

# **CITY OF VASSAR**

Tuscola County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2019

# CITY OF VASSAR

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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, 2019, 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, 2019, 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.

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

## **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 50), schedule of defined benefit plan pension contributions (page 51), schedule of changes in the net OPEB liability and related ratios (page 52), schedule of OPEB plan contributions (page 53) and budgetary comparison information (pages 54 through 56) 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 11, 2019 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 11, 2019

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

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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, 2019. 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 \$9,047,328 for the fiscal year ended June 30, 2019, compared to \$8,936,057 for the fiscal year ended June 30, 2018.
- In the City's governmental activities, revenues generated were \$2,100,714 while expenses totaled \$1,952,687.
- In the City's business-type activities, revenues generated were \$1,241,532 while expenses totaled \$1,283,688.
- Total net position increased by \$111,271.

### 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, 2019

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 nine (9) individual governmental funds. Separate information is presented for the General Fund and Major Street Fund which are considered to be "major" funds. Data from the other seven (7) 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, 2019 is \$9,047,328, consisting of \$3,501,581 in governmental activities and \$5,545,747 in business-type activities.

# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$153,894. Governmental activities unrestricted net position is a deficit of (\$1,168,255), while business-type activities unrestricted net position is a positive \$1,322,149.

The following table shows comparisons of total assets, total deferred outflows, total liabilities, total deferred inflows, and total net position in a condensed format at June 30, 2019 and June 30, 2018.

|                                  | <i>Governmental<br/>Activities</i> |                     | <i>Business-type<br/>Activities</i> |                     | <i>Total</i>        |                     |
|----------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
|                                  | <i>2019</i>                        | <i>2018</i>         | <i>2019</i>                         | <i>2018</i>         | <i>2019</i>         | <i>2018</i>         |
| <b>Assets:</b>                   |                                    |                     |                                     |                     |                     |                     |
| Current and other assets         | \$ 2,191,190                       | \$ 2,018,979        | \$ 2,743,858                        | \$ 2,633,917        | \$ 4,935,048        | \$ 4,652,896        |
| Capital assets, net              | <u>3,867,627</u>                   | <u>3,883,689</u>    | <u>4,923,596</u>                    | <u>5,154,784</u>    | <u>8,791,223</u>    | <u>9,038,473</u>    |
| Total assets                     | <u>6,058,817</u>                   | <u>5,902,668</u>    | <u>7,667,454</u>                    | <u>7,788,701</u>    | <u>13,726,271</u>   | <u>13,691,369</u>   |
| <b>Deferred outflows</b>         | <u>395,199</u>                     | <u>102,731</u>      | <u>256,226</u>                      | <u>60,485</u>       | <u>651,425</u>      | <u>163,216</u>      |
| <b>Liabilities:</b>              |                                    |                     |                                     |                     |                     |                     |
| Current and other liabilities    | 75,038                             | 77,953              | 43,667                              | 36,456              | 118,705             | 114,409             |
| Long-term liabilities            | <u>2,875,674</u>                   | <u>2,536,016</u>    | <u>2,333,418</u>                    | <u>2,194,462</u>    | <u>5,209,092</u>    | <u>4,730,478</u>    |
| Total liabilities                | <u>2,950,712</u>                   | <u>2,613,969</u>    | <u>2,377,085</u>                    | <u>2,230,918</u>    | <u>5,327,797</u>    | <u>4,844,887</u>    |
| <b>Deferred inflows</b>          | <u>1,723</u>                       | <u>43,276</u>       | <u>848</u>                          | <u>30,365</u>       | <u>2,571</u>        | <u>73,641</u>       |
| <b>Net position:</b>             |                                    |                     |                                     |                     |                     |                     |
| Net investment in capital assets | 3,867,627                          | 3,883,689           | 4,204,596                           | 4,328,784           | 8,072,223           | 8,212,473           |
| Restricted                       | 802,209                            | 741,192             | 19,002                              | 15,835              | 821,211             | 757,027             |
| Unrestricted (deficit)           | <u>(1,168,255)</u>                 | <u>(1,276,727)</u>  | <u>1,322,149</u>                    | <u>1,243,284</u>    | <u>153,894</u>      | <u>(33,443)</u>     |
| Total net position               | <u>\$ 3,501,581</u>                | <u>\$ 3,348,154</u> | <u>\$ 5,545,747</u>                 | <u>\$ 5,587,903</u> | <u>\$ 9,047,328</u> | <u>\$ 8,936,057</u> |

The City's combined total net position increased by \$111,271 during the current fiscal year. Governmental activities increased by \$153,427 while business-type activities decreased by \$42,156.

### Governmental Activities:

The total governmental revenue is reported at \$2,100,714, an increase of \$57,179 from the prior fiscal year. Total expenses decreased by \$57,144 from the prior fiscal year.

### Business-type Activities:

The total business-type revenue is reported at \$1,241,532, an increase of \$59,015 from the prior fiscal year. Total expenses increased by \$43,375 from the prior fiscal year.



# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

The following table shows the comparison of the change in net position in a condensed format for the fiscal year ended June 30, 2019 and June 30, 2018:

|   | <i>Governmental<br/>Activities</i> |                     | <i>Business-type<br/>Activities</i> |                     | <i>Total</i>        |                     |
|---|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
|   | <u>2019</u>                        | <u>2018</u>         | <u>2019</u>                         | <u>2018</u>         | <u>2019</u>         | <u>2018</u>         |
| <b>Revenues:</b>                                    |                                    |                     |                                     |                     |                     |                     |
| Program revenues                                    |                                    |                     |                                     |                     |                     |                     |
| Charges for services                                | \$ 481,531                         | \$ 392,298          | \$ 1,154,604                        | \$ 1,153,649        | \$ 1,636,135        | \$ 1,545,947        |
| Operating grants                                    | 528,383                            | 592,676             | 78,939                              | 23,564              | 607,322             | 616,240             |
| Capital grants                                      | -                                  | 5,000               | -                                   | -                   | -                   | 5,000               |
| General revenues                                    |                                    |                     |                                     |                     |                     |                     |
| Property taxes                                      | 630,787                            | 608,053             | -                                   | -                   | 630,787             | 608,053             |
| Franchise fees                                      | 22,293                             | 13,004              | -                                   | -                   | 22,293              | 13,004              |
| Unrestricted grants                                 | 405,627                            | 414,595             | -                                   | -                   | 405,627             | 414,595             |
| Investment earnings                                 | 11,777                             | 9,095               | 7,989                               | 5,304               | 19,766              | 14,399              |
| Other   | 20,316                             | 8,814               | -                                   | -                   | 20,316              | 8,814               |
| Total revenues                                      | <u>2,100,714</u>                   | <u>2,043,535</u>    | <u>1,241,532</u>                    | <u>1,182,517</u>    | <u>3,342,246</u>    | <u>3,226,052</u>    |
| <b>Program Expenses:</b>                            |                                    |                     |                                     |                     |                     |                     |
| General government                                  | 471,348                            | 399,505             | -                                   | -                   | 471,348             | 399,505             |
| Public safety                                       | 584,367                            | 642,955             | -                                   | -                   | 584,367             | 642,955             |
| Public works  | 746,298                            | 815,715             | -                                   | -                   | 746,298             | 815,715             |
| Health and welfare                                  | 21,576                             | 21,576              | -                                   | -                   | 21,576              | 21,576              |
| Community and economic<br>development               | 27,511                             | 17,604              | -                                   | -                   | 27,511              | 17,604              |
| Recreation and culture                              | 89,539                             | 97,106              | -                                   | -                   | 89,539              | 97,106              |
| Interest on long-term debt                          | 12,048                             | 15,370              | -                                   | -                   | 12,048              | 15,370              |
| Sewer   | -                                  | -                   | 842,497                             | 834,978             | 842,497             | 834,978             |
| Water   | -                                  | -                   | 441,191                             | 405,335             | 441,191             | 405,335             |
| Total program expenses                              | <u>1,952,687</u>                   | <u>2,009,831</u>    | <u>1,283,688</u>                    | <u>1,240,313</u>    | <u>3,236,375</u>    | <u>3,250,144</u>    |
| Increase (decrease) in net<br>position before other | <u>148,027</u>                     | <u>33,704</u>       | <u>(42,156)</u>                     | <u>(57,796)</u>     | <u>105,871</u>      | <u>(24,092)</u>     |
| <b>Other items:</b>                                 |                                    |                     |                                     |                     |                     |                     |
| Contributions to principal                          | 2,900                              | 1,250               | -                                   | -                   | 2,900               | 1,250               |
| Sale of capital assets                              | 2,500                              | 4,706               | -                                   | -                   | 2,500               | 4,706               |
| Total other items                                   | <u>5,400</u>                       | <u>5,956</u>        | <u>-</u>                            | <u>-</u>            | <u>5,400</u>        | <u>5,956</u>        |
| <b>Change in net position</b>                       | <u>153,427</u>                     | <u>39,660</u>       | <u>(42,156)</u>                     | <u>(57,796)</u>     | <u>111,271</u>      | <u>(18,136)</u>     |
| Net position, beginning of<br>year                  | <u>3,348,154</u>                   | <u>3,308,494</u>    | <u>5,587,903</u>                    | <u>5,645,699</u>    | <u>8,936,057</u>    | <u>8,954,193</u>    |
| Net position, end of year                           | <u>\$ 3,501,581</u>                | <u>\$ 3,348,154</u> | <u>\$ 5,545,747</u>                 | <u>\$ 5,587,903</u> | <u>\$ 9,047,328</u> | <u>\$ 8,936,057</u> |

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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

Presentation of the City of Vassar's major funds and aggregate nonmajor funds begins on page 13, 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 two 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, 2019, General Fund financing sources exceeded its financing uses by \$116,128, increasing its ending fund balance to \$1,319,656. The City's second major governmental fund, the Major Street Fund increased its ending fund balance by \$3,528 to \$319,573.

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

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$13,334. During the year, the City made budget amendments which changed the projection to a net decrease in fund balance of \$10,737. The actual results for the year yielded an increase in fund balance of \$116,128.

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

At June 30, 2019, the City of Vassar had \$8,791,223 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, 2018, this total was \$9,038,473. 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, 2019, the City of Vassar's total long-term indebtedness (not including compensated absences, net pension liability and net OPEB liability) was \$959,329, 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:**

While the City of Vassar's economic future is dependent upon factors that are beyond control of the City Council and City management, the economic condition of the City is slightly improving. Most locally derived revenue sources are stable or increasing slightly. The City will continue to monitor its budget closely.

### **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, 2019

|  | <i>Primary Government</i>          |                                     |                     | <i>Component<br/>Units</i> |
|--|------------------------------------|-------------------------------------|---------------------|----------------------------|
|  | <i>Governmental<br/>Activities</i> | <i>Business-type<br/>Activities</i> | <i>Total</i>        |                            |
| <b>Assets:</b>                         |                                    |                                     |                     |                            |
| Cash and cash equivalents              | \$ 1,950,518                       | \$ 2,501,781                        | \$ 4,452,299        | \$ 132,478                 |
| Receivables                            | 186,383                            | 214,596                             | 400,979             | 99,968                     |
| Inventory                              | 10,575                             | -                                   | 10,575              | -                          |
| Prepaid expenses                       | 43,714                             | 8,479                               | 52,193              | 5,500                      |
| Restricted cash and cash equivalents   | -                                  | 19,002                              | 19,002              | -                          |
| Capital assets not being depreciated   | 573,168                            | 43,009                              | 616,177             | 52,663                     |
| Capital assets being depreciated, net  | 3,294,459                          | 4,880,587                           | 8,175,046           | -                          |
| Total assets                           | <u>6,058,817</u>                   | <u>7,667,454</u>                    | <u>13,726,271</u>   | <u>290,609</u>             |
| <b>Deferred outflows of resources:</b> |                                    |                                     |                     |                            |
| Related to pension                     | 364,728                            | 241,218                             | 605,946             | -                          |
| Related to OPEB                        | 30,471                             | 15,008                              | 45,479              | -                          |
| Total deferred outflows of resources   | <u>395,199</u>                     | <u>256,226</u>                      | <u>651,425</u>      | <u>-</u>                   |
| <b>Liabilities:</b>                    |                                    |                                     |                     |                            |
| Accounts payable and accrued expenses  | 75,038                             | 43,667                              | 118,705             | 2,311                      |
| Long-term liabilities:                 |                                    |                                     |                     |                            |
| Due within one year                    |                                    |                                     |                     |                            |
| Current portion of long-term debt      | 34,341                             | 75,000                              | 109,341             | -                          |
| Due in more than one year              |                                    |                                     |                     |                            |
| Compensated absences                   | 35,757                             | 14,507                              | 50,264              | -                          |
| Long-term debt                         | 205,988                            | 644,000                             | 849,988             | -                          |
| Net pension liability                  | 2,002,453                          | 1,305,799                           | 3,308,252           | -                          |
| Net OPEB liability                     | 597,135                            | 294,112                             | 891,247             | -                          |
| Total liabilities                      | <u>2,950,712</u>                   | <u>2,377,085</u>                    | <u>5,327,797</u>    | <u>2,311</u>               |
| <b>Deferred inflows of resources:</b>  |                                    |                                     |                     |                            |
| Related to OPEB                        | 1,723                              | 848                                 | 2,571               | -                          |
| <b>Net position:</b>                   |                                    |                                     |                     |                            |
| Net investment in capital assets       | 3,867,627                          | 4,204,596                           | 8,072,223           | 52,663                     |
| Restricted for:                        |                                    |                                     |                     |                            |
| Drug law enforcement                   | 20                                 | -                                   | 20                  | -                          |
| Community development                  | 23,131                             | -                                   | 23,131              | -                          |
| Fire protection services               | 140,072                            | -                                   | 140,072             | -                          |
| Nonexpendable cemetery principal       | 139,509                            | -                                   | 139,509             | -                          |
| Repair, replacement and improvement    | -                                  | 19,002                              | 19,002              | -                          |
| Street lighting                        | 2,196                              | -                                   | 2,196               | -                          |
| Streets                                | 497,281                            | -                                   | 497,281             | -                          |
| Unrestricted (deficit)                 | <u>(1,168,255)</u>                 | <u>1,322,149</u>                    | <u>153,894</u>      | <u>235,635</u>             |
| Total net position                     | <u>\$ 3,501,581</u>                | <u>\$ 5,545,747</u>                 | <u>\$ 9,047,328</u> | <u>\$ 288,298</u>          |

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

| <b>Functions/Programs</b>          | <b>Expenses</b>    | <b>Program Revenues</b>             |   |   | <b>Net<br/>(Expense)<br/>Revenue</b> |
|------------------------------------|--------------------|-------------------------------------|---|---|--------------------------------------|
|                                    |                    | <b>Charges<br/>for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> |                                      |
| <b>PRIMARY GOVERNMENT:</b>         |                    |                                     |   |   |                                      |
| <i>Governmental activities:</i>    |                    |                                     |   |   |                                      |
| General government                 | \$ 471,348         | \$ 110,243                          | \$ -  | \$ -  | \$ (361,105)                         |
| Public safety                      | 584,367            | 116,696                             | 860   | -   | (466,811)                            |
| Public works                       | 746,298            | 221,388                             | 514,498   | -   | (10,412)                             |
| Health and welfare                 | 21,576             | 21,701                              | -   | -   | 125                                  |
| Community and economic development | 27,511             | -                                   | -   | -   | (27,511)                             |
| Recreation and culture             | 89,539             | 11,503                              | 13,025  | -   | (65,011)                             |
| Interest on long-term debt         | 12,048             | -                                   | -   | -   | (12,048)                             |
| Total governmental activities      | <u>1,952,687</u>   | <u>481,531</u>                      | <u>528,383</u>                                    | <u>-</u>  | <u>(942,773)</u>                     |
| <i>Business-type activities:</i>   |                    |                                     |   |   |                                      |
| Sewer                              | 842,497            | 738,363                             | 76,487  | -   | (27,647)                             |
| Water                              | 441,191            | 416,241                             | 2,452   | -   | (22,498)                             |
| Total business-type activities     | <u>1,283,688</u>   | <u>1,154,604</u>                    | <u>78,939</u>                                     | <u>-</u>  | <u>(50,145)</u>                      |
| Total primary government           | <u>\$3,236,375</u> | <u>\$ 1,636,135</u>                 | <u>\$ 607,322</u>                                 | <u>\$ -</u>                                     | <u>\$ (992,918)</u>                  |
| <b>COMPONENT UNITS:</b>            |                    |                                     |   |   |                                      |
| Economic development corporation   | \$ 6,959           | \$ -                                | \$ 1,520  | \$ -  | \$ (5,439)                           |
| Downtown development authority     | 7,555              | -                                   | -   | -   | (7,555)                              |
| Total component units              | <u>\$ 14,514</u>   | <u>\$ -</u>                         | <u>\$ 1,520</u>                                   | <u>\$ -</u>                                     | <u>\$ (12,994)</u>                   |

continued

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2019

|  | <i>Primary Government</i>          |  |                     | <i>Component<br/>Units</i> |
|--|------------------------------------|--|---------------------|----------------------------|
|  | <i>Governmental<br/>Activities</i> | <i>Business-<br/>type<br/>Activities</i> | <i>Total</i>        |                            |
| <i>Changes in net position:</i>  |                                    |  |                     |                            |
| Net (Expense) Revenue  | \$ (942,773)                       | \$ (50,145)                              | \$ (992,918)        | \$ (12,994)                |
| General revenues:  |                                    |  |                     |                            |
| Taxes:   |                                    |  |                     |                            |
| Property taxes, levied for general purpose                             | 619,881                            | -  | 619,881             | -                          |
| Property taxes, captured by component units                            | -                                  | -  | -                   | 36,272                     |
| Payment in lieu of property taxes                                      | 10,906                             | -  | 10,906              | -                          |
| Franchise fees   | 22,293                             | -  | 22,293              | -                          |
| Grants and contributions not restricted to<br>specific programs        | 405,627                            | -  | 405,627             | -                          |
| Unrestricted investment earnings                                       | 11,777                             | 7,989                                    | 19,766              | 53                         |
| Other  | 20,316                             | -  | 20,316              | 3,083                      |
| Contributions to principal of permanent fund                           | 2,900                              | -  | 2,900               | -                          |
| Special item - Sale of capital assets                                  | 2,500                              | -  | 2,500               | -                          |
| Total general revenues, contributions to<br>principal and special item | 1,096,200                          | 7,989                                    | 1,104,189           | 39,408                     |
| Changes in net position  | 153,427                            | (42,156)                                 | 111,271             | 26,414                     |
| Net position, beginning of year  | 3,348,154                          | 5,587,903                                | 8,936,057           | 261,884                    |
| Net position, end of year  | <u>\$ 3,501,581</u>                | <u>\$ 5,545,747</u>                      | <u>\$ 9,047,328</u> | <u>\$ 288,298</u>          |

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

# CITY OF VASSAR

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2019

|                                       | <i>General<br/>Fund</i> | <i>Major<br/>Street<br/>Fund</i> | <i>Nonmajor<br/>Funds</i> | <i>Total</i>        |
|---------------------------------------|-------------------------|----------------------------------|---------------------------|---------------------|
| <b>Assets:</b>                        |                         |                                  |                           |                     |
| Cash and cash equivalents             | \$ 1,242,437            | \$ 238,388                       | \$ 469,693                | \$ 1,950,518        |
| Accounts receivable                   | 13,460                  | -                                | 400                       | 13,860              |
| Notes receivable                      | -                       | -                                | 2,704                     | 2,704               |
| Due from other governments            | 57,985                  | 92,381                           | 19,453                    | 169,819             |
| Due from other funds                  | 4,862                   | -                                | -                         | 4,862               |
| Inventory                             | 10,575                  | -                                | -                         | 10,575              |
| Prepaid expenditures                  | 39,597                  | 1,460                            | 2,657                     | 43,714              |
| Total assets                          | <u>\$ 1,368,916</u>     | <u>\$ 332,229</u>                | <u>\$ 494,907</u>         | <u>\$ 2,196,052</u> |
| <b>Liabilities and Fund Balances:</b> |                         |                                  |                           |                     |
| <i>Liabilities:</i>                   |                         |                                  |                           |                     |
| Accounts payable                      | \$ 49,240               | \$ 12,656                        | \$ 7,162                  | \$ 69,058           |
| Due to other funds                    | -                       | -                                | 4,862                     | 4,862               |
| Deposits payable                      | 20                      | -                                | -                         | 20                  |
| Total liabilities                     | <u>49,260</u>           | <u>12,656</u>                    | <u>12,024</u>             | <u>73,940</u>       |
| <i>Fund balances:</i>                 |                         |                                  |                           |                     |
| Nonspendable                          | 50,172                  | 1,460                            | 143,412                   | 195,044             |
| Restricted                            | 2,196                   | 318,113                          | 339,471                   | 659,780             |
| Assigned                              | 412,467                 | -                                | -                         | 412,467             |
| Unassigned                            | 854,821                 | -                                | -                         | 854,821             |
| Total fund balances                   | <u>1,319,656</u>        | <u>319,573</u>                   | <u>482,883</u>            | <u>2,122,112</u>    |
| Total liabilities and fund balances   | <u>\$ 1,368,916</u>     | <u>\$ 332,229</u>                | <u>\$ 494,907</u>         | <u>\$ 2,196,052</u> |

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

# CITY OF VASSAR

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

June 30, 2019

|  |                            |
|--|----------------------------|
| <b>Fund balances of governmental funds</b>   | \$ 2,122,112               |
| Amounts reported for governmental activities in the statement of net position are different because:   |                            |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds.  |                            |
| Capital assets not being depreciated   | 573,168                    |
| Capital assets being depreciated, net  | 3,294,459                  |
| Accrued interest is not due and payable in the current period and is not reported in the funds.  | (5,960)                    |
| Deferred outflows of resources from City contributions made after the measurement date of the net pension liability are not reported in the funds.                             | 364,728                    |
| Deferred outflows of resources from changes in actuarial assumptions of the net OPEB liability are not reported in the funds.  | 30,471                     |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds.   |                            |
| Compensated absences payable   | (35,757)                   |
| Long-term debt   | (240,329)                  |
| Net pension liability  | (2,002,453)                |
| Net OPEB liability   | (597,135)                  |
| Deferred inflows of resources from the difference between projected and actual investment earnings of the OPEB plan as well as experience gains are not reported in the funds. | <u>(1,723)</u>             |
| <b>Net position of governmental activities</b>   | <u><u>\$ 3,501,581</u></u> |

*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, 2019

|  | <i>General<br/>Fund</i> | <i>Major<br/>Street<br/>Fund</i> | <i>Nonmajor<br/>Funds</i> | <i>Total</i>        |
|--|-------------------------|----------------------------------|---------------------------|---------------------|
| <b>Revenues:</b>                                     |                         |                                  |                           |                     |
| Property taxes                                       | \$ 658,610              | \$ -                             | \$ -                      | \$ 658,610          |
| Special assessments                                  | 8,848                   | -                                | 38,361                    | 47,209              |
| Licenses and permits                                 | 39,463                  | -                                | -                         | 39,463              |
| State grants   | 408,858                 | 332,967                          | 125,197                   | 867,022             |
| Contributions from other units                       | 9,200                   | 37,612                           | 90,504                    | 137,316             |
| Charges for services                                 | 283,422                 | -                                | 2,930                     | 286,352             |
| Fines and forfeits                                   | 1,289                   | -                                | -                         | 1,289               |
| Interest and rents                                   | 106,013                 | 77                               | 2,655                     | 108,745             |
| Other revenue  | 20,537                  | 500                              | 13,042                    | 34,079              |
|  | <u>1,536,240</u>        | <u>371,156</u>                   | <u>272,689</u>            | <u>2,180,085</u>    |
| <b>Expenditures:</b>                                 |                         |                                  |                           |                     |
| Current  |                         |                                  |                           |                     |
| General government                                   | 451,587                 | -                                | -                         | 451,587             |
| Public safety  | 443,861                 | -                                | 83,963                    | 527,824             |
| Public works   | 317,884                 | 209,687                          | 176,926                   | 704,497             |
| Health and welfare                                   | 21,576                  | -                                | -                         | 21,576              |
| Community and economic development                   | 16,364                  | -                                | 11,147                    | 27,511              |
| Recreation and culture                               | 67,047                  | -                                | -                         | 67,047              |
| Capital outlay                                       | 39,297                  | 102,941                          | 18,790                    | 161,028             |
| Debt service   |                         |                                  |                           |                     |
| Principal  | 34,341                  | -                                | -                         | 34,341              |
| Interest and fees                                    | 14,609                  | -                                | -                         | 14,609              |
|  | <u>1,406,566</u>        | <u>312,628</u>                   | <u>290,826</u>            | <u>2,010,020</u>    |
| Excess (deficiency) of revenues<br>over expenditures | <u>129,674</u>          | <u>58,528</u>                    | <u>(18,137)</u>           | <u>170,065</u>      |
| <b>Other financing sources (uses):</b>               |                         |                                  |                           |                     |
| Sale of capital assets                               | 2,500                   | -                                | -                         | 2,500               |
| Interfund transfers in                               | 2,454                   | 5,000                            | 73,500                    | 80,954              |
| Interfund transfers out                              | (18,500)                | (60,000)                         | (2,454)                   | (80,954)            |
|  | <u>(13,546)</u>         | <u>(55,000)</u>                  | <u>71,046</u>             | <u>2,500</u>        |
| Net other financing sources (uses)                   |                         |                                  |                           |                     |
| Changes in fund balances                             | 116,128                 | 3,528                            | 52,909                    | 172,565             |
| Fund balances, beginning of year                     | 1,203,528               | 316,045                          | 429,974                   | 1,949,547           |
| Fund balances, end of year                           | <u>\$ 1,319,656</u>     | <u>\$ 319,573</u>                | <u>\$ 482,883</u>         | <u>\$ 2,122,112</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, 2019

|  |                          |
|--|--------------------------|
| <b>Changes in fund balances of governmental funds</b>  | \$ 172,565               |
| Amounts reported for governmental activities in the statement of activities are different because:   |                          |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. |                          |
| Purchases of capital assets  | 131,395                  |
| Depreciation expense   | (147,457)                |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.         |                          |
| Change in accrued interest payable   | 2,561                    |
| Change in compensated absences payable   | 5,563                    |
| Change in long-term debt   | 34,341                   |
| Change in net pension liability and related deferred outflows and deferred inflows   | 1,843                    |
| Change in net OPEB liability and related deferred outflows and deferred inflows  | <u>(47,384)</u>          |
| <b>Change in net position of governmental activities</b>   | <u><u>\$ 153,427</u></u> |

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

# CITY OF VASSAR

## PROPRIETARY FUNDS STATEMENT OF NET POSITION

June 30, 2019

|  | <u>Sewer<br/>Fund</u> | <u>Water<br/>Fund</u> | <u>Total</u>     |
|--|-----------------------|-----------------------|------------------|
| <b>Assets:</b>                         |                       |                       |                  |
| <b>Current assets:</b>                 |                       |                       |                  |
| Cash and cash equivalents              | \$ 1,328,107          | \$ 1,173,674          | \$ 2,501,781     |
| Accounts receivable                    | 146,789               | 67,807                | 214,596          |
| Prepaid expenses                       | 3,212                 | 5,267                 | 8,479            |
| Total current assets                   | <u>1,478,108</u>      | <u>1,246,748</u>      | <u>2,724,856</u> |
| <b>Noncurrent assets:</b>              |                       |                       |                  |
| Restricted cash and cash equivalents   |                       |                       |                  |
| USDA RRI reserve                       | 19,002                | -                     | 19,002           |
| Capital assets not being depreciated   | 33,422                | 9,587                 | 43,009           |
| Capital assets being depreciated, net  | <u>3,233,376</u>      | <u>1,647,211</u>      | <u>4,880,587</u> |
| Total noncurrent assets                | <u>3,285,800</u>      | <u>1,656,798</u>      | <u>4,942,598</u> |
| Total assets                           | <u>4,763,908</u>      | <u>2,903,546</u>      | <u>7,667,454</u> |
| <b>Deferred outflows of resources:</b> |                       |                       |                  |
| Related to pension                     | 120,319               | 120,899               | 241,218          |
| Related to OPEB                        | <u>7,731</u>          | <u>7,277</u>          | <u>15,008</u>    |
| Total deferred outflows of resources   | <u>128,050</u>        | <u>128,176</u>        | <u>256,226</u>   |
| <b>Liabilities:</b>                    |                       |                       |                  |
| <b>Current liabilities:</b>            |                       |                       |                  |
| Accounts payable                       | 20,657                | 19,156                | 39,813           |
| Accrued interest payable               | 3,362                 | 492                   | 3,854            |
| Bonds payable - current                | <u>48,404</u>         | <u>26,596</u>         | <u>75,000</u>    |
| Total current liabilities              | <u>72,423</u>         | <u>46,244</u>         | <u>118,667</u>   |
| <b>Noncurrent liabilities:</b>         |                       |                       |                  |
| Compensated absences payable           | 12,794                | 1,713                 | 14,507           |
| Bonds payable                          | 580,780               | 63,220                | 644,000          |
| Net pension liability                  | 648,546               | 657,253               | 1,305,799        |
| Net OPEB liability                     | <u>151,512</u>        | <u>142,600</u>        | <u>294,112</u>   |
| Total noncurrent liabilities           | <u>1,393,632</u>      | <u>864,786</u>        | <u>2,258,418</u> |
| Total liabilities                      | <u>1,466,055</u>      | <u>911,030</u>        | <u>2,377,085</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, 2019

|                                       | <u><i>Sewer<br/>Fund</i></u> | <u><i>Water<br/>Fund</i></u> | <u><i>Total</i></u> |
|---------------------------------------|------------------------------|------------------------------|---------------------|
| <b>Deferred inflows of resources:</b> |                              |                              |                     |
| Related to OPEB                       | <u>437</u>                   | <u>411</u>                   | <u>848</u>          |
| <b>Net position:</b>                  |                              |                              |                     |
| Net investment in capital assets      | 2,637,614                    | 1,566,982                    | 4,204,596           |
| Restricted for:                       |                              |                              |                     |
| Repair, replacement and improvement   | 19,002                       | -                            | 19,002              |
| Unrestricted                          | <u>768,850</u>               | <u>553,299</u>               | <u>1,322,149</u>    |
| Total net position                    | <u>\$ 3,425,466</u>          | <u>\$ 2,120,281</u>          | <u>\$ 5,545,747</u> |

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

# CITY OF VASSAR

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

Year Ended June 30, 2019

|   | <u>Sewer</u><br><u>Fund</u> | <u>Water</u><br><u>Fund</u> | <u>Total</u>        |
|---|-----------------------------|-----------------------------|---------------------|
| <b>Operating revenues:</b>                |                             |                             |                     |
| Charges for services                      |                             |                             |                     |
| Sales                                     | \$ 722,416                  | \$ 399,522                  | \$ 1,121,938        |
| Penalties                                 | -                           | 14,760                      | 14,760              |
| Other                                     | 15,944                      | 1,944                       | 17,888              |
| State grants                              | <u>76,487</u>               | <u>2,452</u>                | <u>78,939</u>       |
| Total operating revenues                  | <u>814,847</u>              | <u>418,678</u>              | <u>1,233,525</u>    |
| <b>Operating expenses:</b>                |                             |                             |                     |
| Salaries and fringe benefits              | 276,720                     | 174,873                     | 451,593             |
| Supplies                                  | 19,384                      | 18,700                      | 38,084              |
| Contracted services                       | 63,496                      | 27,747                      | 91,243              |
| Administrative expense                    | 28,000                      | 28,000                      | 56,000              |
| Other services and charges                | 179,440                     | 105,945                     | 285,385             |
| Depreciation                              | <u>261,110</u>              | <u>83,678</u>               | <u>344,788</u>      |
| Total operating expenses                  | <u>828,150</u>              | <u>438,943</u>              | <u>1,267,093</u>    |
| Operating income (loss)                   | <u>(13,303)</u>             | <u>(20,265)</u>             | <u>(33,568)</u>     |
| <b>Non-operating revenues (expenses):</b> |                             |                             |                     |
| Interest income                           | 985                         | 7,004                       | 7,989               |
| Special assessments interest              | 3                           | 15                          | 18                  |
| Interest expense                          | <u>(14,347)</u>             | <u>(2,248)</u>              | <u>(16,595)</u>     |
| Net non-operating revenues                | <u>(13,359)</u>             | <u>4,771</u>                | <u>(8,588)</u>      |
| Changes in fund net position              | (26,662)                    | (15,494)                    | (42,156)            |
| Net position, beginning of year           | <u>3,452,128</u>            | <u>2,135,775</u>            | <u>5,587,903</u>    |
| Net position, end of year                 | <u>\$ 3,425,466</u>         | <u>\$ 2,120,281</u>         | <u>\$ 5,545,747</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, 2019

|   | <u>Sewer<br/>Fund</u> | <u>Water<br/>Fund</u> | <u>Total</u>        |
|---|-----------------------|-----------------------|---------------------|
| <b>Cash flows from operating activities:</b>  |                       |                       |                     |
| Receipts from customers   | \$ 736,842            | \$ 426,203            | \$ 1,163,045        |
| Receipts from state grants  | 176,072               | 2,452                 | 178,524             |
| Payments to and on behalf of employees  | (265,860)             | (165,036)             | (430,896)           |
| Payments to suppliers   | (290,994)             | (173,269)             | (464,263)           |
| Net cash provided (used) by operating activities  | <u>356,060</u>        | <u>90,350</u>         | <u>446,410</u>      |
| <b>Cash flows from capital and related financing activities:</b>                                      |                       |                       |                     |
| Special assessments   | 619                   | 1,158                 | 1,777               |
| Acquisition of capital assets   | (43,502)              | (70,098)              | (113,600)           |
| Principal payments  | (80,404)              | (26,596)              | (107,000)           |
| Interest paid   | (14,836)              | (2,393)               | (17,229)            |
| Net cash provided (used) by capital and related financing activities                                  | <u>(138,123)</u>      | <u>(97,929)</u>       | <u>(236,052)</u>    |
| <b>Cash flows from investing activities:</b>  |                       |                       |                     |
| Interest received   | 985                   | 7,004                 | 7,989               |
| Net change in cash and cash equivalents   | 218,922               | (575)                 | 218,347             |
| Cash and cash equivalents, beginning of year  | <u>1,128,187</u>      | <u>1,174,249</u>      | <u>2,302,436</u>    |
| Cash and cash equivalents, end of year  | <u>\$ 1,347,109</u>   | <u>\$ 1,173,674</u>   | <u>\$ 2,520,783</u> |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                       |                       |                     |
| Operating income (loss)   | \$ (13,303)           | \$ (20,265)           | \$ (33,568)         |
| Adjustments:  |                       |                       |                     |
| Depreciation  | 261,110               | 83,678                | 344,788             |
| Change in assets and liabilities:   |                       |                       |                     |
| Accounts receivable   | (1,518)               | 9,977                 | 8,459               |
| Due from other governments  | 99,585                | -                     | 99,585              |
| Prepaid expenses  | 1,300                 | (2,697)               | (1,397)             |
| Accounts payable  | (1,974)               | 9,820                 | 7,846               |
| Compensated absences payable  | (550)                 | (863)                 | (1,413)             |
| Net pension liability and related deferred outflows and deferred inflows                              | (614)                 | (615)                 | (1,229)             |
| Net OPEB liability and related deferred outflows and deferred inflows                                 | <u>12,024</u>         | <u>11,315</u>         | <u>23,339</u>       |
| Net cash provided (used) by operating activities  | <u>\$ 356,060</u>     | <u>\$ 90,350</u>      | <u>\$ 446,410</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, 2019

|                                  | <i>Retiree<br/>Health Plan<br/>OPEB Trust<br/>Fund</i> | <i>Agency<br/>Funds</i>     |
|----------------------------------|--|-----------------------------|
|                                  | <u>                    </u>                            | <u>                    </u> |
| <b>Assets:</b>                   |  |                             |
| Cash and cash equivalents        | \$ -   | \$ 16,649                   |
| Investments                      |  |                             |
| Mutual fund - equities and other | <u>130,769</u>   | <u>-</u>                    |
| Total assets                     | <u>130,769</u>   | <u>\$ 16,649</u>            |
| <b>Liabilities:</b>              |  |                             |
| Accounts payable                 | <u>-</u>   | <u>\$ 16,649</u>            |
| <b>Net position:</b>             |  |                             |
| Restricted for OPEB              | <u>130,769</u>   |                             |
| Total net position               | <u>\$ 130,769</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, 2019

|                                 | <i>Retiree<br/>Health Plan<br/>OPEB Trust<br/>Fund</i> |
|---------------------------------|--|
| <b>Additions:</b>               |  |
| Employer contributions          | \$ 15,000  |
| Investment income               | <u>5,457</u>   |
| Total additions                 | <u>20,457</u>  |
| <b>Deductions:</b>              |  |
| Administrative fees             | <u>264</u>   |
| Net increase                    | 20,193   |
| Net position, beginning of year | <u>110,576</u>   |
| Net position, end of year       | <u>\$ 130,769</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, 2019

|                                      | <i><u>Economic<br/>Development<br/>Corporation</u></i> | <i><u>Downtown<br/>Development<br/>Authority</u></i> | <i><u>Total</u></i> |
|--------------------------------------|--|--|---------------------|
| <b>Assets:</b>                       |  |  |                     |
| Cash and cash equivalents            | \$ 80,106  | \$ 52,372  | \$ 132,478          |
| Notes receivable                     | 99,968   | -  | 99,968              |
| Capital assets not being depreciated | <u>-</u>   | <u>52,663</u>  | <u>52,663</u>       |
| Total assets                         | <u>180,074</u>   | <u>105,035</u>                                       | <u>285,109</u>      |
| <b>Liabilities:</b>                  |  |  |                     |
| Accounts payable                     | <u>2,180</u>   | <u>131</u>   | <u>2,311</u>        |
| <b>Net position:</b>                 |  |  |                     |
| Investment in capital assets         | -  | 52,663   | 52,663              |
| Unrestricted                         | <u>177,894</u>   | <u>57,741</u>  | <u>235,635</u>      |
| Total net position                   | <u>\$ 177,894</u>                                      | <u>\$ 110,404</u>                                    | <u>\$ 288,298</u>   |

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

# CITY OF VASSAR

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## RECONCILIATION OF FUND BALANCES OF COMPONENT UNITS TO NET POSITION OF COMPONENT UNITS

June 30, 2019

|  |                          |
|--|--------------------------|
| <b>Fund balances of component units</b>  | \$ 235,635               |
| Amounts reported for components units activities in the statement of net position are different because:         |                          |
| Capital assets used in component units activities are not financial resources and are not reported in the funds. |                          |
| Capital assets not being depreciated   | <u>52,663</u>            |
| <b>Net position of component units</b>   | <u><u>\$ 288,298</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 ACTIVITIES**  
Year Ended June 30, 2019

|                                    | <i><u>Economic<br/>Development<br/>Corporation</u></i> | <i><u>Downtown<br/>Development<br/>Authority</u></i> | <i><u>Total</u></i>      |
|------------------------------------|--|--|--------------------------|
| <b>Revenues:</b>                   |  |  |                          |
| General revenues:                  |  |  |                          |
| Property taxes                     | \$ 18,816  | \$ 17,456  | \$ 36,272                |
| Interest and rents                 | 40   | 13   | 53                       |
| Other                              | <u>1,976</u>   | <u>2,627</u>   | <u>4,603</u>             |
| Total revenues                     | <u>20,832</u>  | <u>20,096</u>  | <u>40,928</u>            |
| <b>Expenses:</b>                   |  |  |                          |
| Community and economic development | <u>7,555</u>   | <u>6,959</u>   | <u>14,514</u>            |
| Change in net position             | 13,277   | 13,137   | 26,414                   |
| Net position, beginning of year    | <u>164,617</u>   | <u>97,267</u>  | <u>261,884</u>           |
| Net position, end of year          | <u><u>\$ 177,894</u></u>                               | <u><u>\$ 110,404</u></u>                             | <u><u>\$ 288,298</u></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, 2019

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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 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 accompanying financial statements present the City and its component units, entities for which the City is considered financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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

*Economic Development Corporation* – The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The 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.

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.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's sewer and water functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions. 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.

#### **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.

Revenue is not recognized until it is 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.

#### **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 for which specific revenue was used. 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, capital project funds, and permanent funds. The City reports the following funds as “major” governmental funds:

*General Fund* is the City's primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

*Special Revenue Fund – Major Street Fund* accounts for the expenditures associated with the maintenance and construction needs of the major street portion of the City's street network.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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**Proprietary funds** include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following as “major” enterprise funds:

*Enterprise Fund – Sewer Fund* accounts for the operations of the City’s sewage collection system.

*Enterprise Fund – Water Fund* accounts for the operations of the City’s water distribution system.

**Fiduciary funds** include amounts held in fiduciary capacity for others. These amounts will not be used to operate the City’s own programs. Activities that are reported as fiduciary include:

*Retiree OPEB Plan Trust* was established in compliance with Public Act 149 of 1999 and accounts for the accumulated resources which have been set aside to fund postemployment healthcare costs.

*Agency Fund* accounts for assets held by the City as an agent for individuals, organizations, other governmental units, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

#### Specific Balances and Transactions:

*Cash, Cash Equivalents and Investments* – Cash and cash equivalents include 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 similar items) are reported in the applicable governmental activities or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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  |

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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***Long-term Obligations*** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The General Fund, Sewer Fund, Water Fund, and debt service funds are generally used to liquidate 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. The government has two items that qualify for reporting in this category, which are deferred outflows of resources related to bond refunding costs and deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources are reported in the government-wide financial statements, the Sewer Fund and the Water Fund. The deferred outflows of resources related to the defined benefit pension plan result from two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 and therefore is reported only in the governmental funds.

***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.



# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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***Fund Balance Policies*** – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Other classifications of fund balance include: nonspendable fund balance, which are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact; restricted fund balance, which are amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates); and unassigned fund balance, which are 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 are levied on July 1 on the taxable valuation of property as of the preceding December 31. The property taxes become a lien on July 1 and are due without penalty on or before July 31. The City's 2018 tax is levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019, when the proceeds of the levy are budgeted and available for the financing of operations. The 2018 taxable valuation of the City totaled \$40,399,186 (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.

***Compensated Absences (Sick Leave)*** – 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 per established policies. 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.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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**Pension Costs** – The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs (OPEB)** –For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the City of Vassar Retiree Health Care Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City of Vassar. 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.

**Proprietary Funds Operating Classification** – Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the proprietary funds is charges to customers for sales and services. The proprietary funds also 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 revenue and expenses not included in these classifications are reported as nonoperating.

#### **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, 2019

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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:

|                            | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Actual Over<br/>Final Budget</u> |
|----------------------------|-------------------------|---------------|-------------------------------------|
| <b>General Fund:</b>       |                         |               |                                     |
| Current                    |                         |               |                                     |
| General government:        |                         |               |                                     |
| Attorney                   | \$ 10,000               | \$ 10,484     | \$ 484                              |
| Public works               |                         |               |                                     |
| Department of public works | 51,757                  | 68,420        | 16,663                              |
| Parking lot                | 5,845                   | 7,066         | 1,221                               |
| Recreation and culture     |                         |               |                                     |
| Band                       | 2,700                   | 2,779         | 79                                  |
| Debt service               |                         |               |                                     |
| Interest and fees          | 14,607                  | 14,609        | 2                                   |
| <b>Major Street Fund:</b>  |                         |               |                                     |
| Current                    |                         |               |                                     |
| Public works               | 306,022                 | 312,628       | 6,606                               |

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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.

**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 and its component units had \$4,885,056 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$519,928 was covered by federal depository insurance (FDIC) and the remainder was uninsured and uncollateralized.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

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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 | \$ 130,769            | 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 | \$ 130,769        | Not Rated     | N/A                        |

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end. Mutual funds are valued using quoted market prices (Level 1 inputs). The City does not have any investments that are Level 2 or Level 3 inputs.

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### 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, 2019, the City's Sewer Fund had restricted cash and cash equivalents of \$19,002 for the RRI Account.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

|  | <u>July 1,<br/>2018</u> | <u>Additions</u>   | <u>Retirements</u> | <u>June 30,<br/>2019</u> |
|--|-------------------------|--------------------|--------------------|--------------------------|
| <b>Governmental activities:</b>              |                         |                    |                    |                          |
| Capital assets not being depreciated:        |                         |                    |                    |                          |
| Land   | \$ 563,616              | \$ 9,552           | \$ -               | \$ 573,168               |
| Capital assets being depreciated:            |                         |                    |                    |                          |
| Buildings and improvements                   | 1,326,668               | -                  | -                  | 1,326,668                |
| Equipment                                    | 1,026,347               | -                  | (36,556)           | 989,791                  |
| Furniture and equipment                      | 130,259                 | -                  | -                  | 130,259                  |
| Infrastructure                               | 3,500,455               | 102,941            | -                  | 3,603,396                |
| Vehicles                                     | 674,688                 | 18,902             | -                  | 693,590                  |
| Total capital assets being depreciated       | <u>6,658,417</u>        | <u>121,843</u>     | <u>(36,556)</u>    | <u>6,743,704</u>         |
| Less accumulated depreciation for:           |                         |                    |                    |                          |
| Buildings and improvements                   | (858,532)               | (23,030)           | -                  | (881,562)                |
| Equipment                                    | (943,627)               | (21,029)           | 36,556             | (928,100)                |
| Furniture and equipment                      | (65,023)                | (11,984)           | -                  | (77,007)                 |
| Infrastructure                               | (929,130)               | (73,265)           | -                  | (1,002,395)              |
| Vehicles                                     | (542,032)               | (18,149)           | -                  | (560,181)                |
| Total accumulated depreciation               | <u>(3,338,344)</u>      | <u>(147,457)</u>   | <u>36,556</u>      | <u>(3,449,245)</u>       |
| Capital assets being depreciated, net        | <u>3,320,073</u>        | <u>(25,614)</u>    | <u>-</u>           | <u>3,294,459</u>         |
| Governmental activities, capital assets, net | <u>\$ 3,883,689</u>     | <u>\$ (16,062)</u> | <u>\$ -</u>        | <u>\$ 3,867,627</u>      |
| <b>Business-type activities:</b>             |                         |                    |                    |                          |
| Capital assets not being depreciated:        |                         |                    |                    |                          |
| Land   | \$ 43,009               | \$ -               | \$ -               | \$ 43,009                |
| Capital assets being depreciated:            |                         |                    |                    |                          |
| Equipment                                    | 610,648                 | 51,197             | -                  | 661,845                  |
| Land improvements                            | 9,412                   | -                  | -                  | 9,412                    |
| Sewer lines                                  | 2,012,772               | -                  | -                  | 2,012,772                |
| Sewer treatment plant                        | 7,856,724               | 24,600             | -                  | 7,881,324                |
| Vehicles                                     | 42,690                  | 37,803             | -                  | 80,493                   |
| Water buildings, tank and tower              | 688,477                 | -                  | -                  | 688,477                  |
| Water mains and wells                        | 2,772,319               | -                  | -                  | 2,772,319                |
| Total capital assets being depreciated       | <u>13,993,042</u>       | <u>113,600</u>     | <u>-</u>           | <u>14,106,642</u>        |

continued

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 5: CAPITAL ASSETS, CONTINUED

|   | <i>July 1,</i><br><u>2018</u> | <i>Additions</i>    | <i>Retirements</i> | <i>June 30,</i><br><u>2019</u> |
|---|-------------------------------|---------------------|--------------------|--------------------------------|
| Less accumulated depreciation for:            |                               |                     |                    |                                |
| Equipment                                     | (437,635)                     | (19,379)            | -                  | (457,014)                      |
| Land improvements                             | (9,412)                       | -                   | -                  | (9,412)                        |
| Sewer lines                                   | (845,842)                     | (40,255)            | -                  | (886,097)                      |
| Sewer treatment plant                         | (5,707,230)                   | (206,127)           | -                  | (5,913,357)                    |
| Vehicles                                      | (24,174)                      | (7,294)             | -                  | (31,468)                       |
| Water buildings, tank and tower               | (368,480)                     | (21,021)            | -                  | (389,501)                      |
| Water mains and wells                         | (1,488,494)                   | (50,712)            | -                  | (1,539,206)                    |
| Total accumulated depreciation                | <u>(8,881,267)</u>            | <u>(344,788)</u>    | <u>-</u>           | <u>(9,226,055)</u>             |
| Capital assets being depreciated, net         | <u>5,111,775</u>              | <u>(231,188)</u>    | <u>-</u>           | <u>4,880,587</u>               |
| Business-type activities, capital assets, net | <u>\$ 5,154,784</u>           | <u>\$ (231,188)</u> | <u>\$ -</u>        | <u>\$ 4,923,596</u>            |

#### Component units:

Capital assets not being depreciated:

|      |                  |             |             |                  |
|------|------------------|-------------|-------------|------------------|
| Land | <u>\$ 52,663</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 52,663</u> |
|------|------------------|-------------|-------------|------------------|

Depreciation expense was charged to programs of the governmental and business-type activities as follows:

|                        | <i>Governmental</i><br><u>Activities</u> | <i>Business-type</i><br><u>Activities</u> |
|------------------------|--|---|
| General government     | \$ 16,233                                | \$ -                                      |
| Public safety          | 21,207                                   | -   |
| Public works           | 89,156                                   | -   |
| Recreation and culture | 20,861                                   | -   |
| Sewer                  | -  | 261,110                                   |
| Water                  | -  | 83,678                                    |
|                        | <u>\$ 147,457</u>                        | <u>\$ 344,788</u>                         |

### NOTE 6: LONG-TERM DEBT

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.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

The following is a summary of long-term liabilities transactions for the year ended June 30, 2019:

|   | <u>July 1,<br/>2018</u> | <u>Additions</u> | <u>Retirements</u>  | <u>June 30,<br/>2019</u> | <u>Due Within<br/>One Year</u> |
|---|-------------------------|------------------|---------------------|--------------------------|--------------------------------|
| <b>Governmental activities:</b>   |                         |                  |                     |                          |                                |
| <b>Notes and Agreements:</b>  |                         |                  |                     |                          |                                |
| 2006 County Contract Financing, due in annual amounts of \$34,283 to \$34,341 plus interest at 4.25% through 2026.  | \$ 274,670              | \$ -             | \$ (34,341)         | \$ 240,329               | \$ 34,341                      |
| <b>Other Liabilities:</b>   |                         |                  |                     |                          |                                |
| Compensated absences  | <u>41,320</u>           | <u>15,097</u>    | <u>(20,660)</u>     | <u>35,757</u>            | <u>-</u>                       |
| Total governmental activities - long-term liabilities   | <u>\$ 315,990</u>       | <u>\$ 15,097</u> | <u>\$ (55,001)</u>  | <u>\$ 276,086</u>        | <u>\$ 34,341</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.           | \$ 267,000              | \$ -             | \$ (61,000)         | \$ 206,000               | \$ 61,000                      |
| 2013 Limited Tax General Obligation Capital Improvement Bond, due in annual amounts ranging from \$14,000 to \$25,000 plus interest at 2.125% through 2051. | 559,000                 | -                | (46,000)            | 513,000                  | 14,000                         |
| <b>Other Liabilities:</b>   |                         |                  |                     |                          |                                |
| Compensated absences  | <u>15,919</u>           | <u>6,548</u>     | <u>(7,960)</u>      | <u>14,507</u>            | <u>-</u>                       |
| Total business-type activities - long-term liabilities  | <u>\$ 841,919</u>       | <u>\$ 6,548</u>  | <u>\$ (114,960)</u> | <u>\$ 733,507</u>        | <u>\$ 75,000</u>               |

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

Annual debt service requirements to maturity for all outstanding debt (excluding other liabilities) as of June 30, 2019 are as follows:

| <i>Year Ended</i><br><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>      |
| 2020                                 | \$ 34,341                      | \$ 10,217        | \$ 44,558         | \$ 75,000                       | \$ 14,925         | \$ 89,925         |
| 2021                                 | 34,341                         | 8,781            | 43,122            | 75,000                          | 13,291            | 88,291            |
| 2022                                 | 34,341                         | 7,298            | 41,639            | 98,000                          | 11,537            | 109,537           |
| 2023                                 | 34,341                         | 5,838            | 40,179            | 14,000                          | 9,860             | 23,860            |
| 2024                                 | 34,341                         | 4,379            | 38,720            | 15,000                          | 9,552             | 24,552            |
| 2025-2029                            | 68,624                         | 4,387            | 73,011            | 78,000                          | 42,886            | 120,886           |
| 2030-2034                            | -                              | -                | -                 | 88,000                          | 34,065            | 122,065           |
| 2035-2039                            | -                              | -                | -                 | 97,000                          | 24,237            | 121,237           |
| 2040-2044                            | -                              | -                | -                 | 109,000                         | 13,336            | 122,336           |
| 2045-2047                            | -                              | -                | -                 | 70,000                          | 2,252             | 72,252            |
|                                      | <u>\$ 240,329</u>              | <u>\$ 40,900</u> | <u>\$ 281,229</u> | <u>\$ 719,000</u>               | <u>\$ 175,941</u> | <u>\$ 894,941</u> |

### NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2019 is as follows:

| <i>Receivable Fund</i> | <i>Payable Fund</i>          | <i>Amount</i>   |
|------------------------|------------------------------|-----------------|
| General Fund           | Cemetery Perpetual Care Fund | <u>\$ 4,862</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                    | Major Street Fund             | \$ 5,000         |
| General Fund                    | Local Street Fund             | 12,000           |
| General Fund                    | Cool Cities Fund              | 1,500            |
| Major Street Fund               | Local Street Fund             | 60,000           |
| Cemetery Perpetual Care Fund    | General Fund                  | <u>2,454</u>     |
|                                 |                               | <u>\$ 80,954</u> |



# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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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:

|   | <i>Governmental<br/>Activities</i> | <i>Business-type<br/>Activities</i> | <i>Total<br/>Primary<br/>Government</i> | <i>Component<br/>Units</i> |
|---|------------------------------------|-------------------------------------|---|----------------------------|
| <b>Receivables:</b>                           |                                    |                                     |   |                            |
| Accounts receivable                           | \$ 13,860                          | \$ 214,596                          | \$ 228,456                              | \$ -                       |
| Notes/Loans receivable                        |                                    |                                     |   |                            |
| Current portion                               | 600                                | -                                   | 600                                     | 17,877                     |
| Long-term portion                             | 2,104                              | -                                   | 2,104                                   | 82,091                     |
| Intergovernmental                             | 169,819                            | -                                   | 169,819                                 | -                          |
| Total receivables                             | <u>\$ 186,383</u>                  | <u>\$ 214,596</u>                   | <u>\$ 400,979</u>                       | <u>\$ 99,968</u>           |
| <b>Accounts payable and accrued expenses:</b> |                                    |                                     |   |                            |
| Accounts payable                              | \$ 69,058                          | \$ 39,813                           | \$ 108,871                              | \$ 2,311                   |
| Deposits payable                              | 20                                 | -                                   | 20                                      | -                          |
| Accrued interest payable                      | 5,960                              | 3,854                               | 9,814                                   | -                          |
| Total accounts payable and accrued expenses   | <u>\$ 75,038</u>                   | <u>\$ 43,667</u>                    | <u>\$ 118,705</u>                       | <u>\$ 2,311</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 plan is a Defined Benefit Plan and the other plan 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:

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

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.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

The City's Defined Contribution Pension Plan is a single employer defined contribution pension plan, established by the City and administered by the 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. City contributions for the plan were \$41,803 and employee contributions for the plan were \$20,902 for the year ended June 30, 2019.

#### 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 City'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, 2018 valuation. All divisions are closed.

|                               | <u>Division 01 - Gnrl Non<br/>Union / Police Chief</u> | <u>Division 10 - Gnrl<br/>Union</u> | <u>Division 20 - Pol<br/>POAM</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<br>55/15   | 50/25<br>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, 2018 valuation date, the following employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 29 |
| Inactive employees entitled to but not yet receiving benefits    | 9  |
| Active employees   | 5  |
| Total  | 43 |

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

**Contributions** – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

The City's minimum required contributions, for the current year, were \$18,930 monthly based on valuation payroll as of the December 31, 2016 valuation. The monthly amount by division was: division 01 - \$10,736, division 10 - \$5,748, and division 20 - \$2,446. Employee contribution percentage for divisions 01 and 10 is 4.7% and for division 20 is 4.8%.

**Net Pension Liability** – The City's net pension liability reported at June 30, 2019 was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of that date.

**Actuarial assumptions** – The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.5%; Salary Increases: 3.75% in the long-term; Investment rate of return: 7.75%, net of investment and administrative expenses including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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, 2019

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

**Discount rate** – The discount rate used to measure the total pension liability is 8%. The projection of cash flows used to determine the discount rate assumes that City and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for the City. 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 the net pension liability during the measurement year were as follows:

|   | <i>Increase (Decrease)</i>             |  |                                      |
|---|--|--|--------------------------------------|
|   | <i>Total<br/>Pension<br/>Liability</i> | <i>Plan<br/>Fiduciary<br/>Net Position</i> | <i>Net<br/>Pension<br/>Liability</i> |
| Balances at 12/31/17                              | \$ 7,331,769                           | \$ 4,601,804                               | \$ 2,729,965                         |
| Service cost                                      | 36,767                                 | -  | 36,767                               |
| Interest on total pension liability               | 566,348                                | -  | 566,348                              |
| Difference between expected and actual experience | 18,776                                 | -  | 18,776                               |
| Employer contributions                            | -                                      | 208,188                                    | (208,188)                            |
| Employee contributions                            | -                                      | 13,877                                     | (13,877)                             |
| Net investment income                             | -                                      | (169,796)                                  | 169,796                              |
| Benefit payments, including employee refunds      | (541,590)                              | (541,590)                                  | -                                    |
| Administrative expenses                           | -                                      | (8,665)                                    | 8,665                                |
| Net changes                                       | 80,301                                 | (497,986)                                  | 578,287                              |
| Balances at 12/31/18                              | <u>\$ 7,412,070</u>                    | <u>\$ 4,103,818</u>                        | <u>\$ 3,308,252</u>                  |

The net pension liability is recorded as follows:

|                          |                     |
|--------------------------|---------------------|
| Governmental activities  | \$ 2,002,453        |
| Business-type activities | <u>1,305,799</u>    |
|                          | <u>\$ 3,308,252</u> |

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the City, calculated using the discount rate of 8%, as well as what the City’s net pension liability would be using a discount rate that is 1 percentage point lower (7%) or 1 percentage higher (9%) than the current rate.

|  | <i>1% Decrease<br/>Rate 7.00%</i> | <i>Current<br/>Rate 8.00%</i> | <i>1% Increase<br/>Rate 9.00%</i> |
|--|-----------------------------------|-------------------------------|-----------------------------------|
| Net pension liability at 12/31/18              | \$ -                              | \$ 3,308,252                  | \$ -                              |
| Change in net pension liability as of 12/31/18 | <u>745,047</u>                    | <u>-</u>                      | <u>(636,990)</u>                  |
|  | <u>\$ 4,053,299</u>               | <u>\$ 3,308,252</u>           | <u>\$ 2,671,262</u>               |

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended June 30, 2019, the City recognized pension expense of \$224,088. At June 30, 2019, the City reported deferred outflows and inflows from the following sources:

|   | <i>Deferred<br/>Outflows of<br/>Resources</i> | <i>Deferred<br/>Inflows of<br/>Resources</i> |
|---|---|--|
| Net difference between projected and actual earnings<br>on pension plan investments | \$ 492,366                                    | \$ -   |
| Contributions subsequent to the measurement date                                    | <u>113,580</u>                                | <u>-</u>                                     |
|   | <u>\$ 605,946</u>                             | <u>\$ -</u>                                  |

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

|                          | <i>Deferred<br/>Outflows of<br/>Resources</i> | <i>Deferred<br/>Inflows of<br/>Resources</i> |
|--------------------------|---|--|
| Governmental activities  | \$ 364,728                                    | \$ -   |
| Business-type activities | <u>241,218</u>                                | <u>-</u>                                     |
|                          | <u>\$ 605,946</u>                             | <u>\$ -</u>                                  |

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$113,580), which will impact the net pension liability in fiscal year 2020, rather than pension expense.

| <i>Year Ended</i> |    | <i>Amount</i> |
|-------------------|----|---------------|
| <u>June 30</u>    |    |               |
| 2020              | \$ | 164,097       |
| 2021              |    | 75,667        |
| 2022              |    | 103,959       |
| 2023              |    | 148,643       |

**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.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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**Plan Description** – City of Vassar Retiree Health Care Plan (Plan) is a single employer plan established and administered by the City and can be amended by the City and Union contracts.

|  |   |
|--|---|
| <b>Eligibility</b>                     | Department head with 20 years of service with the City hired prior to January 1, 2013   |
| <b>City benefits</b>                   | City provides the retiree with 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 promoted after 2012 will receive only a \$150 monthly stipend |
| <b>Retiree contributions</b>           |   |
| Retirement on or prior to July 1, 2012 | None  |
| Retirement after July 1, 2012          | Department heads retiring after July 1, 2012 and eligible for employer-provided insurance coverage pay 30% of pre-65 medical, dental and vision premium; Medicare Advantage premium paid 100% by City   |
| <b>Changes since prior valuation</b>   | None  |

**Summary of Plan Participants** – As of June 30, 2018, Plan membership consisted of the following:

|  |                  |
|--|------------------|
| Inactive participants receiving benefits | 10               |
| Active participants                      | <u>3</u>         |
| Total                                    | <u><u>13</u></u> |

**Contributions** – The Plan was established and is being funded under the authority of the City and under agreements with the union representing various classes of employees. The Plan’s funding policy is that the City will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. Currently, benefit payments are made from general operating funds. There are no long term contracts for contributions to the Plan. The Plan has no legally required reserves.

**Summary of Significant Accounting Policies** – For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are presorted by the City. 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.

#### Assumptions and Methods

The City’s OPEB liability was measured as of June 30, 2019.

**Actuarial Assumptions** – The total OPEB liability was determined by an actuarial valuation as of July 1, 2018 and the following actuarial assumptions, applied to all periods included in the measurement:

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

|                                |   |
|--------------------------------|---|
| Inflation                      | Included in investment rate of return   |
| Salary increases               | 3.5% (for purposes of allocating liability)   |
| Investment rate of return      | 7.75% (including inflation)   |
| 20-year Aa Municipal bond rate | 2.79%   |
| Mortality                      | Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale |

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation are summarized in the following table:

| Asset Class             | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Global Equity           | 55.5%             | 6.15%                                  |
| Global Fixed Income     | 18.5%             | 1.26%                                  |
| Real Assets             | 13.5%             | 7.22%                                  |
| Diversifying Strategies | 12.5%             | 5.00%                                  |

The sum of each target allocation times its long-term expected real rate of return is 5.25%.

The long-term expected rate of return after including inflation is 7.75%.

**Discount rate** – The discount rate used to measure the total OPEB liability was 3.01%. The projection of cash flows used to determine the discount rate assumed the City will make contributions of \$15,000 per year. Based on those assumptions, the Plan's fiduciary net position was projected to not be sufficient to make all projected future benefit payments of current Plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (2026, the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used to measure the liability as of June 30, 2018 was 3.20%.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

#### Net OPEB Liability

#### Changes in the Net OPEB Liability

|   | <i>Increase (Decrease)</i>          |  |                                   |
|---|-------------------------------------|--|-----------------------------------|
|   | <i>Total<br/>OPEB<br/>Liability</i> | <i>Plan<br/>Fiduciary<br/>Net Position</i> | <i>Net<br/>OPEB<br/>Liability</i> |
| Balance at 6/30/18                                      | \$ 953,180                          | \$ 110,576                                 | \$ 842,604                        |
| Service cost  | 18,521                              | -  | 18,521                            |
| Interest  | 30,562                              | -  | 30,562                            |
| Experience (gains)/losses                               | (4,725)                             | -  | (4,725)                           |
| Change in actuarial assumptions                         | 57,816                              | -  | 57,816                            |
| Contributions to OPEB trust                             | -                                   | 15,000                                     | (15,000)                          |
| Contributions/benefit paid from general operating funds | -                                   | 33,338                                     | (33,338)                          |
| Net investment income                                   | -                                   | 5,457                                      | (5,457)                           |
| Benefit payments, including employee refunds            | (33,338)                            | (33,338)                                   | -                                 |
| Administrative expenses                                 | -                                   | (264)                                      | 264                               |
| Net changes   | 68,836                              | 20,193                                     | 48,643                            |
| Balance at 6/30/19                                      | <u>\$ 1,022,016</u>                 | <u>\$ 130,769</u>                          | <u>\$ 891,247</u>                 |

The net OPEB liability is recorded as follows:

|                          |                   |
|--------------------------|-------------------|
| Governmental activities  | \$ 597,135        |
| Business-type activities | <u>294,112</u>    |
|                          | <u>\$ 891,247</u> |

**Discount and Trend Rate Sensitivities** – The following presents the net OPEB liability (NOL) of the City, calculated using discount and trend rates 1% higher and 1% lower than base assumptions:

|                             | <u>1% Decrease</u>  | <u>Current Rate</u> | <u>1% Increase</u>  |
|-----------------------------|---------------------|---------------------|---------------------|
| <b>Discount</b>             |                     |                     |                     |
| Total OPEB liability        | \$ 1,170,874        | \$ 1,022,016        | \$ 900,790          |
| Plan fiduciary net position | <u>130,769</u>      | <u>130,769</u>      | <u>130,769</u>      |
| Net OPEB liability          | <u>\$ 1,040,105</u> | <u>\$ 891,247</u>   | <u>\$ 770,021</u>   |
|                             |                     |                     |                     |
| <b>Trend</b>                |                     |                     |                     |
| Total OPEB liability        | \$ 868,778          | \$ 1,022,016        | \$ 1,215,268        |
| Plan fiduciary net position | <u>130,769</u>      | <u>130,769</u>      | <u>130,769</u>      |
| Net OPEB liability          | <u>\$ 738,009</u>   | <u>\$ 891,247</u>   | <u>\$ 1,084,499</u> |



# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

#### OPEB Expense

*Components of the City's OPEB expense for the fiscal year ended June 30, 2019* – Below are the components of the total OPEB expense:

|   | <u>2019</u>       |
|---|-------------------|
| Service cost                                | \$ 18,521         |
| Interest on total OPEB liability            | 30,562            |
| Experience (gains)/losses                   | (5,056)           |
| Change in actuarial assumptions             | 83,353            |
| Projected earnings on OPEB plan investments | (9,141)           |
| Investment earnings (gains)/losses          | 558               |
| Administrative expenses                     | 264               |
| Total OPEB expense                          | <u>\$ 119,061</u> |

#### Net OPEB Liability

*OPEB plan fiduciary net position* – The OPEB plan fiduciary net position as of June 30, 2019 is \$130,769.

#### *Deferred outflows and inflows of resources related to OPEB plan*

|                                    | <i>Deferred<br/>Outflows of<br/>Resources</i> | <i>Deferred<br/>Inflows of<br/>Resources</i> |
|------------------------------------|---|--|
| Experience (gains)/losses          | \$ -  | \$ 2,571                                     |
| Change in actuarial assumptions    | 43,071  | -  |
| Investment earnings (gains)/losses | 2,408   | -  |
| Net OPEB liability                 | <u>\$ 45,479</u>                              | <u>\$ 2,571</u>                              |

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

|                          |                  |                 |
|--------------------------|------------------|-----------------|
| Governmental activities  | \$ 30,471        | \$ 1,723        |
| Business-type activities | 15,008           | 848             |
|                          | <u>\$ 45,479</u> | <u>\$ 2,571</u> |

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

| <i>Year Ending</i> |               |
|--------------------|---------------|
| <u>June 30</u>     | <u>Amount</u> |
| 2020               | \$ 41,057     |
| 2021               | 557           |
| 2022               | 557           |
| 2023               | 737           |

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

#### *Reconciliation of the net OPEB liability*

|  |                   |
|--|-------------------|
| Net OPEB liability 6/30/18               | \$ 842,604        |
| Total OPEB expense                       | 119,061           |
| Contributions                            | (48,338)          |
| Change in deferred outflows of resources | (23,129)          |
| Change in deferred inflows of resources  | <u>1,049</u>      |
| Net OPEB liability 6/30/19               | <u>\$ 891,247</u> |

#### *Total OPEB liability by participant status*

|  |                     |
|--|---------------------|
| Active participants                      | \$ 398,813          |
| Inactive participants receiving benefits | <u>623,203</u>      |
| Total                                    | <u>\$ 1,022,016</u> |

### NOTE 12: FUND BALANCES

Fund balances are classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. The classifications are described in Note 1 on page 32. The following illustrates the segregation of fund balances of the governmental funds shown on page 13.

|                                     | <i>General<br/>Fund</i> | <i>Major<br/>Street<br/>Fund</i> | <i>Nonmajor<br/>Funds</i> | <i>Total</i>        |
|-------------------------------------|-------------------------|----------------------------------|---------------------------|---------------------|
| Nonspendable:                       |                         |                                  |                           |                     |
| Inventory                           | \$ 10,575               | \$ -                             | \$ -                      | \$ 10,575           |
| Prepaid expenditures                | 39,597                  | 1,460                            | 1,799                     | 42,856              |
| Long term receivables               | -                       | -                                | 2,104                     | 2,104               |
| Nonexpendable cemetery<br>principal | -                       | -                                | 139,509                   | 139,509             |
| Restricted for:                     |                         |                                  |                           |                     |
| Community development               | -                       | -                                | 23,131                    | 23,131              |
| Drug law enforcement                | -                       | -                                | 20                        | 20                  |
| Fire protection services            | -                       | -                                | 140,072                   | 140,072             |
| Street lighting                     | 2,196                   | -                                | -                         | 2,196               |
| Streets                             | -                       | 318,113                          | 176,248                   | 494,361             |
| Assigned to:                        |                         |                                  |                           |                     |
| Cemetery operations                 | 51,283                  | -                                | -                         | 51,283              |
| Parks and recreation                | 151,877                 | -                                | -                         | 151,877             |
| Equipment replacement               | 188,190                 | -                                | -                         | 188,190             |
| Accumulated employee benefits       | 21,117                  | -                                | -                         | 21,117              |
| Unassigned                          | <u>854,821</u>          | <u>-</u>                         | <u>-</u>                  | <u>854,821</u>      |
| Total fund balances                 | <u>\$ 1,319,656</u>     | <u>\$ 319,573</u>                | <u>\$ 482,883</u>         | <u>\$ 2,122,112</u> |

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

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

|   | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost  | \$ 36,767           | \$ 37,655           | \$ 41,923           | \$ 40,328           | \$ 50,789           |
| Interest on total pension liability   | 566,348             | 560,638             | 553,374             | 529,440             | 521,971             |
| Difference between expected and actual experience                                 | 18,776              | 10,385              | 24,363              | 73,066              | -                   |
| Changes in assumptions  | -                   | -                   | -                   | 372,579             | -                   |
| Benefit payments, including employee refunds                                      | (541,590)           | (532,114)           | (521,336)           | (511,626)           | (442,376)           |
| Other changes   | -                   | (1)                 | -                   | -                   | -                   |
| <b>Net change in total pension liability</b>                                      | <b>80,301</b>       | <b>76,563</b>       | <b>98,324</b>       | <b>503,787</b>      | <b>130,384</b>      |
| <b>Total pension liability - beginning</b>  | <b>7,331,769</b>    | <b>7,255,206</b>    | <b>7,156,882</b>    | <b>6,653,095</b>    | <b>6,522,711</b>    |
| <b>Total pension liability - ending</b>   | <b>\$ 7,412,070</b> | <b>\$ 7,331,769</b> | <b>\$ 7,255,206</b> | <b>\$ 7,156,882</b> | <b>\$ 6,653,095</b> |
| <b>Plan fiduciary net position</b>  |                     |                     |                     |                     |                     |
| Contributions - employer  | \$ 208,188          | \$ 173,742          | \$ 144,024          | \$ 124,992          | \$ 144,279          |
| Contributions - employee  | 13,877              | 15,561              | 15,872              | 17,758              | 42,213              |
| Net investment income (loss)  | (169,796)           | 560,766             | 470,103             | (66,801)            | 294,080             |
| Benefit payments, including employee refunds                                      | (541,590)           | (532,114)           | (521,336)           | (511,626)           | (442,376)           |
| Administrative expenses   | (8,665)             | (8,913)             | (9,300)             | (10,034)            | (10,757)            |
| <b>Net change in plan fiduciary net position</b>                                  | <b>(497,986)</b>    | <b>209,042</b>      | <b>99,363</b>       | <b>(445,711)</b>    | <b>27,439</b>       |
| <b>Total plan fiduciary net position - beginning</b>                              | <b>4,601,804</b>    | <b>4,392,762</b>    | <b>4,293,399</b>    | <b>4,739,110</b>    | <b>4,711,671</b>    |
| <b>Total plan fiduciary net position - ending</b>                                 | <b>\$ 4,103,818</b> | <b>\$ 4,601,804</b> | <b>\$ 4,392,762</b> | <b>\$ 4,293,399</b> | <b>\$ 4,739,110</b> |
| <b>City's net pension liability</b>   | <b>\$ 3,308,252</b> | <b>\$ 2,729,965</b> | <b>\$ 2,862,444</b> | <b>\$ 2,863,483</b> | <b>\$ 1,913,985</b> |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>55.37%</b>       | <b>62.77%</b>       | <b>60.55%</b>       | <b>59.99%</b>       | <b>71.23%</b>       |
| <b>Covered employee payroll</b>   | <b>\$ 293,918</b>   | <b>\$ 296,478</b>   | <b>\$ 336,374</b>   | <b>\$ 336,233</b>   | <b>\$ 423,158</b>   |
| <b>City's net pension liability as a percentage of covered employee payroll</b>   | <b>1125.57%</b>     | <b>920.80%</b>      | <b>850.97%</b>      | <b>851.64%</b>      | <b>452.31%</b>      |

Note: GASB Statement No. 68 was implemented for year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is displayed.

# CITY OF VASSAR

## SCHEDULE OF CITY DEFINED BENEFIT PLAN PENSION CONTRIBUTIONS

Last Ten Fiscal Years

|   | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    |
|---|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution   | \$ 227,160     | \$ 189,216     | \$ 158,268     | \$ 129,780     | \$ 120,592     |
| Contributions in relation to the actuarially determined contribution            | <u>227,160</u> | <u>189,216</u> | <u>158,268</u> | <u>129,780</u> | <u>120,592</u> |
| Contribution (excess) deficiency  | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered-employee payroll  | \$ 293,918     | \$ 296,478     | \$ 423,158     | \$ 336,233     | \$ 423,158     |
| Actuarially determined contribution as a percentage of covered-employee payroll | 77.29%         | 63.82%         | 37.40%         | 38.60%         | 28.50%         |
|   | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    | <u>2011</u>    | <u>2010</u>    |
| Actuarially determined contribution   | \$ 107,999     | \$ 97,524      | \$ 98,425      | \$ 111,621     | \$ 85,122      |
| Contributions in relation to the actuarially determined contribution            | <u>107,999</u> | <u>97,524</u>  | <u>98,425</u>  | <u>111,621</u> | <u>85,122</u>  |
| Contribution (excess) deficiency  | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered-employee payroll  | \$ 701,947     | \$ 797,406     | \$ 877,218     | \$ 903,337     | \$ 971,068     |
| Actuarially determined contribution as a percentage of covered-employee payroll | 15.39%         | 12.23%         | 11.22%         | 12.36%         | 8.77%          |

### 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 | 20 years   |
| Asset valuation method        | 5-year smoothed market   |
| Inflation                     | 2.5%   |
| Salary increases              | 3.75% in the long-term   |
| Investment rate of return     | 7.75%, net of investment and administrative expense including inflation  |
| Retirement age                | Experience based tables of rates that are specific to the type of eligibility condition  |
| Mortality                     | 50% Male - 50% Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables |

Note: Information presented in this schedule is as of fiscal year end of each year.

# CITY OF VASSAR

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

|  | <u>2019</u>                | <u>2018</u>              | <u>2017</u>              |
|--|----------------------------|--------------------------|--------------------------|
| Service cost   | \$ 18,521                  | \$ 15,049                | \$ 11,645                |
| Interest   | 30,562                     | 27,705                   | 29,463                   |
| Changes in benefit terms   | -                          | -                        | -                        |
| Experience (gains)/losses  | (4,725)                    | (4,787)                  | (574)                    |
| Changes in assumptions   | 57,816                     | 113,158                  | 79,464                   |
| Benefit payments, including refunds of employee contributions                  | (33,338)                   | (36,510)                 | (37,222)                 |
| Other changes  | -                          | 113,848                  | -                        |
| <b>Net change in total OPEB liability</b>                                      | <u>68,836</u>              | <u>228,463</u>           | <u>82,776</u>            |
| <b>Total OPEB liability - beginning</b>  | <u>953,180</u>             | <u>724,717</u>           | <u>641,941</u>           |
| <b>Total OPEB liability - ending</b>   | <u><u>\$ 1,022,016</u></u> | <u><u>\$ 953,180</u></u> | <u><u>\$ 724,717</u></u> |
| <b>Plan fiduciary net position</b>   |                            |                          |                          |
| Contributions to OPEB trust  | \$ 15,000                  | \$ 15,000                | \$ 15,000                |
| Contributions/benefit payments made from general operating funds               | 33,338                     | 36,510                   | 37,222                   |
| Net investment income (loss)   | 5,457                      | 5,303                    | 6,956                    |
| Benefit payments, including refunds of employee contributions                  | (33,338)                   | (36,510)                 | (37,222)                 |
| Administrative expenses  | (264)                      | (260)                    | (211)                    |
| <b>Net change in plan fiduciary net position</b>                               | <u>20,193</u>              | <u>20,043</u>            | <u>21,745</u>            |
| <b>Total plan fiduciary net position - beginning</b>                           | <u>110,576</u>             | <u>90,533</u>            | <u>68,788</u>            |
| <b>Total plan fiduciary net position - ending</b>                              | <u><u>\$ 130,769</u></u>   | <u><u>\$ 110,576</u></u> | <u><u>\$ 90,533</u></u>  |
| <b>City's net OPEB liability</b>   | \$ 891,247                 | \$ 842,604               | \$ 634,184               |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability</b> | 12.8%                      | 11.6%                    | 12.5%                    |
| <b>Covered employee payroll</b>  | \$ 1,054,294               | \$ 1,014,069             | \$ 1,014,369             |
| <b>City's net OPEB liability as a percentage of covered payroll</b>            | 84.5%                      | 83.1%                    | 62.5%                    |

Note: GASB Statement No. 75 was implemented for the year ended June 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of data is displayed.

# CITY OF VASSAR

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## SCHEDULE OF CITY OPEB CONTRIBUTIONS

|  | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|------------------|
| Actuarially determined contribution  | \$ 102,869       | \$ 76,061        | \$ 64,343        |
| Contributions in relation to the actuarially<br>determined contribution            | <u>33,338</u>    | <u>51,510</u>    | <u>52,222</u>    |
| Contribution (excess) deficiency   | <u>\$ 69,531</u> | <u>\$ 24,551</u> | <u>\$ 12,121</u> |
| Covered-employee payroll   | \$ 1,054,294     | \$ 1,014,069     | \$ 1,014,369     |
| Actuarially determined contribution as a<br>percentage of covered-employee payroll | 9.76%            | 7.50%            | 6.34%            |

### Notes to Schedule

Amortization of unfunded liability based on 11-year, level percent of pay, amortization of unfunded liability; alternative funding scenarios could be considered

Note: GASB Statement No. 75 was implemented for the year ended June 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of data is displayed.

# CITY OF VASSAR

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2019

|                                    | <i>Budgeted Amounts</i> |              | <i>Actual</i> | <i>Actual</i>       |
|------------------------------------|-------------------------|--------------|---------------|---------------------|
|                                    | <i>Original</i>         | <i>Final</i> |               | <i>Over (Under)</i> |
|                                    |                         |              |               | <i>Final Budget</i> |
| <b>Revenues:</b>                   |                         |              |               |                     |
| Property taxes                     | \$ 651,786              | \$ 660,735   | \$ 658,610    | \$ (2,125)          |
| Special assessments                | 10,813                  | 10,813       | 8,848         | (1,965)             |
| Licenses and permits               | 27,700                  | 39,220       | 39,463        | 243                 |
| State grants                       | 334,133                 | 401,903      | 408,858       | 6,955               |
| Contributions from other units     | 9,200                   | 9,200        | 9,200         | -                   |
| Charges for services               | 268,977                 | 279,627      | 283,422       | 3,795               |
| Fines and forfeits                 | 2,000                   | 2,000        | 1,289         | (711)               |
| Interest and rents                 | 81,995                  | 82,345       | 106,013       | 23,668              |
| Other revenue                      | 64,625                  | 17,125       | 20,537        | 3,412               |
| Total revenues                     | 1,451,229               | 1,502,968    | 1,536,240     | 33,272              |
| <b>Expenditures:</b>               |                         |              |               |                     |
| Current                            |                         |              |               |                     |
| General government                 |                         |              |               |                     |
| Mayor and Council                  | 9,505                   | 9,505        | 7,424         | (2,081)             |
| Manager                            | 94,262                  | 99,548       | 98,524        | (1,024)             |
| Clerk                              | 71,036                  | 71,236       | 69,564        | (1,672)             |
| Audit                              | 10,400                  | 14,600       | 14,600        | -                   |
| Information technology             | 9,500                   | 9,500        | 7,848         | (1,652)             |
| Treasurer                          | 8,011                   | 8,011        | 7,695         | (316)               |
| Assessor                           | 20,925                  | 20,925       | 19,984        | (941)               |
| Elections                          | 2,000                   | 2,200        | 2,173         | (27)                |
| Hall                               | 218,227                 | 224,505      | 213,291       | (11,214)            |
| Attorney                           | 10,000                  | 10,000       | 10,484        | 484                 |
| Total general government           | 453,866                 | 470,030      | 451,587       | (18,443)            |
| Public safety                      |                         |              |               |                     |
| Police department                  | 421,701                 | 456,861      | 443,861       | (13,000)            |
| Public works                       |                         |              |               |                     |
| Department of public works         | 51,651                  | 51,757       | 68,420        | 16,663              |
| Sidewalks                          | 7,470                   | 7,470        | 2,908         | (4,562)             |
| Street lighting                    | 70,850                  | 70,850       | 61,613        | (9,237)             |
| Parking lot                        | 5,845                   | 5,845        | 7,066         | 1,221               |
| Refuse                             | 145,117                 | 145,117      | 145,117       | -                   |
| Cemetery                           | 31,855                  | 33,955       | 32,760        | (1,195)             |
| Total public works                 | 312,788                 | 314,994      | 317,884       | 2,890               |
| Health and welfare                 |                         |              |               |                     |
| Ambulance                          | 21,576                  | 21,576       | 21,576        | -                   |
| Community and economic development |                         |              |               |                     |
| Economic development               | 20,000                  | 20,000       | 16,364        | (3,636)             |

continued



# CITY OF VASSAR

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2019

|   | <i>Budgeted Amounts</i> |              | <i>Actual</i> | <i>Actual</i>       |
|---|-------------------------|--------------|---------------|---------------------|
|   | <i>Original</i>         | <i>Final</i> |               | <i>Over (Under)</i> |
|   |                         |              |               | <i>Final Budget</i> |
| Recreation and culture                            |                         |              |               |                     |
| Parks and recreation department                   | 66,616                  | 69,046       | 64,268        | (4,778)             |
| Band  | 1,500                   | 2,700        | 2,779         | 79                  |
| Total recreation and culture                      | 68,116                  | 71,746       | 67,047        | (4,699)             |
| Capital outlay                                    |                         |              |               |                     |
| General government                                |                         |              |               |                     |
| Information technology                            | 3,000                   | 3,000        | 1,025         | (1,975)             |
| Hall  | 2,050                   | 15,200       | 13,224        | (1,976)             |
| Public safety                                     |                         |              |               |                     |
| Police department                                 | 4,100                   | 4,100        | 1,438         | (2,662)             |
| Public works                                      |                         |              |               |                     |
| Department of public works                        | 56,500                  | 56,500       | 21,979        | (34,521)            |
| Recreation and culture                            |                         |              |               |                     |
| Parks and recreation department                   | 500                     | 8,500        | 1,631         | (6,869)             |
| Total capital outlay                              | 66,150                  | 87,300       | 39,297        | (44,052)            |
| Debt service                                      |                         |              |               |                     |
| Principal   | 34,341                  | 34,341       | 34,341        | -                   |
| Interest and fees                                 | 14,607                  | 14,607       | 14,609        | 2                   |
| Total debt service                                | 48,948                  | 48,948       | 48,950        | 2                   |
| Total expenditures                                | 1,413,145               | 1,491,455    | 1,406,566     | (80,938)            |
| Excess (deficiency) of revenues over expenditures | 38,084                  | 11,513       | 129,674       | 118,161             |
| <b>Other financing sources (uses):</b>            |                         |              |               |                     |
| Sale of capital assets                            | -                       | 2,500        | 2,500         | -                   |
| Interfund transfers in                            | -                       | -            | 2,454         | 2,454               |
| Interfund transfers out                           | (24,750)                | (24,750)     | (18,500)      | 6,250               |
| Net other financing sources (uses)                | (24,750)                | (22,250)     | (13,546)      | 8,704               |
| Change in fund balance                            | 13,334                  | (10,737)     | 116,128       | 126,865             |
| Fund balance, beginning of year                   | 1,203,528               | 1,203,528    | 1,203,528     | -                   |
| Fund balance, end of year                         | \$ 1,216,862            | \$ 1,192,791 | \$ 1,319,656  | \$ 126,865          |

# CITY OF VASSAR

*MAJOR STREET FUND*  
**BUDGETARY COMPARISON SCHEDULE**  
 Year Ended June 30, 2019

|  | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <i>Actual</i>       |
|--|-------------------------|-------------------|-------------------|---------------------|
|  | <u>Original</u>         | <u>Final</u>      |                   | <i>Over (Under)</i> |
| <b>Revenues:</b>                                     |                         |                   |                   |                     |
| State grants   | \$ 238,144              | \$ 328,429        | \$ 332,967        | \$ 4,538            |
| Contributions from other units                       | 38,492                  | 38,492            | 37,612            | (880)               |
| Interest and rents                                   | <u>50</u>               | <u>50</u>         | <u>77</u>         | <u>27</u>           |
| Total revenues                                       | <u>276,686</u>          | <u>366,971</u>    | <u>371,156</u>    | <u>4,185</u>        |
| <b>Expenditures:</b>                                 |                         |                   |                   |                     |
| Current  |                         |                   |                   |                     |
| Public works   | 166,542                 | 203,081           | 209,687           | 6,606               |
| Capital outlay                                       | <u>55,000</u>           | <u>102,941</u>    | <u>102,941</u>    | <u>-</u>            |
| Total expenditures                                   | <u>221,542</u>          | <u>306,022</u>    | <u>312,628</u>    | <u>6,606</u>        |
| Excess (deficiency) of<br>revenues over expenditures | <u>55,144</u>           | <u>60,949</u>     | <u>58,528</u>     | <u>(2,421)</u>      |
| <b>Other financing sources (uses):</b>               |                         |                   |                   |                     |
| Interfund transfers in                               | 5,000                   | 5,000             | 5,000             | -                   |
| Interfund transfers out                              | <u>(60,000)</u>         | <u>(60,000)</u>   | <u>(60,000)</u>   | <u>-</u>            |
| Change in fund balance                               | 144                     | 5,949             | 3,528             | (2,421)             |
| Fund balance, beginning of year                      | <u>316,045</u>          | <u>316,045</u>    | <u>316,045</u>    | <u>-</u>            |
| Fund balance, end of year                            | <u>\$ 316,189</u>       | <u>\$ 321,994</u> | <u>\$ 319,573</u> | <u>\$ (2,421)</u>   |

***OTHER SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

June 30, 2019

|                                       | <i>Special Revenue Funds</i>     |                         |                      |  |
|---------------------------------------|----------------------------------|-------------------------|----------------------|--|
|                                       | <i>Local<br/>Street<br/>Fund</i> | <i>Highway<br/>Fund</i> | <i>Fire<br/>Fund</i> | <i>Drug Law<br/>Enforcement<br/>Fund</i> |
| <b>Assets:</b>                        |                                  |                         |                      |  |
| Cash and cash equivalents             | \$ 146,371                       | \$ 14,391               | \$ 142,847           | \$ 20                                    |
| Accounts receivable                   | -                                | -                       | -                    | -  |
| Notes receivable                      | -                                | -                       | -                    | -  |
| Due from other governments            | 15,823                           | 3,630                   | -                    | -  |
| Prepaid expenditures                  | <u>1,460</u>                     | <u>-</u>                | <u>339</u>           | <u>-</u>                                 |
| Total assets                          | <u>\$ 163,654</u>                | <u>\$ 18,021</u>        | <u>\$ 143,186</u>    | <u>\$ 20</u>                             |
| <b>Liabilities and Fund Balances:</b> |                                  |                         |                      |  |
| <b>Liabilities:</b>                   |                                  |                         |                      |  |
| Accounts payable                      | \$ 1,107                         | \$ 2,860                | \$ 2,775             | \$ -                                     |
| Due to other funds                    | <u>-</u>                         | <u>-</u>                | <u>-</u>             | <u>-</u>                                 |
| Total liabilities                     | <u>1,107</u>                     | <u>2,860</u>            | <u>2,775</u>         | <u>-</u>                                 |
| <b>Fund balances:</b>                 |                                  |                         |                      |  |
| Nonspendable:                         |                                  |                         |                      |  |
| Prepaid expenditures                  | 1,460                            | -                       | 339                  | -  |
| Long term receivables                 | -                                | -                       | -                    | -  |
| Nonexpendable cemetery principal      | -                                | -                       | -                    | -  |
| Restricted for:                       |                                  |                         |                      |  |
| Community and economic development    | -                                | -                       | -                    | -  |
| Drug law enforcement                  | -                                | -                       | -                    | 20                                       |
| Fire protection services              | -                                | -                       | 140,072              | -  |
| Streets                               | <u>161,087</u>                   | <u>15,161</u>           | <u>-</u>             | <u>-</u>                                 |
| Total fund balances                   | <u>162,547</u>                   | <u>15,161</u>           | <u>140,411</u>       | <u>20</u>                                |
| Total liabilities and fund balances   | <u>\$ 163,654</u>                | <u>\$ 18,021</u>        | <u>\$ 143,186</u>    | <u>\$ 20</u>                             |

continued

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, CONTINUED

June 30, 2019

|                                       | <u>Special Revenue Funds</u> |                                | <u>Permanent Fund</u>               | <u>Total</u>      |
|---------------------------------------|------------------------------|--------------------------------|-------------------------------------|-------------------|
|                                       | <u>Cool Cities Fund</u>      | <u>DDA Loan Revolving Fund</u> | <u>Cemetery Perpetual Care Fund</u> |                   |
| <b>Assets:</b>                        |                              |                                |                                     |                   |
| Cash and cash equivalents             | \$ 2,315                     | \$ 19,778                      | \$ 143,971                          | \$ 469,693        |
| Accounts receivable                   | -                            | -                              | 400                                 | 400               |
| Notes receivable                      | -                            | 2,704                          | -                                   | 2,704             |
| Due from other governments            | -                            | -                              | -                                   | 19,453            |
| Prepaid expenditures                  | 858                          | -                              | -                                   | 2,657             |
| Total assets                          | <u>\$ 3,173</u>              | <u>\$ 22,482</u>               | <u>\$ 144,371</u>                   | <u>\$ 494,907</u> |
| <b>Liabilities and Fund Balances:</b> |                              |                                |                                     |                   |
| <b>Liabilities:</b>                   |                              |                                |                                     |                   |
| Accounts payable                      | \$ 420                       | \$ -                           | \$ -                                | \$ 7,162          |
| Due to other funds                    | -                            | -                              | 4,862                               | 4,862             |
| Total liabilities                     | <u>420</u>                   | <u>-</u>                       | <u>4,862</u>                        | <u>12,024</u>     |
| <b>Fund balances:</b>                 |                              |                                |                                     |                   |
| Nonspendable:                         |                              |                                |                                     |                   |
| Prepaid expenditures                  | -                            | -                              | -                                   | 1,799             |
| Long term receivables                 | -                            | 2,104                          | -                                   | 2,104             |
| Nonexpendable cemetery principal      | -                            | -                              | 139,509                             | 139,509           |
| Restricted for:                       |                              |                                |                                     |                   |
| Community and economic development    | 2,753                        | 20,378                         | -                                   | 23,131            |
| Drug law enforcement                  | -                            | -                              | -                                   | 20                |
| Fire protection services              | -                            | -                              | -                                   | 140,072           |
| Streets                               | -                            | -                              | -                                   | 176,248           |
| Total fund balances                   | <u>2,753</u>                 | <u>22,482</u>                  | <u>139,509</u>                      | <u>482,883</u>    |
| Total liabilities and fund balances   | <u>\$ 3,173</u>              | <u>\$ 22,482</u>               | <u>\$ 144,371</u>                   | <u>\$ 494,907</u> |

# CITY OF VASSAR

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

Year Ended June 30, 2019

|  | <i>Special Revenue Funds</i>     |                         |                      |  |
|--|----------------------------------|-------------------------|----------------------|--|
|  | <i>Local<br/>Street<br/>Fund</i> | <i>Highway<br/>Fund</i> | <i>Fire<br/>Fund</i> | <i>Drug Law<br/>Enforcement<br/>Fund</i> |
| <b>Revenues:</b>                                     |                                  |                         |                      |  |
| Special assessments                                  | \$ 1                             | \$ -                    | \$ 38,360            | \$ -                                     |
| State grants   | 93,667                           | 31,530                  | -                    | -  |
| Contributions from other units                       | 18,722                           | -                       | 71,782               | -  |
| Charges for services                                 | -                                | -                       | 30                   | -  |
| Interest and rents                                   | 30                               | 4                       | 132                  | -  |
| Other revenue  | -                                | -                       | 642                  | -  |
| Total revenues                                       | 112,420                          | 31,534                  | 110,946              | -  |
| <b>Expenditures:</b>                                 |                                  |                         |                      |  |
| Current  |                                  |                         |                      |  |
| Public safety  | -                                | -                       | 83,963               | -  |
| Public works   | 144,473                          | 32,453                  | -                    | -  |
| Community and economic development                   | -                                | -                       | -                    | -  |
| Capital outlay                                       | -                                | -                       | 18,790               | -  |
| Total expenditures                                   | 144,473                          | 32,453                  | 102,753              | -  |
| Excess (deficiency) of<br>revenues over expenditures | (32,053)                         | (919)                   | 8,193                | -  |
| <b>Other financing sources (uses):</b>               |                                  |                         |                      |  |
| Interfund transfers in                               | 72,000                           | -                       | -                    | -  |
| Interfund transfers out                              | -                                | -                       | -                    | -  |
| Net other financing sources (uses)                   | 72,000                           | -                       | -                    | -  |
| Changes in fund balances                             | 39,947                           | (919)                   | 8,193                | -  |
| Fund balances, beginning of year                     | 122,600                          | 16,080                  | 132,218              | 20                                       |
| Fund balances, end of year                           | \$ 162,547                       | \$ 15,161               | \$ 140,411           | \$ 20                                    |

continued

# CITY OF VASSAR

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

Year Ended June 30, 2019

|   | <u>Special Revenue Funds</u> |                                | <u>Permanent Fund</u>               | <u>Total</u>      |
|---|------------------------------|--------------------------------|-------------------------------------|-------------------|
|   | <u>Cool Cities Fund</u>      | <u>DDA Loan Revolving Fund</u> | <u>Cemetery Perpetual Care Fund</u> |                   |
| <b>Revenues:</b>                                  |                              |                                |                                     |                   |
| Special assessments                               | \$ -                         | \$ -                           | \$ -                                | \$ 38,361         |
| State grants                                      | -                            | -                              | -                                   | 125,197           |
| Contributions from other units                    | -                            | -                              | -                                   | 90,504            |
| Charges for services                              | -                            | -                              | 2,900                               | 2,930             |
| Interest and rents                                | -                            | 35                             | 2,454                               | 2,655             |
| Other revenue                                     | 12,400                       | -                              | -                                   | 13,042            |
| Total revenues                                    | <u>12,400</u>                | <u>35</u>                      | <u>5,354</u>                        | <u>272,689</u>    |
| <b>Expenditures:</b>                              |                              |                                |                                     |                   |
| Current   |                              |                                |                                     |                   |
| Public safety                                     | -                            | -                              | -                                   | 83,963            |
| Public works                                      | -                            | -                              | -                                   | 176,926           |
| Community and economic development                | 11,147                       | -                              | -                                   | 11,147            |
| Capital outlay                                    | -                            | -                              | -                                   | 18,790            |
| Total expenditures                                | <u>11,147</u>                | <u>-</u>                       | <u>-</u>                            | <u>290,826</u>    |
| Excess (deficiency) of revenues over expenditures | <u>1,253</u>                 | <u>35</u>                      | <u>5,354</u>                        | <u>(18,137)</u>   |
| <b>Other financing sources (uses):</b>            |                              |                                |                                     |                   |
| Interfund transfers in                            | 1,500                        | -                              | -                                   | 73,500            |
| Interfund transfers out                           | -                            | -                              | (2,454)                             | (2,454)           |
| Net other financing sources (uses)                | <u>1,500</u>                 | <u>-</u>                       | <u>(2,454)</u>                      | <u>71,046</u>     |
| Changes in fund balances                          | 2,753                        | 35                             | 2,900                               | 52,909            |
| Fund balances, beginning of year                  | -                            | 22,447                         | 136,609                             | 429,974           |
| Fund balances, end of year                        | <u>\$ 2,753</u>              | <u>\$ 22,482</u>               | <u>\$ 139,509</u>                   | <u>\$ 482,883</u> |

# CITY OF VASSAR

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## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2019

### 2006 COUNTY CONTRACT FINANCING

|   |    |                 |
|---|----|-----------------|
| Issue dated August 1, 2006 in the amount of | \$ | 686,826         |
| Less: Principal paid in prior years         |    | (412,156)       |
| Principal paid in current year              |    | <u>(34,341)</u> |
| Balance payable at June 30, 2019            | \$ | <u>240,329</u>  |

Balance payable as follows:

| <u>Fiscal</u><br><u>Year Ended</u> | <u>Interest</u><br><u>Rate</u> | <u>Principal due</u><br><u>December 1</u> | <u>Interest due</u><br><u>December 1</u> | <u>Total</u><br><u>Annual</u><br><u>Requirement</u> |
|------------------------------------|--------------------------------|---|--|---|
| 2020                               | 4.250%                         | \$ 34,341                                 | \$ 10,217                                | \$ 44,558   |
| 2021                               | 4.250%                         | 34,341                                    | 8,781                                    | 43,122  |
| 2022                               | 4.250%                         | 34,341                                    | 7,298                                    | 41,639  |
| 2023                               | 4.250%                         | 34,341                                    | 5,838                                    | 40,179  |
| 2024                               | 4.250%                         | 34,341                                    | 4,379                                    | 38,720  |
| 2025                               | 4.250%                         | 34,341                                    | 2,927                                    | 37,268  |
| 2026                               | 4.250%                         | <u>34,283</u>                             | <u>1,460</u>                             | <u>35,743</u>                                       |
|                                    |                                | <u>\$ 240,329</u>                         | <u>\$ 40,900</u>                         | <u>\$ 281,229</u>                                   |

Note: The General Fund is obligated for this debt.



# CITY OF VASSAR

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

June 30, 2019

### 2012 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS

|  |    |                 |
|--|----|-----------------|
| Issue dated July 12, 2012 in the amount of | \$ | 671,000         |
| Less: Principal paid in prior years        |    | (404,000)       |
| Principal paid in current year             |    | <u>(61,000)</u> |
| Balance payable at June 30, 2019           | \$ | <u>206,000</u>  |

Balance payable as follows:

| <i><u>Fiscal</u></i><br><i><u>Year Ended</u></i> | <i><u>Interest</u></i><br><i><u>Rate</u></i> | <i><u>Principal due</u></i> | <i><u>Interest due</u></i> | <i><u>Total</u></i><br><i><u>Annual</u></i><br><i><u>Requirement</u></i> |
|--|--|-----------------------------|----------------------------|--|
| 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>\$ 206,000</u>           | <u>\$ 8,388</u>            | <u>\$ 214,388</u>  |

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

|            |    |                |
|------------|----|----------------|
| Sewer Fund | \$ | 116,184        |
| Water Fund |    | <u>89,816</u>  |
|            | \$ | <u>206,000</u> |

# CITY OF VASSAR

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2019

### 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              |    | (201,000)       |
| Principal paid in current year                  |    | <u>(46,000)</u> |
| Balance payable at June 30, 2019                | \$ | <u>513,000</u>  |

Balance payable as follows:

| <i>Fiscal</i><br><i>Year Ended</i> | <i>Interest</i><br><i>Rate</i> | <i>Principal due</i><br><i>October 1</i> | <i>Interest due</i><br><i>October 1</i> | <i>Interest due</i><br><i>April 1</i> | <i>Total</i><br><i>Annual</i><br><i>Requirement</i> |
|------------------------------------|--------------------------------|--|---|---------------------------------------|---|
| 2020                               | 2.125%                         | \$ 14,000                                | \$ 5,451                                | \$ 5,302                              | \$ 24,753   |
| 2021                               | 2.125%                         | 14,000                                   | 5,302                                   | 5,153                                 | 24,455  |
| 2022                               | 2.125%                         | 14,000                                   | 5,153                                   | 5,004                                 | 24,157  |
| 2023                               | 2.125%                         | 14,000                                   | 5,004                                   | 4,856                                 | 23,860  |
| 2024                               | 2.125%                         | 15,000                                   | 4,856                                   | 4,696                                 | 24,552  |
| 2025                               | 2.125%                         | 15,000                                   | 4,696                                   | 4,537                                 | 24,233  |
| 2026                               | 2.125%                         | 15,000                                   | 4,537                                   | 4,378                                 | 23,915  |
| 2027                               | 2.125%                         | 16,000                                   | 4,378                                   | 4,208                                 | 24,586  |
| 2028                               | 2.125%                         | 16,000                                   | 4,208                                   | 4,038                                 | 24,246  |
| 2029                               | 2.125%                         | 16,000                                   | 4,038                                   | 3,868                                 | 23,906  |
| 2030                               | 2.125%                         | 17,000                                   | 3,868                                   | 3,687                                 | 24,555  |
| 2031                               | 2.125%                         | 17,000                                   | 3,687                                   | 3,506                                 | 24,193  |
| 2032                               | 2.125%                         | 18,000                                   | 3,506                                   | 3,315                                 | 24,821  |
| 2033                               | 2.125%                         | 18,000                                   | 3,315                                   | 3,124                                 | 24,439  |
| 2034                               | 2.125%                         | 18,000                                   | 3,124                                   | 2,933                                 | 24,057  |
| 2035                               | 2.125%                         | 19,000                                   | 2,933                                   | 2,731                                 | 24,664  |
| 2036                               | 2.125%                         | 19,000                                   | 2,731                                   | 2,529                                 | 24,260  |
| 2037                               | 2.125%                         | 19,000                                   | 2,529                                   | 2,327                                 | 23,856  |
| 2038                               | 2.125%                         | 20,000                                   | 2,327                                   | 2,114                                 | 24,441  |
| 2039                               | 2.125%                         | 20,000                                   | 2,114                                   | 1,902                                 | 24,016  |
| 2040                               | 2.125%                         | 21,000                                   | 1,902                                   | 1,679                                 | 24,581  |
| 2041                               | 2.125%                         | 21,000                                   | 1,679                                   | 1,456                                 | 24,135  |
| 2042                               | 2.125%                         | 22,000                                   | 1,456                                   | 1,222                                 | 24,678  |
| 2043                               | 2.125%                         | 22,000                                   | 1,222                                   | 988                                   | 24,210  |
| 2044                               | 2.125%                         | 23,000                                   | 988                                     | 744                                   | 24,732  |
| 2045                               | 2.125%                         | 23,000                                   | 744                                     | 499                                   | 24,243  |
| 2046                               | 2.125%                         | 23,000                                   | 499                                     | 255                                   | 23,754  |
| 2047                               | 2.125%                         | <u>24,000</u>                            | <u>255</u>                              | <u>-</u>                              | <u>24,255</u>                                       |
|                                    |                                | \$ <u>513,000</u>                        | \$ <u>86,502</u>                        | \$ <u>81,051</u>                      | \$ <u>680,553</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, 2019, 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 11, 2019.

**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 11, 2019