u>	<u>590</u>	<u>845</u>
Net increase in cash and cash equivalents	156,790	103,783	260,573
Cash and cash equivalents, beginning of year	<u>555,071</u>	<u>864,721</u>	<u>1,419,792</u>
Cash and cash equivalents, end of year	<u>\$ 711,861</u>	<u>\$ 968,504</u>	<u>\$ 1,680,365</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 6,803	\$ 57,809	\$ 64,612
Adjustments:			
Depreciation	253,000	75,202	328,202
Change in assets and liabilities:			
Accounts receivable	(4,935)	(3,001)	(7,936)
Prepaid expenses	1,330	666	1,996
Deferred outflows	(8,273)	(8,468)	(16,741)
Accounts payable	(25,682)	85,568	59,886
Compensated absences payable	1,009	(9,927)	(8,918)
Net OPEB obligation	4,413	5,141	9,554
Net pension liability	<u>19,884</u>	<u>20,353</u>	<u>40,237</u>
Net cash provided by operating activities	<u>\$ 247,549</u>	<u>\$ 223,343</u>	<u>\$ 470,892</u>

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

# CITY OF VASSAR

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*FIDUCIARY FUNDS*  
**STATEMENT OF NET POSITION**

June 30, 2015

	<i>Retiree Health Plan OPEB Trust Fund</i>	<i>Agency Funds</i>
<b>Assets:</b>		
Cash and cash equivalents	\$ -	\$ 15,787
Investments	<u>57,608</u>	<u>-</u>
Total assets	<u>57,608</u>	<u>\$ 15,787</u>
<b>Liabilities:</b>		
Accounts payable	<u>-</u>	<u>\$ 15,787</u>
<b>Net position:</b>		
Held in trust	<u>57,608</u>	
Total net position	<u>\$ 57,608</u>	

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

# CITY OF VASSAR

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## FIDUCIARY FUNDS

### STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION

Year Ended June 30, 2015

	<i>Retiree Health Plan OPEB Trust Fund</i>
<b>Additions:</b>	
Employer contribution	\$ 12,607
Investment income (loss)	<u>833</u>
Total additions	<u>13,440</u>
<b>Deductions:</b>	
Administrative fees	<u>106</u>
Net increase (decrease)	13,334
Net position, beginning of year	<u>44,274</u>
Net position, end of year	<u><u>\$ 57,608</u></u>

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



# CITY OF VASSAR

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## COMPONENT UNITS

### COMBINING STATEMENT OF NET POSITION

June 30, 2015

	<i><b>Economic Development Corporation</b></i>	<i><b>Downtown Development Authority</b></i>	<i><b>Total</b></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 89,185	\$ 41,835	\$ 131,020
Notes receivable	42,000	-	42,000
Capital assets:			
Capital assets not being depreciated	<u>-</u>	<u>52,663</u>	<u>52,663</u>
Total assets	<u>131,185</u>	<u>94,498</u>	<u>225,683</u>
<b>Liabilities:</b>			
Accounts payable	<u>375</u>	<u>-</u>	<u>375</u>
<b>Net position:</b>			
Investment in capital assets	-	52,663	52,663
Unrestricted	<u>130,810</u>	<u>41,835</u>	<u>172,645</u>
Total net position	<u>\$ 130,810</u>	<u>\$ 94,498</u>	<u>\$ 225,308</u>

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

# CITY OF VASSAR

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*COMPONENT UNITS*  
**COMBINING STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

	<i><u>Economic Development Corporation</u></i>	<i><u>Downtown Development Authority</u></i>	<i><u>Total</u></i>
<b>Revenues:</b>			
General revenues:			
Property taxes	\$ 20,170	\$ 31,787	\$ 51,957
Interest and rents	91	-	91
Other	<u>136</u>	<u>5,753</u>	<u>5,890</u>
Total revenues	<u>20,398</u>	<u>37,540</u>	<u>57,938</u>
<b>Expenses:</b>			
Community and economic development	<u>4,163</u>	<u>25,816</u>	<u>29,979</u>
Change in net position	16,234	11,725	27,959
Net position, beginning of year	<u>114,576</u>	<u>82,773</u>	<u>197,349</u>
Net position, end of year	<u>\$ 130,810</u>	<u>\$ 94,498</u>	<u>\$ 225,308</u>

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

***NOTES TO FINANCIAL STATEMENTS***

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The following is a summary of the significant accounting policies used by the City of Vassar, (the "City"):

#### **Reporting Entity:**

The City of Vassar was incorporated in 1945 and is located in Tuscola County, Michigan. The City is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a five member City Council elected by the community at large. The legislative body selects from among its members the Mayor and appoints a City Manager to administer the affairs of the City. The City provides the following services to approximately 2,700 residents as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, recreation and culture, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City as the primary government. Component units are separate legal entities for which the City is financially accountable. Blended component units are, in substance, part of the primary government's operations, and presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements. The City has determined that it has two component units and that they should be discretely presented.

#### **Discretely Presented Component Units:**

*Economic Development Corporation* – The Economic Development Corporation's members are appointed by the City Council.

*Downtown Development Authority* – The Downtown Development Authority's members are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

#### **Accounting and Reporting Principles:**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

#### **Report Presentation:**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Fund Accounting:**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the City to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds.

**Proprietary funds** provide goods or services to users in exchange for charges or fees.

**Fiduciary funds** account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

The City reports the following major governmental fund:

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

**Special Revenue Fund – Major Street Fund** – The Major Street Fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as major streets in the City.

**Special Revenue Fund – Local Street Fund** – The Local Street Fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as local streets in the City.

The City reports the following major proprietary funds:

**Enterprise Fund – Sewer Fund** – The Sewer Fund accounts for the operations of the City's sewage system.

**Enterprise Fund – Water Fund** – The Water accounts for the operations of the City's water system.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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Additionally, the City reports the following fund types:

***Special Revenue Funds*** – Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

***Permanent Fund*** – Permanent Funds account for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry. The City has one permanent fund for cemetery perpetual care.

#### **Basis of Accounting:**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Specific Balances and Transactions:**

***Deposits and Investments*** – Cash includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all investments (including restricted assets) to be cash equivalents. The investment policy adopted by the City Council is in accordance with Public Act 20 of 1943, as amended. The City's deposits and investments have been made in accordance with statutory authority.

***Inventories*** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of salt in the General Fund are recorded as expenditures when consumed rather than when purchased. Other materials are recorded as expenditures/expenses when purchased rather than when consumed.

***Prepaid Expenses*** – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both the government-wide and fund financial statements.

***Capital Assets*** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and other assets that are immovable and of value only to the government) are defined by the City as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution systems	10-50 years
Equipment	5-25 years
Furniture and other equipment	3-15 years
Infrastructure	20-50 years
Vehicles	3-25 years

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund type 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. The General Fund is generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

**Net Position Flow Assumption** – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumption** – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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***Fund Balance Policies*** – In the fund financial statements, fund balance may be presented in five possible categories, each of which identifies the extent to which the City is bound to honor constraints on the specific purpose for which amounts can be spent:

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

***Restricted*** – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

***Committed*** – amounts that are committed for specific purposes by the City Council, as the City's highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment.

***Assigned*** – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager has the authority to assign amounts to be used for specific purposes.

***Unassigned*** – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, unassigned balances also include negative balances in other governmental funds.

***Property Taxes*** – Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied on July 1 and are due without penalty on or before July 31. The City bills and collects its own property taxes as well as those of Vassar Public Schools, Tuscola Intermediate School District and Tuscola County. Collections of these taxes and remittance of them to the entities are accounted for in the tax collection agency fund. City property tax revenues are recognized in the general fund. The delinquent real property taxes of the City are purchased by Tuscola County. The 2014 taxable valuation of the City totaled \$41,271,193 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 16.0000 mills for the City's operating purposes. The City also receives road taxes levied by Tuscola County that are recognized as revenue in the Major Street Fund and Local Street Fund.

***Pension Costs*** – The City provides pension benefits to employees and retirees in two different pension plans; one is a defined benefit plan and the other is a defined contribution plan. For the defined benefit plan, the City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the pension obligation over the remaining amortization period. In the governmental funds, pension costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports, in accordance with GASB 68, the full accrual cost of the pension benefit for the period.

***Other Postemployment Benefit Costs (OPEB)*** – The City offers qualified retirees a monthly stipend to be used for postemployment healthcare insurance cost. The City used the alternative measurement method to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as the stipend is paid.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year annual required contribution (ARC) less any current year paid benefits, adjusted for interest and “adjustment to the ARC” on the beginning of the year underpaid amount, if any.

***Compensated Absences*** – It is the City’s policy to permit employees to accumulate earned but unused sick days and to pay employees for those days upon termination or resignation. Department heads hired before April 1998 are paid for one-half (1/2) of their accumulated sick days (maximum accumulation is 120 days). Department heads hired after 1998 and clerical, DPW and police employees are paid for one-half (1/2) of their accumulated sick days (maximum accumulation is 90 days). Part-time employees are paid for one-half (1/2) of their accumulated sick days (maximum accumulation is 45 days). A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

***Proprietary Funds Operating Classification*** – 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 proprietary funds are charges to customers for sales and services. The proprietary funds recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

#### **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Interfund Activity:**

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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#### Adoption of New Accounting Standard:

During the current year, the City adopted Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*. Statement 68 requires governments participating in public employee defined benefit pension plans to recognize, in the government-wide and proprietary statements, their long-term liability for the pension benefits and the annual costs of providing these benefits.

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### Budgetary Information:

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the function level for the general fund and special revenue funds. The City does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at the end of the fiscal year and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

#### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i>Final Budget</i>	<i>Actual</i>	<i>Actual Over Final Budget</i>
<b>General Fund:</b>			
General government:			
Manager	\$ 68,252	\$ 68,972	\$ 720
Treasurer	57,919	61,905	3,986
Attorney	18,000	18,095	95
Public works:			
Street lighting	118,570	122,097	3,527
Debt service:			
Interest and fees	21,913	22,046	133

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**CITY OF VASSAR**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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**NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED**

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**Custodial Credit Risk of Bank Deposits** 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 deposit policy for custodial credit risk. At year-end, the City had \$3,175,217 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$377,712 was covered by federal depository insurance (FDIC) and the remainder was uninsured and uncollateralized. The component units had \$131,020 of bank deposits (checking and savings accounts), which was fully covered by FDIC. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits.

As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** 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. The City does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City’s name:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
<b>Trust Fund for OPEB:</b>		
Mutual fund - Equities and other	\$ 57,608	Counterparty

**Credit Risk** – As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
<b>Trust Fund for OPEB:</b>			
Mutual fund - Equities and other	\$ 57,608	Not Rated	N/A

**NOTE 4: BOND RESERVES**

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The City ordinance that authorized issuance of the Sewer Fund’s 2013 Limited Tax General Obligation Capital Improvement Bond requires that a Repair, Replacement and Improvement Account (the “RRI” Account) be established and funded as follows:

**Repair, Replacement, and Improvement Account** – The City shall deposit \$3,167 to the RRI Account and the moneys shall be used and disbursed only for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the sanitary sewer collection system, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the sanitary sewer collection system, (c) acquiring and constructing extensions and improvements to the sanitary sewer collection system and (d) when necessary, for the purpose of making payment of principal and interest on the Bond.

At June 30, 2015, the City’s Sewer Fund had restricted cash and cash equivalents of \$6,334 for the RRI Account.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 5: CAPITAL ASSETS

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

	<u>July 1, 2014, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 554,654	\$ -	\$ -	\$ 554,654
Capital assets being depreciated:				
Buildings and improvements	1,326,668	-	-	1,326,668
Equipment	976,804	-	-	976,804
Furniture and equipment	76,343	-	-	76,343
Infrastructure	3,507,154	-	-	3,507,154
Vehicles	661,639	48,606	-	710,245
Total capital assets being depreciated	<u>6,548,608</u>	<u>48,606</u>	<u>-</u>	<u>6,597,214</u>
Less accumulated depreciation for:				
Buildings and improvements	(766,412)	(23,030)	-	(789,442)
Equipment	(836,861)	(37,339)	-	(874,200)
Furniture and equipment	(69,039)	(2,241)	-	(71,280)
Infrastructure	(635,950)	(76,948)	-	(712,898)
Vehicles	(456,191)	(43,729)	-	(499,920)
Total accumulated depreciation	<u>(2,764,453)</u>	<u>(183,287)</u>	<u>-</u>	<u>(2,947,740)</u>
Capital assets being depreciated, net	<u>3,784,155</u>	<u>(134,681)</u>	<u>-</u>	<u>3,649,474</u>
Governmental activities, capital assets, net	<u>\$ 4,338,809</u>	<u>\$ (134,681)</u>	<u>\$ -</u>	<u>\$ 4,204,128</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 5: CAPITAL ASSETS, CONTINUED

	<i>July 1, 2014, Restated</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2015</i>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 43,009	\$ -	\$ -	\$ 43,009
Construction in progress	366,883	-	(366,883)	-
Total capital assets not being depreciated	<u>409,892</u>	<u>-</u>	<u>(366,883)</u>	<u>43,009</u>
Capital assets being depreciated:				
Equipment	570,510	-	-	570,510
Sewer lines	1,320,585	692,187	-	2,012,772
Sewer treatment plant	7,856,724	-	-	7,856,724
Water buildings, tank and tower	598,252	90,225	-	688,477
Water mains and wells	2,726,795	19,136	-	2,745,931
Total capital assets being depreciated	<u>13,072,866</u>	<u>801,548</u>	<u>-</u>	<u>13,874,414</u>
Less accumulated depreciation for:				
Equipment	(373,571)	(21,540)	-	(395,111)
Sewer lines	(690,590)	(34,487)	-	(725,077)
Sewer treatment plant	(4,875,394)	(207,959)	-	(5,083,353)
Water buildings, tank and tower	(290,414)	(15,005)	-	(305,419)
Water mains and wells	(1,296,032)	(49,211)	-	(1,345,243)
Total accumulated depreciation	<u>(7,526,001)</u>	<u>(328,202)</u>	<u>-</u>	<u>(7,854,203)</u>
Capital assets being depreciated, net	<u>5,546,865</u>	<u>473,346</u>	<u>-</u>	<u>6,020,211</u>
Business-type activities, capital assets, net	<u>\$ 5,956,757</u>	<u>\$ 473,346</u>	<u>\$ (366,883)</u>	<u>\$ 6,063,220</u>

#### Component units:

Capital assets not being depreciated:

Land	<u>\$ 52,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,663</u>
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Depreciation expense was charged to programs of the governmental and business-type activities as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
General government	\$ 7,207	\$ -
Public safety	49,155	-
Public works	100,408	-
Recreation and culture	26,517	-
Sewer	-	253,000
Water	-	75,202
	<u>\$ 183,287</u>	<u>\$ 328,202</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 6: LONG-TERM LIABILITIES

The City may issue bonds, loans, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds and County contracts are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, net OPEB obligation, and net pension liability.

The following is a summary of long-term liabilities transactions for the year ended June 30, 2015:

	<u>July 1,</u> <u>2014, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2015</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
<b>Notes and Agreements:</b>					
2006 County Contract Financing, due in annual amounts of \$34,340 plus interest at 5.317% through 2026.	\$ 412,030	\$ -	\$ (34,340)	\$ 377,690	\$ 34,340
<b>Other Liabilities:</b>					
Compensated absences	33,994	-	(3,232)	30,762	-
Net OPEB obligation	79,707	50,302	(38,005)	92,004	-
Net pension liability	1,103,185	150,595	(87,887)	1,165,893	-
Total governmental activities - long-term liabilities	<u>\$ 1,628,916</u>	<u>\$ 200,897</u>	<u>\$ (163,464)</u>	<u>\$ 1,666,349</u>	<u>\$ 34,340</u>
<b>Business-type activities:</b>					
<b>Bonds Payable:</b>					
2012 Limited Tax General Obligation Refunding Bonds, due in annual amounts ranging from \$61,000 to \$84,000 plus interest at 2.19% through 2022.	\$ 527,000	\$ -	\$ (68,000)	\$ 459,000	\$ 68,000
2013 Limited Tax General Obligation Capital Improvement Bond, due in annual amounts ranging from \$12,000 to \$27,000 plus interest at 2.125% through 2052.	386,000	374,000	(67,000)	693,000	12,000
<b>Other Liabilities:</b>					
Compensated absences	21,325	-	(8,918)	12,407	-
Net OPEB obligation	31,988	24,835	(15,281)	41,542	-
Net pension liability	707,855	96,629	(56,392)	748,092	-
Total business-type activities - long-term liabilities	<u>\$ 1,674,168</u>	<u>\$ 495,464</u>	<u>\$ (215,591)</u>	<u>\$ 1,954,041</u>	<u>\$ 80,000</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 6: LONG-TERM LIABILITIES, CONTINUED

Annual debt service requirements to maturity for all outstanding debt (excluding other liabilities) as of June 30, 2015 are as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 34,340	\$ 20,086	\$ 54,426	\$ 80,000	\$ 24,279	\$ 104,279
2017	34,340	18,310	52,650	76,000	22,546	98,546
2018	34,340	16,434	50,774	74,000	20,901	94,901
2019	34,340	14,608	48,948	74,000	19,288	93,288
2020	34,340	12,782	47,122	75,000	17,666	92,666
2021-2025	171,700	36,560	208,260	217,000	67,181	284,181
2026-2030	34,290	1,823	36,113	80,000	54,910	134,910
2031-2035	-	-	-	90,000	45,879	135,879
2036-2040	-	-	-	99,000	35,860	134,860
2041-2045	-	-	-	111,000	24,703	135,703
2046-2050	-	-	-	123,000	12,315	135,315
2051-2052	-	-	-	53,000	1,137	54,137
	<u>\$ 377,690</u>	<u>\$ 120,603</u>	<u>\$ 498,293</u>	<u>\$ 1,152,000</u>	<u>\$ 346,665</u>	<u>\$ 1,498,665</u>

### NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2015 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Cemetery Perpetual Care Fund	<u>\$ 3,797</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The 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.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations, which is the reason for the transfers from the General Fund to the other governmental funds. Interfund transfers reported in the fund statements were as follows:

<i>Interfund Transfers From</i>	<i>Interfund Transfers To</i>	<i>Amount</i>
General Fund	Local Street Fund	\$ 78,000
Major Street Fund	Local Street Fund	20,000
Cemetery Perpetual Care Fund	General Fund	<u>2,504</u>
		<u>\$ 100,504</u>

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end in the aggregate are as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>	<u>Primary</u>	<u>Units</u>
			<u>Government</u>	
<b>Receivables:</b>				
Accounts receivable	\$ 22,678	\$ 204,763	\$ 227,441	\$ -
Special assessments receivable				
Current portion	184	2,177	2,361	-
Long-term portion	557	4,842	5,399	-
Notes/Loans receivable				
Current portion	600	-	600	2,000
Long-term portion	4,204	-	4,204	40,000
Intergovernmental	<u>131,940</u>	<u>-</u>	<u>131,940</u>	<u>-</u>
Total receivables	<u>\$ 160,163</u>	<u>\$ 211,782</u>	<u>\$ 371,945</u>	<u>\$ 42,000</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts payable	\$ 106,228	\$ 103,565	\$ 209,793	\$ 375
Deposits payable	20	-	20	-
Accrued interest payable	<u>11,717</u>	<u>6,195</u>	<u>17,912</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 117,965</u>	<u>\$ 109,760</u>	<u>\$ 227,725</u>	<u>\$ 375</u>

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### NOTE 9: RISK MANAGEMENT

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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. The City manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The City obtains its general liability insurance coverage through Michigan Township Participating Plan.

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### NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

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The City has two employee pension plans. One is a Defined Benefit Plan and the other is a Defined Contribution Plan, both administered by the MERS Retirement Board, of the Municipal Employee's Retirement System of Michigan (MERS). Information concerning each plan follows:



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED**

**Defined Benefit Pension Plan (Municipal Employees' Retirement System of Michigan):**

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

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

**Benefits Provided** – The following are the benefits provided from the December 31, 2014 valuation. All divisions are closed.

	<u><i>Division 01 - Gnrl Non Union / Police Chief</i></u>	<u><i>Division 10 - Gnrl Union</i></u>	<u><i>Division 20 - Pol POAM</i></u>
Benefit Multiplier:	2.00% Multiplier (no max)	2.00% Multiplier (no max)	2.00% Multiplier (no max)
Normal Retirement Age:	60	60	55
Vesting:	10 years	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25	20 and Out
Early Retirement (Reduced):	50/25 55/15	50/25 55/15	
Final Average Compensation:	3 years	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	4.70%	4.70%	4.80%
DC Plan for New Hires:	7/1/2012	7/1/2012	7/1/2012
Act 88:	Yes (Adopted 11/23/1970)	Yes (Adopted 11/23/1970)	Yes (Adopted 11/23/1970)

**Employees covered by benefit terms** – At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	30
Inactive employees entitled to but not yet receiving benefits:	7
Active employees:	<u>8</u>
Total	<u><u>45</u></u>

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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**Contributions** – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions, for the current year, were \$10,017 monthly based on valuation payroll as of the December 31, 2012 valuation. The monthly amount by division was: division 01 - \$5,426, division 10 - \$3403, and division 20 - \$1,188.

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

**Actuarial assumptions** – The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 3%-4%; Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively); Investment rate of return: 8.25%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

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
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

**Discount rate** – The discount rate used to measure the total pension liability is 8.25% for 2014 and will be 8.0% in 2015 and thereafter. 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.

*Changes in net pension liability during the measurement year were as follows:*

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at 12/31/13	\$ 6,522,711	\$ 4,711,671	\$ 1,811,040
Service cost	50,789	-	50,789
Interest on total pension liability	521,971	-	521,971
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	144,279	(144,279)
Employee contributions	-	42,213	(42,213)
Net investment income	-	294,080	(294,080)
Benefit payments, including employee refunds	(442,376)	(442,376)	-
Administrative expenses	-	(10,757)	10,757
Other changes	-	-	-
Net changes	130,384	27,439	102,945
Balances at 12/31/14	<u>\$ 6,653,095</u>	<u>\$ 4,739,110</u>	<u>\$ 1,913,985</u>

The net pension liability is recorded as follows:

Governmental activities	\$ 1,165,893
Business-type activities	<u>748,092</u>
	<u>\$ 1,913,985</u>

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	<i>1% Decrease Rate 7.25%</i>	<i>Current Rate 8.25%</i>	<i>1% Increase Rate 9.25%</i>
Net pension liability	\$ 2,610,716	\$ 1,913,985	\$ 1,323,585

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** – For the year ended June 30, 2015; the employer recognized pension expense of \$180,318. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<i><u>Deferred Outflows of Resources</u></i>	<i><u>Deferred Inflows of Resources</u></i>
Net difference between projected and actual earnings on pension plan investments	\$ 66,907	\$ -
Contributions subsequent to the measurement date*	<u>60,102</u>	<u>-</u>
	<u>\$ 127,009</u>	<u>\$ -</u>

The deferred outflows/inflows of resources are recorded as follows:

	<i><u>Outflows of Resources</u></i>	<i><u>Inflows of Resources</u></i>
Governmental activities	\$ 77,367	\$ -
Business-type activities	<u>49,642</u>	<u>-</u>
	<u>\$ 127,009</u>	<u>\$ -</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016.

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

<i><u>Year Ended</u></i>	<i><u>Amount</u></i>
2016	\$ 16,727
2017	16,727
2018	16,727
2019	16,726

***Pension Plan Fiduciary Net Position*** – Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at [www.mersofmichigan.com](http://www.mersofmichigan.com). The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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#### **Defined Contribution Pension Plan (Municipal Employees' Retirement System of Michigan):**

In an effort to phase out the MERS defined benefit pension plan described above, the City adopted MERS Restated Defined Contribution Plan under MERS Plan Document ("MERS Defined Contribution Plan") for all new employees of the City hired after July 1, 2012. The plan was implemented in September 2014 and is the only retirement pension plan available to new employees after that date.

The City's Defined Contribution Pension Plan is a single employer defined contribution pension plan, established by the City and administered by MERS Retirement Board. The City's contribution is 10% of each participant's base wages for the plan year contingent upon the participant contributing 5% of base wages. Contributions are immediately 100% vested. Employer contributions for the plan were \$16,143 for the year ended June 30, 2015. Employee contributions for the plan were \$8,071 for the year ended June 30, 2015.

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### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

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GASB Statement No. 45 established standards for measurement, recognition and display of other postemployment benefits (OPEB) and related liabilities and note disclosures in other plans in which the City participates. Current year expenditures include the current year "pay-as-you-go" amount and the recognition of the unfunded current year annual required contribution (ARC) in the governmental activities and enterprise funds. Disclosures required by GASB Statement No. 45 follow.

**Plan Description** – Eligibility is a department head with 20 years of service with the City. The City provides pre-65 medical and prescription drug coverage through its active plan and post-65 coverage through a Medicare Advantage plan. Dental coverage is provided for retirees as well as vision for pre-65 retirees. Department heads retiring after July 1, 2012 pay 30% of pre-65 medical, dental and vision premiums; Medicare Advantage premium and current retiree premiums paid 100% by the City. Department heads promoted after 2012 will only receive \$150 monthly retiree stipend. Department heads hired after 2012 will not receive retiree coverage.

**Funding Policy** – The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). At the fund level, the expense is recognized by the City as the payments to the employees are made. During the year, this amounted to \$36,240 for ten (10) retirees who are currently receiving the benefits, of which four (4) are receiving the \$150 monthly retiree stipend. During the fiscal year ended June 30, 2015, the City also made a \$12,607 advance funding contribution to the MERS Retiree Health Funding Plan.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

The computed annual required contribution and actual funding are summarized as follows:

For the Year Ended June 30, 2015

Annual required contribution (recommended)	\$ 70,669
Interest on the prior year's net OPEB obligation	4,468
Less adjustment to the annual required contribution	<u>(4,439)</u>
Annual OPEB cost	70,698
Amounts contributed:	
Payments of current premiums	(36,240)
Advance funding	<u>(12,607)</u>
Increase in net OPEB obligation	21,851
OPEB obligation, beginning of year	<u>111,695</u>
OPEB obligation, end of year	<u>\$ 133,546</u>

The net OPEB obligation is recorded as follows:

Governmental activities	\$ 92,004
Business-type activities	<u>41,542</u>
Total	<u>\$ 133,546</u>

The annual OPEB cost, the contribution to the plan, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

<u>Fiscal Year Ending</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	6/30/2013	\$ 70,698	\$ 48,847	69%	\$ 133,546
6/30/2014	6/30/2013	69,283	48,000	69%	111,695
6/30/2013	6/30/2013	66,970	59,102	88%	90,412

**Funding Progress** – As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$950,470, which was approximately 6% funded. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. During the current year, the City made a \$12,607 contribution to the OPEB Trust Fund, which was established in a prior year. The actuarial value of the Trust Fund assets has not been determined. The market value of the Trust Fund assets at June 30, 2015 was \$57,608.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. In future years, and if the plan was being funded, the schedule of funding progress would present multiyear trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2013 calculation, the individual entry-age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return. For purposes of the calculating the annual required contribution (ARC) amount, the UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

#### **Deferred Compensation Plan:**

The employees of the City are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by ICMA Retirement Corporation. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

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### NOTE 12: RESTRICTED NET POSITION

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The governmental activities statement of net position reports \$434,910 of restricted net position, of which \$252,255 is restricted by Act 51 enabling legislation.

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### NOTE 13: PRIOR PERIOD ADJUSTMENTS

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Change in Accounting Principle – As a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in the current year, the City has restated the beginning net position in the government-wide and proprietary funds Statement of Net Position, effectively decreasing net position as of July 1, 2014. The decrease results from recognition of a net pension liability and deferred outflow of resources.

Change in Accounting Policy – Effective June 30, 2014, the City closed and merged its Stormwater Management Fund into the General Fund because it no longer charges for stormwater management services.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 13: PRIOR PERIOD ADJUSTMENTS, CONTINUED

The effect of the above changes on beginning fund balance and net position is as follows:

	<i>Fund Statements</i>			
	<i>General Fund</i>	<i>Stormwater Management Fund</i>	<i>Sewer Fund</i>	<i>Water Fund</i>
Net position, previously stated June 30, 2014	\$ 903,057	\$ 123,263	\$ 4,102,122	\$ 2,508,232
Close Stormwater Management Fund cash balance into the General Fund	31,737	(31,737)	-	-
Reclassify Stormwater capital assets to governmental activity	-	(91,526)	-	-
Recognize net pension liability of \$707,855 and deferred outflow of \$32,901 as of June 30, 2014	-	-	(333,550)	(341,404)
Net position, restated June 30, 2014	<u>\$ 934,794</u>	<u>\$ -</u>	<u>\$ 3,768,572</u>	<u>\$ 2,166,828</u>
	<i>Government-wide Statements</i>			
	<i>Governmental Activities</i>	<i>Business-type Activities</i>		
Net position, previously stated June 30, 2014	\$ 4,958,932	\$ 6,733,617		
Close Stormwater Management Fund, a business- type activity, into the governmental activities	123,263	(123,263)		
Recognize net pension liability of \$1,811,040 and deferred outflow of \$84,177 as of June 30, 2014	(1,051,909)	(674,954)		
Net position, restated June 30, 2014	<u>\$ 4,030,286</u>	<u>\$ 5,935,400</u>		



***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

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## SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	<u>2015</u>
Service cost	\$ 50,789
Interest on total pension liability	521,971
Benefit payments, including employee refunds	<u>(442,376)</u>
<b>Net change in total pension liability</b>	130,384
<b>Total pension liability - beginning</b>	<u>6,522,711</u>
<b>Total pension liability - ending</b>	<u><u>\$ 6,653,095</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 144,279
Contributions - employee	42,213
Net investment income	294,080
Benefit payments, including employee refunds	(442,376)
Administrative expenses	<u>(10,757)</u>
<b>Net change in plan fiduciary net position</b>	27,439
<b>Total plan fiduciary net position - beginning</b>	<u>4,711,671</u>
<b>Total plan fiduciary net position - ending</b>	<u><u>\$ 4,739,110</u></u>
<b>City's net pension liability</b>	\$ 1,913,985
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	71.23%
<b>Covered employee payroll</b>	\$ 423,158
<b>City's net pension liability as a percentage of covered payroll</b>	452.31%

# CITY OF VASSAR

## SCHEDULE OF CITY PENSION CONTRIBUTIONS – DEFINED BENEFIT PLAN

Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 120,592	\$ 107,999	\$ 97,524	\$ 98,425	\$ 111,621
Contributions in relation to the actuarially determined contribution	<u>120,592</u>	<u>107,999</u>	<u>97,524</u>	<u>98,425</u>	<u>111,621</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 423,158	\$ 701,947	\$ 797,406	\$ 877,218	\$ 903,337
Actuarially determined contribution as a percentage of covered-employee payroll	28.50%	15.39%	12.23%	11.22%	12.36%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 85,122	\$ 94,683	\$ 96,276	\$ 105,265	\$ 92,416
Contributions in relation to the actuarially determined contribution	<u>85,122</u>	<u>94,683</u>	<u>96,276</u>	<u>105,265</u>	<u>92,416</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 971,068	\$ 969,326	\$ 1,018,319	\$ 1,001,592	\$ 1,001,251
Actuarially determined contribution as a percentage of covered-employee payroll	8.77%	9.77%	9.45%	10.51%	9.23%

### Notes to Schedule

Valuation date

Actuarially determined contribution rates are calculated as of December 31, 18 months prior to the beginning of the fiscal year in which contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	10-year smoothed market
Inflation	3-4%
Salary increases	4.50%
Investment rate of return	8.00% (8.25% for 2014)
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the 1994 Group Annual Mortality Table
Other information	None

# CITY OF VASSAR

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## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS

	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/13</u>
Market Value of Assets	\$ 57,608	\$ 44,274	\$ 24,795
Actuarial Value of Assets, not available	-	-	-
Actuarial Accrued Liability (AAL), as of June 30, 2013	950,470	950,470	950,470
Unfunded AAL (UAAL)	892,862	906,196	925,675
Funded Ratio	6.06%	4.66%	2.61%

# CITY OF VASSAR

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 634,689	\$ 634,689	\$ 629,562	\$ (5,127)
Licenses and permits	12,482	13,173	14,977	1,804
Federal grants	10,000	10,000	10,000	-
State grants	306,455	312,983	320,516	7,533
Contributions from other units	72,837	74,741	89,523	14,782
Charges for services	356,646	395,758	366,215	(29,543)
Fines and forfeits	23,000	3,000	3,633	633
Interest and rents	86,497	77,497	60,599	(16,898)
Other revenue	27,192	83,343	19,408	(63,935)
Total revenues	<u>1,529,798</u>	<u>1,605,184</u>	<u>1,514,433</u>	<u>(90,751)</u>
<b>Current</b>				
General government				
Mayor and Council	9,505	9,505	9,029	(476)
Manager	78,424	68,252	68,972	720
Clerk	61,652	31,495	22,115	(9,380)
Audit	8,900	8,900	8,900	-
Information technology	11,000	11,000	9,426	(1,574)
Treasurer	57,919	57,919	61,905	3,986
Assessor	16,740	16,975	15,841	(1,134)
Hall	100,795	110,445	108,476	(1,969)
Attorney	12,000	18,000	18,095	95
Cemetery	38,500	38,500	32,068	(6,432)
Total general government	<u>395,435</u>	<u>370,991</u>	<u>354,827</u>	<u>(16,164)</u>
Public safety				
Police department	364,442	391,388	363,049	(28,339)
Fire protection	104,280	104,280	94,313	(9,967)
Total public safety	<u>468,722</u>	<u>495,668</u>	<u>457,362</u>	<u>(38,306)</u>
Public works				
Department of public works	71,916	70,398	54,975	(15,423)
Sidewalks	5,108	5,322	5,306	(16)
Street lighting	143,985	118,570	122,097	3,527
Parking lot	7,903	7,903	5,575	(2,328)
Refuse	105,210	105,210	105,160	(50)
Total public works	<u>334,122</u>	<u>307,403</u>	<u>293,113</u>	<u>(14,290)</u>
Health and welfare				
Ambulance	21,576	21,576	21,576	-
Recreation and culture				
Parks and recreation	96,314	116,030	70,913	(45,117)

continued

# CITY OF VASSAR

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Other				
Insurance	10,814	10,814	9,627	(1,187)
Fringes	132,811	132,811	120,592	(12,219)
Total other	<u>143,625</u>	<u>143,625</u>	<u>130,219</u>	<u>(13,406)</u>
Capital outlay	<u>79,550</u>	<u>138,476</u>	<u>83,210</u>	<u>(55,266)</u>
Debt service				
Principal	34,340	34,340	34,340	-
Interest and fees	21,913	21,913	22,046	133
Total debt service	<u>56,253</u>	<u>56,253</u>	<u>56,386</u>	<u>133</u>
Total expenditures	<u>1,595,597</u>	<u>1,650,022</u>	<u>1,467,606</u>	<u>(182,416)</u>
Excess (deficiency) of revenues over expenditures	<u>(65,799)</u>	<u>(44,838)</u>	<u>46,827</u>	<u>91,665</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	<u>(77,725)</u>	<u>(77,725)</u>	<u>(75,496)</u>	<u>(2,229)</u>
Change in fund balance	(143,524)	(122,563)	(28,669)	89,436
Fund balance, beginning of year, restated	<u>934,794</u>	<u>934,794</u>	<u>934,794</u>	<u>-</u>
Fund balance, end of year	<u>\$ 791,270</u>	<u>\$ 812,231</u>	<u>\$ 906,125</u>	<u>\$ 89,436</u>

# CITY OF VASSAR

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## MAJOR STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 39,755	\$ 41,855	\$ 41,823	\$ (32)
State grants	145,457	163,914	175,153	11,239
Interest and rents	100	100	43	(57)
Total revenues	<u>185,312</u>	<u>205,869</u>	<u>217,019</u>	<u>11,150</u>
<b>Expenditures:</b>				
Current				
Public works	<u>168,766</u>	<u>178,910</u>	<u>130,757</u>	<u>(48,153)</u>
Excess (deficiency) of revenues over expenditures	<u>16,546</u>	<u>26,959</u>	<u>86,262</u>	<u>59,303</u>
<b>Other financing uses:</b>				
Transfers to other funds	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Change in fund balance	16,546	6,959	66,262	59,303
Fund balance, beginning of year	<u>111,626</u>	<u>111,626</u>	<u>111,626</u>	<u>-</u>
Fund balance, end of year	<u>\$ 128,172</u>	<u>\$ 118,585</u>	<u>\$ 177,888</u>	<u>\$ 59,303</u>

# CITY OF VASSAR

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## LOCAL STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 19,789	\$ 20,819	\$ 20,819	\$ -
State grants	56,498	56,498	89,678	33,180
Interest and rents	100	100	20	(80)
Other revenue	-	-	5	5
Total revenues	<u>76,387</u>	<u>77,417</u>	<u>110,522</u>	<u>33,105</u>
<b>Expenditures:</b>				
Current				
Public works	<u>167,067</u>	<u>213,549</u>	<u>186,152</u>	<u>(27,397)</u>
Excess (deficiency) of revenues over expenditures	<u>(90,680)</u>	<u>(136,132)</u>	<u>(75,630)</u>	<u>60,502</u>
<b>Other financing sources:</b>				
Transfers from other funds	<u>78,000</u>	<u>98,000</u>	<u>98,000</u>	<u>-</u>
Change in fund balance	(12,680)	(38,132)	22,370	60,502
Fund balance, beginning of year	<u>51,997</u>	<u>51,997</u>	<u>51,997</u>	<u>-</u>
Fund balance, end of year	<u>\$ 39,317</u>	<u>\$ 13,865</u>	<u>\$ 74,367</u>	<u>\$ 60,502</u>



***OTHER SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

June 30, 2015

	<i>Special Revenue Funds</i>			
	<i>Highway Fund</i>	<i>Drug Law Enforcement Fund</i>	<i>Cool Cities Fund</i>	<i>DDA Loan Revolving Fund</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 24,428	\$ 20	\$ 1,181	\$ 17,582
Accounts receivable	-	-	-	-
Notes receivable	-	-	-	4,804
Due from other governmental units	6,166	-	-	-
Total assets	<u>\$ 30,594</u>	<u>\$ 20</u>	<u>\$ 1,181</u>	<u>\$ 22,386</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 36	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable:				
Long term receivables	-	-	-	4,204
Nonexpendable cemetery principal	-	-	-	-
Restricted for:				
Streets	30,558	-	-	-
Drug law enforcement	-	20	-	-
Community and economic development	-	-	1,181	18,182
Total fund balances	<u>30,558</u>	<u>20</u>	<u>1,181</u>	<u>22,386</u>
Total liabilities and fund balances	<u>\$ 30,594</u>	<u>\$ 20</u>	<u>\$ 1,181</u>	<u>\$ 22,386</u>

continued

# CITY OF VASSAR

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET, CONTINUED

June 30, 2015

	<u>Permanent Fund</u>		<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 134,556	\$	177,767	
Accounts receivable	400		400	
Notes receivable	-		4,804	
Due from other governmental units	-		6,166	
	<u>-\$ 134,956</u>		<u>\$ 189,137</u>	
Total assets				
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$	36	
Due to other funds	3,797		3,797	
	<u>3,797</u>		<u>3,833</u>	
Total liabilities				
<b>Fund balances:</b>				
Nonspendable:				
Long term receivables	-		4,204	
Nonexpendable cemetery principal	131,159		131,159	
Restricted for:				
Streets	-		30,558	
Drug law enforcement	-		20	
Community and economic development	-		19,363	
	<u>131,159</u>		<u>185,304</u>	
Total fund balances				
Total liabilities and fund balances	<u>\$ 134,956</u>	\$	<u>\$ 189,137</u>	

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	<i>Special Revenue Funds</i>			
	<i>Highway Fund</i>	<i>Drug Law Enforcement Fund</i>	<i>Cool Cities Fund</i>	<i>DDA Loan Revolving Fund</i>
<b>Revenues:</b>				
State grants	\$ 19,666	\$ -	\$ -	\$ -
Interest and rents	11	-	-	3
Other revenue	-	-	150	60
Total revenues	<u>19,677</u>	<u>-</u>	<u>150</u>	<u>63</u>
<b>Expenditures:</b>				
Current				
Public works	18,169	-	-	-
Community and economic development	-	-	200	-
Total expenditures	<u>18,169</u>	<u>-</u>	<u>200</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,508</u>	<u>-</u>	<u>(50)</u>	<u>63</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	-	-	-	-
Changes in fund balances	1,508	-	(50)	63
Fund balances, beginning of year	<u>29,050</u>	<u>20</u>	<u>1,231</u>	<u>22,323</u>
Fund balances, end of year	<u>\$ 30,558</u>	<u>\$ 20</u>	<u>\$ 1,181</u>	<u>\$ 22,386</u>

continued

# CITY OF VASSAR

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended June 30, 2015

	<u>Permanent Fund</u>		<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Revenues:</b>				
State grants	\$ -	\$		19,666
Interest and rents	2,504			2,518
Other revenue	300			510
Total revenues	<u>2,804</u>			<u>22,694</u>
<b>Expenditures:</b>				
Current				
Public works	-			18,169
Community and economic development	-			200
Total expenditures	<u>-</u>			<u>18,369</u>
Excess (deficiency) of revenues over expenditures	<u>2,804</u>			<u>4,325</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	<u>(2,504)</u>			<u>(2,504)</u>
Changes in fund balances	300			1,821
Fund balances, beginning of year	<u>130,859</u>			<u>183,483</u>
Fund balances, end of year	<u>\$ 131,159</u>	\$		<u>\$ 185,304</u>

# CITY OF VASSAR

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2015

#### 2006 COUNTY CONTRACT FINANCING

Issue dated August 1, 2006 in the amount of	\$	686,826
Less: Principal paid in prior years		(274,796)
Principal paid in current year		<u>(34,340)</u>
Balance payable at June 30, 2015	\$	<u>377,690</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>December 1</u></i>	<i><u>Interest due</u></i> <i><u>December 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2016	5.317%	\$ 34,340	\$ 20,086	\$ 54,426
2017	5.317%	34,340	18,310	52,650
2018	5.317%	34,340	16,434	50,774
2019	5.317%	34,340	14,608	48,948
2020	5.317%	34,340	12,782	47,122
2021	5.317%	34,340	10,986	45,326
2022	5.317%	34,340	9,130	43,470
2023	5.317%	34,340	7,304	41,644
2024	5.317%	34,340	5,478	39,818
2025	5.317%	34,340	3,662	38,002
2026	5.317%	<u>34,290</u>	<u>1,823</u>	<u>36,113</u>
		<u>\$ 377,690</u>	<u>\$ 120,603</u>	<u>\$ 498,293</u>

# CITY OF VASSAR

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2015

**2012 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS**

Issue dated July 12, 2012 in the amount of	\$ 671,000
Less: Principal paid in prior years	(144,000)
Principal paid in current year	<u>(68,000)</u>
Balance payable at June 30, 2015	<u>\$ 459,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due</i>	<i>Interest due</i>	<i>Total Annual Requirement</i>
2016	2.190%	\$ 68,000	\$ 9,680	\$ 77,680
2017	2.190%	63,000	8,212	71,212
2018	2.190%	61,000	6,844	67,844
2019	2.190%	61,000	5,508	66,508
2020	2.190%	61,000	4,172	65,172
2021	2.190%	61,000	2,836	63,836
2022	2.190%	<u>84,000</u>	<u>1,380</u>	<u>85,380</u>
		<u>\$ 459,000</u>	<u>\$ 38,632</u>	<u>\$ 497,632</u>

Note: The Sewer Fund is obligated for 56.4% and the Water Fund is obligated for 43.6% of this debt.

Sewer Fund	\$ 258,876
Water Fund	<u>200,124</u>
	<u>\$ 459,000</u>

# CITY OF VASSAR

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2015

#### 2013 LIMITED TAX GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS

Issue dated September 13, 2013 in the amount of	\$	760,000
Less:		
Principal paid in prior year		-
Principal paid in current year		<u>(67,000)</u>
Balance payable at June 30, 2015	\$	<u>693,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>October 1</u>	<u>Interest due</u> <u>October 1</u>	<u>Interest due</u> <u>April 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2016	2.125%	\$ 12,000	\$ 7,363	\$ 7,236	\$ 26,599
2017	2.125%	13,000	7,236	7,098	27,334
2018	2.125%	13,000	7,098	6,959	27,057
2019	2.125%	13,000	6,959	6,821	26,780
2020	2.125%	14,000	6,821	6,673	27,494
2021	2.125%	14,000	6,673	6,524	27,197
2022	2.125%	14,000	6,524	6,375	26,899
2023	2.125%	14,000	6,375	6,226	26,601
2024	2.125%	15,000	6,226	6,067	27,293
2025	2.125%	15,000	6,067	5,908	26,975
2026	2.125%	15,000	5,908	5,748	26,656
2027	2.125%	16,000	5,748	5,578	27,326
2028	2.125%	16,000	5,578	5,408	26,986
2029	2.125%	16,000	5,408	5,238	26,646
2030	2.125%	17,000	5,238	5,058	27,296
2031	2.125%	17,000	5,058	4,877	26,935
2032	2.125%	18,000	4,877	4,686	27,563
2033	2.125%	18,000	4,686	4,494	27,180
2034	2.125%	18,000	4,494	4,303	26,797
2035	2.125%	19,000	4,303	4,101	27,404
2036	2.125%	19,000	4,101	3,899	27,000
2037	2.125%	19,000	3,899	3,698	26,597
2038	2.125%	20,000	3,698	3,485	27,183
2039	2.125%	20,000	3,485	3,273	26,758
2040	2.125%	21,000	3,273	3,049	27,322
2041	2.125%	21,000	3,049	2,826	26,875
2042	2.125%	22,000	2,826	2,593	27,419
2043	2.125%	22,000	2,593	2,359	26,952
2044	2.125%	23,000	2,359	2,114	27,473
2045	2.125%	23,000	2,114	1,870	26,984

continued



# CITY OF VASSAR

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2015

**2013 LIMITED TAX GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, CONTINUED**

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>April 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2046	2.125%	23,000	1,870	1,626	26,496
2047	2.125%	24,000	1,626	1,371	26,997
2048	2.125%	25,000	1,371	1,105	27,476
2049	2.125%	25,000	1,105	839	26,944
2050	2.125%	26,000	839	563	27,402
2051	2.125%	26,000	563	287	26,850
2052	2.125%	27,000	287	-	27,287
		<u>\$ 693,000</u>	<u>\$ 157,698</u>	<u>\$ 150,335</u>	<u>\$ 1,001,033</u>

Note: The Sewer Fund is obligated for this debt.



**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***

To the City Council  
City of Vassar, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Vassar, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Vassar's basic financial statements, and have issued our report thereon dated October 22, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, we identified, and noted below, deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Other material weaknesses may exist that have not been identified.

**Recording, Processing and Summarizing Accounting Data**

Criteria: All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

Conditions: 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 recording, processing and summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the City has placed reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.

To the Honorable Mayor and Members of City Council  
City of Vassar, Michigan

Cause: This condition was caused by the City's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the City to perform these tasks internally.

Effect: As a result of this condition, the City lacks internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The City has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the City to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Berthiaume & Co.*

Saginaw, Michigan  
October 22, 2015