

# **CITY OF VASSAR**

Tuscola County, Michigan

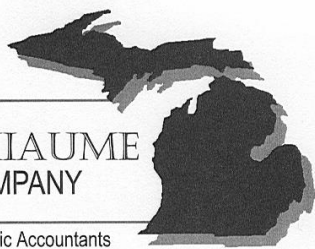
## **FINANCIAL STATEMENTS**

June 30, 2016

## TABLE OF CONTENTS

June 30, 2016

	PAGE
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position .....	10
Statement of Activities .....	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet .....	13
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Proprietary Funds	
Statement of Net Position .....	17
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	19
Statement of Cash Flows .....	20
Fiduciary Funds	
Statement of Net Position .....	21
Statement of Changes in Fiduciary Fund Net Position .....	22
Component Units	
Combining Statement of Net Position .....	23
Combining Statement of Activities .....	24
Notes to Financial Statements .....	26
<b>Required Supplementary Information</b>	
Schedule of Changes in the City's Net Pension Liability and Related Ratios .....	48
Schedule of City Defined Benefit Plan Pension Contributions .....	49
Schedule of Other Postemployment Benefits Funding Progress .....	50
Budgetary Comparison Schedule – General Fund .....	51
Budgetary Comparison Schedule – Major Street Fund .....	53
<b>Other Supplementary Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet .....	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	57
Schedules of Indebtedness .....	59
<b>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 <i>Government Auditing Standards</i></b> .....	63



## 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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, 2016, 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 48), schedule of defined benefit plan pension contributions (page 49), schedule of other postemployment benefits funding progress (page 50), and budgetary comparison information (pages 51 through 53) 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 4, 2016 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 4, 2016

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

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2016. 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 \$9,571,725 for the fiscal year ended June 30, 2016, compared to \$9,919,488 for the fiscal year ended June 30, 2015.
- In the City's governmental activities, revenues generated were \$1,836,503 while expenses totaled \$2,042,627.
- In the City's business-type activities, revenues generated were \$1,206,854 while expenses totaled \$1,353,470.
- Total net position decreased by \$347,763.

### 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, 2016

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, 2016 is \$9,571,725, consisting of \$3,745,966 in governmental activities and \$5,825,759 in business-type activities.

# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$84,648. Governmental activities unrestricted net position is a deficit of \$935,897, while business-type activities unrestricted net position is a positive \$1,020,545.

The following table shows comparisons of total assets, total deferred outflows, total liabilities, and total net position in a condensed format at June 30, 2016 and 2015.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Assets:</b>						
Current and other assets	\$ 1,719,640	\$ 1,449,932	\$ 2,053,354	\$ 1,896,458	\$ 3,772,994	\$ 3,346,390
Capital assets, net	<u>4,041,914</u>	<u>4,204,128</u>	<u>5,815,585</u>	<u>6,063,220</u>	<u>9,857,499</u>	<u>10,267,348</u>
Total assets	<u>5,761,554</u>	<u>5,654,060</u>	<u>7,868,939</u>	<u>7,959,678</u>	<u>13,630,493</u>	<u>13,613,738</u>
<b>Deferred outflows</b>	<u>282,435</u>	<u>77,367</u>	<u>206,482</u>	<u>76,498</u>	<u>488,917</u>	<u>153,865</u>
<b>Liabilities:</b>						
Current and other liabilities	86,992	117,965	19,709	109,760	106,701	227,725
Long-term liabilities	<u>2,211,031</u>	<u>1,666,349</u>	<u>2,229,953</u>	<u>1,954,041</u>	<u>4,440,984</u>	<u>3,620,390</u>
Total liabilities	<u>2,298,023</u>	<u>1,784,314</u>	<u>2,249,662</u>	<u>2,063,801</u>	<u>4,547,685</u>	<u>3,848,115</u>
<b>Net position:</b>						
Net investment in capital assets	4,041,914	4,204,128	4,795,713	4,938,076	8,837,627	9,142,204
Restricted	639,949	434,910	9,501	6,334	649,450	441,244
Unrestricted (deficit)	<u>(935,897)</u>	<u>(691,925)</u>	<u>1,020,545</u>	<u>1,027,965</u>	<u>84,648</u>	<u>336,040</u>
Total net position	<u>\$ 3,745,966</u>	<u>\$ 3,947,113</u>	<u>\$ 5,825,759</u>	<u>\$ 5,972,375</u>	<u>\$ 9,571,725</u>	<u>\$ 9,919,488</u>

The City's combined total net position decreased by \$347,763 during the current fiscal year. Governmental activities decreased by \$201,147 while business-type activities decreased by \$146,616.

### Governmental Activities:

The total governmental revenue is reported at \$1,836,503, an increase of \$41,123 from the prior fiscal year. Total expenses increased by \$163,574 from the prior fiscal year.

### Business-type Activities:

The total business-type revenue is reported at \$1,206,854, an increase of \$62,762 from the prior fiscal year. Total expenses increased by \$246,353 from the prior fiscal year.

The increase in expenses for both the governmental activities and business-type activities is as a result of increases in the City's net pension liability. The City has continued to closely monitor its spending in all areas.



# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 419,013	\$ 462,593	\$ 1,176,289	\$ 1,141,172	\$ 1,595,302	\$ 1,603,765
Operating grants	299,854	299,413	28,577	2,075	328,431	301,488
Capital grants	-	10,000	-	-	-	10,000
General revenues						
Property taxes	684,546	692,204	-	-	684,546	692,204
Franchise fees	12,814	12,952	-	-	12,814	12,952
Grants and contributions not restricted to specific programs	376,496	308,236	-	-	376,496	308,236
Investment earnings	5,287	3,357	1,988	845	7,275	4,202
Other	38,493	6,625	-	-	38,493	6,625
Total revenues	<u>1,836,503</u>	<u>1,795,380</u>	<u>1,206,854</u>	<u>1,144,092</u>	<u>3,043,357</u>	<u>2,939,472</u>
<b>Program Expenses:</b>						
General government	463,494	379,283	-	-	463,494	379,283
Public safety	724,741	580,666	-	-	724,741	580,666
Public works	701,721	758,242	-	-	701,721	758,242
Health and welfare	21,576	21,576	-	-	21,576	21,576
Community and economic development	3,494	200	-	-	3,494	200
Recreation and culture	108,549	118,106	-	-	108,549	118,106
Interest on long-term debt	19,052	20,980	-	-	19,052	20,980
Sewer	-	-	890,829	751,970	890,829	751,970
Water	-	-	462,641	355,147	462,641	355,147
Total program expenses	<u>2,042,627</u>	<u>1,879,053</u>	<u>1,353,470</u>	<u>1,107,117</u>	<u>3,396,097</u>	<u>2,986,170</u>
Increase (decrease) in net position before other	<u>(206,124)</u>	<u>(83,673)</u>	<u>(146,616)</u>	<u>36,975</u>	<u>(352,740)</u>	<u>(46,698)</u>
<b>Other items:</b>						
Contributions to principal	2,600	300	-	-	2,600	300
Disposal of capital assets	2,377	200	-	-	2,377	200
Total other items	<u>4,977</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>4,977</u>	<u>500</u>
<b>Change in net position</b>	<b>(201,147)</b>	<b>(83,173)</b>	<b>(146,616)</b>	<b>36,975</b>	<b>(347,763)</b>	<b>(46,198)</b>
Net position, beginning of year	<u>3,947,113</u>	<u>4,030,286</u>	<u>5,972,375</u>	<u>5,935,400</u>	<u>9,919,488</u>	<u>9,965,686</u>
Net position, end of year	<u>\$ 3,745,966</u>	<u>\$ 3,947,113</u>	<u>\$ 5,825,759</u>	<u>\$ 5,972,375</u>	<u>\$ 9,571,725</u>	<u>\$ 9,919,488</u>

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

### **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, 2016, General Fund financing sources exceeded its financing uses by \$197,421, increasing its ending fund balance to \$1,000,870. The City's second major governmental fund, the Major Street Fund increased its ending fund balance by \$59,609.

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

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$29,924. During the year, the City made budget amendments which changed the projection to a net increase in fund balance of \$109,171. The actual results for the year yielded an increase in fund balance of \$197,421.

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

At June 30, 2016, the City of Vassar had \$9,857,499 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, 2015, this total was \$10,267,348. 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, 2016, the City of Vassar's total long-term indebtedness (not including compensated absences, net OPEB obligation, and net pension liability) was \$1,383,350, which was backed by the full faith and credit of the City. Additional information about the City's indebtedness is presented in Note 6 of the Notes to the Financial Statements.

### **Future Economic Factors:**

The City of Vassar's economic future is currently dependent upon factors that are beyond the control of the City Council and City management. In fiscal year 2016, the City of Vassar's taxable property value decreased 2.48%. 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, 2016

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,492,047	\$ 1,825,053	\$ 3,317,100	\$ 96,213
Receivables	151,595	214,286	365,881	97,908
Inventory	32,151	-	32,151	-
Prepaid expenses	43,847	4,514	48,361	-
Restricted cash and cash equivalents	-	9,501	9,501	-
Capital assets not being depreciated	554,654	43,009	597,663	52,663
Capital assets being depreciated, net	<u>3,487,260</u>	<u>5,772,576</u>	<u>9,259,836</u>	<u>-</u>
Total assets	<u>5,761,554</u>	<u>7,868,939</u>	<u>13,630,493</u>	<u>246,784</u>
<b>Deferred Outflows of Resources:</b>				
Bond refunding costs	-	20,128	20,128	-
Related to pension	<u>282,435</u>	<u>186,354</u>	<u>468,789</u>	<u>-</u>
Total deferred outflows of resources	<u>282,435</u>	<u>206,482</u>	<u>488,917</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	86,992	19,709	106,701	2,812
Long-term liabilities:				
Due within one year				
Current portion of long-term debt	34,340	76,000	110,340	-
Due in more than one year				
Compensated absences	35,436	14,652	50,088	-
Long-term debt	309,010	964,000	1,273,010	-
Net OPEB obligation	96,654	47,409	144,063	-
Net pension liability	<u>1,735,591</u>	<u>1,127,892</u>	<u>2,863,483</u>	<u>-</u>
Total liabilities	<u>2,298,023</u>	<u>2,249,662</u>	<u>4,547,685</u>	<u>2,812</u>
<b>Net position:</b>				
Net investment in capital assets	4,041,914	4,795,713	8,837,627	52,663
Restricted for:				
Drug law enforcement	20	-	20	-
Community development	19,329	-	19,329	-
Fire protection services	108,294	-	108,294	-
Nonexpendable cemetery principal	133,759	-	133,759	-
Repair, replacement and improvements	-	9,501	9,501	-
Street lighting	1,566	-	1,566	-
Streets	376,981	-	376,981	-
Unrestricted (deficit)	<u>(935,897)</u>	<u>1,020,545</u>	<u>84,648</u>	<u>191,309</u>
Total net position	<u>\$ 3,745,966</u>	<u>\$ 5,825,759</u>	<u>\$ 9,571,725</u>	<u>\$ 243,972</u>

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 463,494	\$ 118,613	\$ -	\$ -	\$ (344,881)
Public safety	724,741	118,365	1,018	-	(605,358)
Public works	701,721	150,921	297,186	-	(253,614)
Health and welfare	21,576	21,820	-	-	244
Community and economic development	3,494	-	-	-	(3,494)
Recreation and culture	108,549	9,294	1,650	-	(97,605)
Interest on long-term debt	19,052	-	-	-	(19,052)
Total governmental activities	<u>2,042,627</u>	<u>419,013</u>	<u>299,854</u>	<u>-</u>	<u>(1,323,760)</u>
<i>Business-type activities:</i>					
Sewer	890,829	763,526	26,942	-	(100,361)
Water	462,641	412,763	1,635	-	(48,243)
Total business-type activities	<u>1,353,470</u>	<u>1,176,289</u>	<u>28,577</u>	<u>-</u>	<u>(148,604)</u>
Total primary government	<u>\$3,396,097</u>	<u>\$ 1,595,302</u>	<u>\$ 328,431</u>	<u>\$ -</u>	<u>\$(1,472,364)</u>
<b>COMPONENT UNITS:</b>					
Economic development corporation	14,817	\$ -	\$ -	\$ -	\$ (14,817)
Downtown development authority	7,666	-	-	-	(7,666)
Total component units	<u>\$ 22,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,483)</u>

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2016

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (1,323,760)	\$ (148,604)	\$ (1,472,364)	\$ (22,483)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	616,146	-	616,146	-
Property taxes, County allocation for streets	58,224	-	58,224	-
Property taxes, captured by component units	-	-	-	38,708
Payment in lieu of property taxes	10,176	-	10,176	-
Franchise fees	12,814	-	12,814	-
Grants and contributions not restricted to specific programs	376,496	-	376,496	-
Unrestricted investment earnings	5,287	1,988	7,275	63
Other	38,493	-	38,493	2,376
Contributions to principal of permanent fund	2,600	-	2,600	-
Special item - Disposal of capital assets	2,377	-	2,377	-
Total general revenues and other	<u>1,122,613</u>	<u>1,988</u>	<u>1,124,601</u>	<u>41,147</u>
Changes in net position	(201,147)	(146,616)	(347,763)	18,664
Net position, beginning of year	<u>3,947,113</u>	<u>5,972,375</u>	<u>9,919,488</u>	<u>225,308</u>
Net position, end of year	<u>\$ 3,745,966</u>	<u>\$ 5,825,759</u>	<u>\$ 9,571,725</u>	<u>\$ 243,972</u>

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

# CITY OF VASSAR

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2016

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 912,242	\$ 192,688	\$ 387,117	\$ 1,492,047
Accounts receivable	33,534	-	401	33,935
Special assessments receivable	-	-	557	557
Notes receivable	-	-	4,354	4,354
Due from other governments	51,765	42,899	18,085	112,749
Due from other funds	6,357	-	-	6,357
Inventory	32,151	-	-	32,151
Prepaid expenditures	37,847	2,839	3,161	43,847
	<u>\$ 1,073,896</u>	<u>\$ 238,426</u>	<u>\$ 413,675</u>	<u>\$ 1,725,997</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 73,006	\$ 929	\$ 2,356	\$ 76,291
Due to other funds	-	-	6,357	6,357
Deposits payable	20	-	-	20
	<u>73,026</u>	<u>929</u>	<u>8,713</u>	<u>82,668</u>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	32,151	-	-	32,151
Prepaid expenditures	37,847	2,839	3,161	43,847
Long term receivables	-	-	3,754	3,754
Nonexpendable cemetery principal	-	-	133,759	133,759
Restricted for:				
Drug law enforcement	-	-	20	20
Community development	-	-	19,329	19,329
Fire protection services	-	-	108,294	108,294
Street lighting	1,566	-	-	1,566
Streets	-	234,658	136,645	371,303
Assigned to:				
Cemetery operations	32,643	-	-	32,643
Parks and recreation	139,559	-	-	139,559
Equipment replacement	116,691	-	-	116,691
Accumulated employee benefits	23,121	-	-	23,121
Unassigned	617,292	-	-	617,292
	<u>1,000,870</u>	<u>237,497</u>	<u>404,962</u>	<u>1,643,329</u>
Total fund balances	<u>1,000,870</u>	<u>237,497</u>	<u>404,962</u>	<u>1,643,329</u>
Total liabilities and fund balances	<u>\$ 1,073,896</u>	<u>\$ 238,426</u>	<u>\$ 413,675</u>	<u>\$ 1,725,997</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, 2016

<b>Fund balances of governmental funds</b>	\$ 1,643,329
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	554,654
Capital assets being depreciated, net	3,487,260
Accrued interest is not due and payable in the current period and is not reported in the funds	(10,681)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the funds	282,435
Long-term liabilities are not due and payable in the current period and are not reported in the funds	
Long-term debt	(343,350)
Compensated absences payable	(35,436)
Net OPEB obligation	(96,654)
Net pension liability	<u>(1,735,591)</u>
<b>Net position of governmental activities</b>	<u>\$ 3,745,966</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, 2016

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Revenues:</b>				
Property taxes	\$ 626,322	\$ 38,874	\$ 19,350	\$ 684,546
Licenses and permits	14,664	-	-	14,664
State grants	379,181	201,432	95,754	676,367
Contributions from other units	9,200	-	65,064	74,264
Charges for services	268,265	-	38,590	306,855
Fines and forfeits	3,033	-	-	3,033
Interest and rents	101,239	44	2,637	103,920
Other revenue	53,101	-	9,714	62,815
	<u>1,455,005</u>	<u>240,350</u>	<u>231,109</u>	<u>1,926,464</u>
<b>Total revenues</b>				
<b>Expenditures:</b>				
Current				
General government	366,958	-	-	366,958
Public safety	411,707	-	94,669	506,376
Public works	237,210	150,741	178,352	566,303
Health and welfare	21,576	-	-	21,576
Community and economic development	-	-	3,494	3,494
Recreation and culture	76,370	-	-	76,370
Other	11,360	-	-	11,360
Capital outlay	10,535	-	9,419	19,954
Debt service				
Principal	34,340	-	-	34,340
Interest and fees	20,088	-	-	20,088
	<u>1,190,144</u>	<u>150,741</u>	<u>285,934</u>	<u>1,626,819</u>
<b>Total expenditures</b>				
Excess (deficiency) of revenues over expenditures	<u>264,861</u>	<u>89,609</u>	<u>(54,825)</u>	<u>299,645</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	2,560	-	105,000	107,560
Transfers to other funds	<u>(70,000)</u>	<u>(30,000)</u>	<u>(7,560)</u>	<u>(107,560)</u>
Net other financing sources (uses)	<u>(67,440)</u>	<u>(30,000)</u>	<u>97,440</u>	<u>-</u>
Changes in fund balances	197,421	59,609	42,615	299,645
Fund balances, beginning of year, restated	<u>803,449</u>	<u>177,888</u>	<u>362,347</u>	<u>1,343,684</u>
Fund balances, end of year	<u>\$ 1,000,870</u>	<u>\$ 237,497</u>	<u>\$ 404,962</u>	<u>\$ 1,643,329</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, 2016

<b>Changes in fund balances of governmental funds</b>	\$ 299,645
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	5,004
Depreciation expense	(167,218)
Payments of bond principal and installment debt is an expenditure in the funds, but not in the statement of activities (where it reduces debt)	34,340
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds	
Change in accrued interest payable	1,036
Change in compensated absences payable	(4,674)
Change in net OPEB obligation	(4,650)
Change in net pension liability and related deferred outflows	<u>(364,630)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ (201,147)</u></b>

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

# CITY OF VASSAR

## PROPRIETARY FUNDS STATEMENT OF NET POSITION

June 30, 2016

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 855,178	\$ 969,875	\$ 1,825,053
Accounts receivable	149,346	53,955	203,301
Special assessments receivable	613	1,138	1,751
Due from other governmental units	5,707	-	5,707
Prepaid expenses	2,593	1,921	4,514
Total current assets	<u>1,013,437</u>	<u>1,026,889</u>	<u>2,040,326</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	9,501	-	9,501
Special assessments receivable	1,234	2,293	3,527
Capital assets not being depreciated	33,422	9,587	43,009
Capital assets being depreciated, net	<u>3,960,223</u>	<u>1,812,353</u>	<u>5,772,576</u>
Total noncurrent assets	<u>4,004,380</u>	<u>1,824,233</u>	<u>5,828,613</u>
Total assets	<u>5,017,817</u>	<u>2,851,122</u>	<u>7,868,939</u>
<b>Deferred outflows of resources:</b>			
Bond refunding costs	11,352	8,776	20,128
Related to pension	<u>92,888</u>	<u>93,466</u>	<u>186,354</u>
Total deferred outflows of resources	<u>104,240</u>	<u>102,242</u>	<u>206,482</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	6,670	7,280	13,950
Accrued interest payable	4,825	934	5,759
Current portion of long-term debt	<u>48,532</u>	<u>27,468</u>	<u>76,000</u>
Total current liabilities	<u>60,027</u>	<u>35,682</u>	<u>95,709</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable	11,291	3,361	14,652
Long-term debt, net of current portion	820,992	143,008	964,000
Net OPEB obligation	34,306	13,103	47,409
Net pension liability	<u>559,593</u>	<u>568,299</u>	<u>1,127,892</u>
Total noncurrent liabilities	<u>1,426,182</u>	<u>727,771</u>	<u>2,153,953</u>
Total liabilities	<u>1,486,209</u>	<u>763,453</u>	<u>2,249,662</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, 2016

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Net position:</b>			
Net investment in capital assets	3,135,473	1,660,240	4,795,713
Restricted for:			
Repair, replacement and improvement	9,501	-	9,501
Unrestricted	<u>490,874</u>	<u>529,671</u>	<u>1,020,545</u>
Total net position	<u>\$ 3,635,848</u>	<u>\$ 2,189,911</u>	<u>\$ 5,825,759</u>

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

# CITY OF VASSAR

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## PROPRIETARY FUNDS

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

Year Ended June 30, 2016

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services	\$ 748,580	\$ 394,979	\$ 1,143,559
Penalties	-	14,561	14,561
Other	14,946	3,223	18,169
Total operating revenues	<u>763,526</u>	<u>412,763</u>	<u>1,176,289</u>
<b>Operating expenses:</b>			
Salaries and fringe benefits	358,793	225,011	583,804
Supplies	18,391	23,549	41,940
Contracted services	3,367	25,791	29,158
Administrative expense	28,000	28,000	56,000
Other services and charges	169,421	70,786	240,207
Depreciation	259,366	82,520	341,886
Total operating expenses	<u>837,338</u>	<u>455,657</u>	<u>1,292,995</u>
Operating income (loss)	<u>(73,812)</u>	<u>(42,894)</u>	<u>(116,706)</u>
<b>Non-operating revenues (expenses):</b>			
State grants	26,930	1,601	28,531
Interest income	289	1,699	1,988
Special assessments interest	12	34	46
SAW grant expenses	(29,922)	-	(29,922)
Interest and amortization expense	(23,569)	(6,984)	(30,553)
Net non-operating revenues	<u>(26,260)</u>	<u>(3,650)</u>	<u>(29,910)</u>
Changes in net position before transfers	(100,072)	(46,544)	(146,616)
<b>Transfers from (to) other funds</b>	<u>(17,264)</u>	<u>17,264</u>	<u>-</u>
Changes in fund net position	(117,336)	(29,280)	(146,616)
Net position, beginning of year	<u>3,753,184</u>	<u>2,219,191</u>	<u>5,972,375</u>
Net position, end of year	<u>\$ 3,635,848</u>	<u>\$ 2,189,911</u>	<u>\$ 5,825,759</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, 2016

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 756,743	\$ 415,301	\$ 1,172,044
Payments to and on behalf of employees	(233,966)	(98,638)	(332,604)
Payments to suppliers	(224,292)	(232,831)	(457,123)
Net cash provided by operating activities	<u>298,485</u>	<u>83,832</u>	<u>382,317</u>
<b>Cash flows from non-capital financing activities:</b>			
State grants	26,930	1,601	28,531
SAW grant expenses	(29,922)	-	(29,922)
Net cash provided (used) by non-capital financing activities	<u>(2,992)</u>	<u>1,601</u>	<u>(1,391)</u>
<b>Cash flows from capital related financing activities:</b>			
Transfers from (to) other funds	(17,264)	17,264	-
Special assessments	622	1,165	1,787
Acquisition of capital assets	(23,922)	(70,329)	(94,251)
Principal payments	(82,352)	(29,648)	(112,000)
Interest paid	(20,048)	(4,213)	(24,261)
Net cash used by capital and related financing activities	<u>(142,964)</u>	<u>(85,761)</u>	<u>(228,725)</u>
<b>Cash flows from investing activities:</b>			
Interest received	289	1,699	1,988
Net increase in cash and cash equivalents	152,818	1,371	154,189
Cash and cash equivalents, beginning of year	711,861	968,504	1,680,365
Cash and cash equivalents, end of year	<u>\$ 864,679</u>	<u>\$ 969,875</u>	<u>\$ 1,834,554</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss	\$ (73,812)	\$ (42,894)	\$ (116,706)
Adjustments:			
Depreciation	259,366	82,520	341,886
Change in assets and liabilities:			
Accounts receivable	(1,076)	2,538	1,462
Due from other governmental units	(5,707)	-	(5,707)
Prepaid expenses	636	(839)	(203)
Accounts payable	(5,749)	(83,866)	(89,615)
Compensated absences payable	2,125	120	2,245
Net OPEB obligation	1,158	4,709	5,867
Net pension liability and related deferred outflows	121,544	121,544	243,088
Net cash provided by operating activities	<u>\$ 298,485</u>	<u>\$ 83,832</u>	<u>\$ 382,317</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, 2016

	<i>Retiree Health Plan OPEB Trust Fund</i>	<i>Agency Funds</i>
<b>Assets:</b>		
Cash and cash equivalents	\$ -	\$ 16,912
Investments	<u>68,788</u>	<u>-</u>
Total assets	<u>68,788</u>	<u>\$ 16,912</u>
<b>Liabilities:</b>		
Accounts payable	<u>-</u>	<u>\$ 16,912</u>
<b>Net position:</b>		
Held in trust	<u>68,788</u>	
Total net position	<u>\$ 68,788</u>	

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

*FIDUCIARY FUNDS*  
**STATEMENT OF CHANGES IN FIDUCIARY  
FUND NET POSITION**  
Year Ended June 30, 2016

	<i>Retiree Health Plan OPEB Trust Fund</i>
<b>Additions:</b>	
Employer contributions	\$ 10,000
Investment income	<u>1,346</u>
Total additions	<u>11,346</u>
<b>Deductions:</b>	
Administrative fees	<u>166</u>
Net increase	11,180
Net position, beginning of year	<u>57,608</u>
Net position, end of year	<u><u>\$ 68,788</u></u>

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



# CITY OF VASSAR

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## COMPONENT UNITS

### COMBINING STATEMENT OF NET POSITION

June 30, 2016

	<i><b>Economic Development Corporation</b></i>	<i><b>Downtown Development Authority</b></i>	<i><b>Total</b></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 46,963	\$ 49,250	\$ 96,213
Notes receivable	96,822	-	96,822
Accrued interest receivable	1,086	-	1,086
Capital assets not being depreciated	<u>-</u>	<u>52,663</u>	<u>52,663</u>
Total assets	<u>144,871</u>	<u>101,913</u>	<u>246,784</u>
<b>Liabilities:</b>			
Accounts payable	<u>2,812</u>	<u>-</u>	<u>2,812</u>
<b>Net position:</b>			
Investment in capital assets	-	52,663	52,663
Unrestricted	<u>142,059</u>	<u>49,250</u>	<u>191,309</u>
Total net position	<u>\$ 142,059</u>	<u>\$ 101,913</u>	<u>\$ 243,972</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, 2016

	<i><u>Economic Development Corporation</u></i>	<i><u>Downtown Development Authority</u></i>	<i><u>Total</u></i>
<b>Revenues:</b>			
General revenues:			
Property taxes	\$ 16,588	\$ 22,120	\$ 38,708
Interest and rents	63	-	63
Other	<u>2,264</u>	<u>112</u>	<u>2,376</u>
Total revenues	<u>18,915</u>	<u>22,232</u>	<u>41,147</u>
<b>Expenses:</b>			
Community and economic development	<u>7,666</u>	<u>14,817</u>	<u>22,483</u>
Change in net position	11,249	7,415	18,664
Net position, beginning of year	<u>130,810</u>	<u>94,498</u>	<u>225,308</u>
Net position, end of year	<u>\$ 142,059</u>	<u>\$ 101,913</u>	<u>\$ 243,972</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, 2016

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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.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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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, 2016

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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, 2016

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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.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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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 2015 tax is levied and collectible on July 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations. The 2015 taxable valuation of the City totaled \$40,248,668 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 16.0000 mills for the City's operating purposes. The City also receives road taxes levied by Tuscola County that are recognized as revenue in the Major Street Fund and Local Street Fund.

***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.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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***Pension and Other Postemployment Benefit 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.

The City also offers retiree healthcare benefits to retirees. The City has elected to calculate the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and “adjustment to the ARC” on the beginning of year underpaid amount, if any.

***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, 2016

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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 Budget</u>	<u>Actual</u>	<u>Actual Over Final Budget</u>
<b>General Fund:</b>			
General government:			
Treasurer	\$ 85,522	\$ 88,945	\$ 3,423
Debt service:			
Interest and fees	20,086	20,088	2

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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 \$3,719,977 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$573,029 was covered by federal depository insurance (FDIC) and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

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**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	\$ 68,788	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	\$ 68,788	Not Rated	N/A

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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, 2016, the City's Sewer Fund had restricted cash and cash equivalents of \$9,501 for the RRI Account.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 554,654	\$ -	\$ -	\$ 554,654
Capital assets being depreciated:				
Buildings and improvements	1,326,668	-	-	1,326,668
Equipment	976,804	5,004	-	981,808
Furniture and equipment	76,343	-	(20,667)	55,676
Infrastructure	3,507,154	-	-	3,507,154
Vehicles	710,245	-	(21,065)	689,180
Total capital assets being depreciated	<u>6,597,214</u>	<u>5,004</u>	<u>(41,732)</u>	<u>6,560,486</u>
Less accumulated depreciation for:				
Buildings and improvements	(789,442)	(23,030)	-	(812,472)
Equipment	(874,200)	(26,932)	-	(901,132)
Furniture and equipment	(71,280)	(1,013)	20,667	(51,626)
Infrastructure	(712,898)	(75,872)	-	(788,770)
Vehicles	(499,920)	(40,371)	21,065	(519,226)
Total accumulated depreciation	<u>(2,947,740)</u>	<u>(167,218)</u>	<u>41,732</u>	<u>(3,073,226)</u>
Capital assets being depreciated, net	<u>3,649,474</u>	<u>(162,214)</u>	<u>-</u>	<u>3,487,260</u>
Governmental activities, capital assets, net	<u>\$ 4,204,128</u>	<u>\$ (162,214)</u>	<u>\$ -</u>	<u>\$ 4,041,914</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 43,009	\$ -	\$ -	\$ 43,009
Capital assets being depreciated:				
Equipment	570,510	58,451	-	628,961
Land improvements	9,412	-	-	9,412
Sewer lines	2,012,772	-	-	2,012,772
Sewer treatment plant	7,856,724	-	-	7,856,724
Water buildings, tank and tower	688,477	-	-	688,477
Water mains and wells	2,736,519	35,800	-	2,772,319
Total capital assets being depreciated	<u>13,874,414</u>	<u>94,251</u>	<u>-</u>	<u>13,968,665</u>

continued

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 5: CAPITAL ASSETS, CONTINUED

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Less accumulated depreciation for:				
Equipment	(395,111)	(23,457)	-	(418,568)
Land improvements	(9,412)	-	-	(9,412)
Sewer lines	(725,077)	(40,255)	-	(765,332)
Sewer treatment plant	(5,083,353)	(207,959)	-	(5,291,312)
Water buildings, tank and tower	(305,419)	(21,020)	-	(326,439)
Water mains and wells	(1,335,831)	(49,195)	-	(1,385,026)
Total accumulated depreciation	<u>(7,854,203)</u>	<u>(341,886)</u>	<u>-</u>	<u>(8,196,089)</u>
Capital assets being depreciated, net	<u>6,020,211</u>	<u>(247,635)</u>	<u>-</u>	<u>5,772,576</u>
Business-type activities, capital assets, net	<u>\$ 6,063,220</u>	<u>\$ (247,635)</u>	<u>\$ -</u>	<u>\$ 5,815,585</u>
<b>Component units:</b>				
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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 5,978	\$ -
Public safety	46,131	-
Public works	91,211	-
Recreation and culture	23,898	-
Sewer	-	259,366
Water	-	82,520
	<u>\$ 167,218</u>	<u>\$ 341,886</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, 2016

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

The following is a summary of long-term liabilities transactions for the year ended June 30, 2016:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>Notes and Agreements:</b>					
2006 County Contract Financing, due in annual amounts of \$34,340 plus interest at 5.317% through 2026.	\$ 377,690	\$ -	\$ (34,340)	\$ 343,350	\$ 34,340
<b>Other Liabilities:</b>					
Compensated absences	<u>30,762</u>	<u>4,674</u>	<u>-</u>	<u>35,436</u>	<u>-</u>
Total governmental activities - long-term liabilities	<u>\$ 408,452</u>	<u>\$ 4,674</u>	<u>\$ (34,340)</u>	<u>\$ 378,786</u>	<u>\$ 34,340</u>
<b>Business-type activities:</b>					
<b>Bonds Payable:</b>					
2012 Limited Tax General Obligation Refunding Bonds, due in annual amounts ranging from \$61,000 to \$84,000 plus interest at 2.19% through 2022.	\$ 459,000	\$ -	\$ (68,000)	\$ 391,000	\$ 63,000
2013 Limited Tax General Obligation Capital Improvement Bond, due in annual amounts ranging from \$13,000 to \$26,000 plus interest at 2.125% through 2051.	693,000	-	(44,000)	649,000	13,000
<b>Other Liabilities:</b>					
Compensated absences	<u>12,407</u>	<u>2,245</u>	<u>-</u>	<u>14,652</u>	<u>-</u>
Total business-type activities - long-term liabilities	<u>\$ 1,164,407</u>	<u>\$ 2,245</u>	<u>\$ (112,000)</u>	<u>\$ 1,054,652</u>	<u>\$ 76,000</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Annual debt service requirements to maturity for all outstanding debt (excluding other liabilities) as of June 30, 2016 are as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 34,340	\$ 18,310	\$ 52,650	\$ 76,000	\$ 22,546	\$ 98,546
2018	34,340	16,434	50,774	74,000	20,901	94,901
2019	34,340	14,608	48,948	74,000	19,288	93,288
2020	34,340	12,782	47,122	75,000	17,666	92,666
2021	34,340	10,986	45,326	75,000	16,033	91,033
2022-2026	171,650	27,397	199,047	157,000	62,804	219,804
2027-2031	-	-	-	82,000	53,189	135,189
2032-2036	-	-	-	92,000	43,944	135,944
2037-2041	-	-	-	101,000	33,735	134,735
2042-2046	-	-	-	113,000	22,324	135,324
2047-2051	-	-	-	121,000	9,382	130,382
	<u>\$ 343,350</u>	<u>\$ 100,517</u>	<u>\$ 443,867</u>	<u>\$ 1,040,000</u>	<u>\$ 321,812</u>	<u>\$ 1,361,812</u>

### NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2016 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Cemetery Perpetual Care Fund	<u>\$ 6,357</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.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 7: INTERFUND BALANCES AND TRANSFERS, CONTINUED

Interfund transfers reported in the fund statements were as follows:

<u>Interfund Transfers From</u>	<u>Interfund Transfers To</u>	<u>Amount</u>
General Fund	Local Street Fund	\$ 70,000
Major Street Fund	Local Street Fund	30,000
Highway Fund	Local Street Fund	5,000
Cemetery Perpetual Care Fund	General Fund	2,560
Sewer	Water Fund	17,264
		<u>\$ 124,824</u>

### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
<b>Receivables:</b>				
Accounts receivable	\$ 33,935	\$ 203,301	\$ 237,236	\$ -
Special assessments receivable				
Current portion	185	1,751	1,936	-
Long-term portion	372	3,527	3,899	-
Notes/Loans receivable				
Current portion	600	-	600	9,322
Long-term portion	3,754	-	3,754	87,500
Accrued interest receivable	-	-	-	1,086
Intergovernmental	<u>112,749</u>	<u>5,707</u>	<u>118,456</u>	<u>-</u>
Total receivables	<u>\$ 151,595</u>	<u>\$ 214,286</u>	<u>\$ 365,881</u>	<u>\$ 97,908</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts payable	\$ 76,291	\$ 13,950	\$ 90,241	\$ 2,812
Deposits payable	20	-	20	-
Accrued interest payable	<u>10,681</u>	<u>5,759</u>	<u>16,440</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 86,992</u>	<u>\$ 19,709</u>	<u>\$ 106,701</u>	<u>\$ 2,812</u>

### NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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### NOTE 9: RISK MANAGEMENT, CONTINUED

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The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured.

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

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### NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

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

#### **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.

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. Employer contributions for the plan were \$26,483 and employee contributions for the plan were \$13,241 for the year ended June 30, 2016.

#### **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, 2015 valuation. All divisions are closed.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

**Employees covered by benefit terms** – At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	30
Inactive employees entitled to but not yet receiving benefits:	7
Active employees:	<u>6</u>
Total	<u><u>43</u></u>

**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.

City contributions, for the current year, were \$10,815 monthly based on valuation payroll as of the December 31, 2013 valuation. The monthly amount by division was: division 01 - \$6,865, division 10 - \$2,778, and division 20 - \$1,172. 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, 2016 was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of that date.

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

Inflation	2.50%
Salary increases	3.75% in the long term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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, 2015 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%

**Discount rate** – The discount rate used to measure the total pension liability is 8.25% for 2015. The projection of cash flows used to determine the discount rate assumes that 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 Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at 12/31/14	\$ 6,653,095	\$ 4,739,110	\$ 1,913,985
Service cost	40,328	-	40,328
Interest on total pension liability	529,440	-	529,440
Difference between expected and actual experience	73,066	-	73,066
Changes in assumptions	372,579	-	372,579
Employer contributions	-	124,992	(124,992)
Employee contributions	-	17,758	(17,758)
Net investment income	-	(66,801)	66,801
Benefit payments, including employee refunds	(511,626)	(511,626)	-
Administrative expenses	-	(10,034)	10,034
Net changes	503,787	(445,711)	949,498
Balances at 12/31/15	<u>\$ 7,156,882</u>	<u>\$ 4,293,399</u>	<u>\$ 2,863,483</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

The net pension liability is recorded as follows:

Governmental activities	\$ 1,735,591
Business-type activities	<u>1,127,892</u>
	<u>\$ 2,863,483</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 8.25%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1 percentage higher (9.25%) than the current rate.

	<u>1% Decrease Rate 7.25%</u>	<u>Current Rate 8.25%</u>	<u>1% Increase Rate 9.25%</u>
Net pension liability at 12/31/15	\$ -	\$ 2,863,483	\$ -
Change in net pension liability	<u>764,279</u>	<u>-</u>	<u>(647,410)</u>
	<u>\$ 3,627,762</u>	<u>\$ 2,863,483</u>	<u>\$ 2,216,073</u>

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, 2016, the City recognized pension expense of \$737,498. At June 30, 2016, the City reported deferred outflows and inflows from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 403,899	\$ -
Contributions subsequent to the measurement date	<u>64,890</u>	<u>-</u>
	<u>\$ 468,789</u>	<u>\$ -</u>

The deferred outflows of resources are recorded as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental activities	\$ 282,435	\$ -
Business-type activities	<u>186,354</u>	<u>-</u>
	<u>\$ 468,789</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 (\$64,890), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016

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

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<i>Year Ending</i>	
<u>June 30</u>	<u>Amount</u>
2017	\$ 105,156
2018	105,156
2019	105,156
2020	88,431

**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.

**Deferred Compensation Plan:**

The City offers its employees a choice of two different deferred compensation plans created in accordance with IRC Section 457. The plans, available to all employees, permit them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

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**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS**

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**Plan Description** – City of Vassar Post Employment Plan is a single employer plan administered by the City. Membership of the plan consisted of six (6) retirees and survivors and three (3) active plan members. The plan was established by the City and can be amended at its discretion. A summary of plan provisions follows:

<b>Eligibility</b>	Department head with 20 years of service with the City
<b>Employer benefits</b>	Employer provides pre-65 medical and prescription drug coverage through its active plan and post-65 coverage through a Medicare Advantage plan; Dental coverage is provided for retirees as well as vision for pre-65 retirees
<b>Retiree contributions</b>	
Retirement on or prior to July 1, 2012	None
Retirement after July 1, 2012	Department heads pay 30% of pre-65 medical, dental and vision premium; Medicare Advantage premium paid 100% by City
<b>Spouse coverage</b>	Spouse covered to death or remarriage at full cost to retiree
<b>Changes since prior valuation</b>	None

**Funding Policy** – The City has the authority to establish and amend the obligations of the City and plan members to contribute to the plan. Actively employed individuals are currently not obligated to make contributions to the plan prior to retirement. The City will, in its discretion, contribute amounts determined annually using the actuarially determined amount necessary to fund the plan as a reference but not as a definitive requirement.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

Retiree healthcare costs are recognized when paid by the City on a “pay-as-you-go” basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2016, the City made payments for postemployment health benefit premiums for current retirees in the amount of \$37,901 and an advance funding payment to the OPEB Trust of \$10,000.

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

For the Year Ended June 30, 2016

Annual required contribution (recommended)	\$ 64,343
Interest on the prior year's net OPEB obligation	6,384
Less adjustment to the annual required contribution	<u>(12,309)</u>
Annual OPEB cost	58,418
Amounts contributed:	
Payments of current premiums	(37,901)
Advance funding	<u>(10,000)</u>
Increase in net OPEB obligation	10,517
OPEB obligation, beginning of year	<u>133,546</u>
OPEB obligation, end of year	<u>\$ 144,063</u>

The net OPEB obligation is recorded as follows:

Governmental activities	\$ 96,654
Business-type activities	<u>47,409</u>
Total	<u>\$ 144,063</u>

<i>Fiscal Year Ending</i>	<i>Actuarial Valuation Date</i>	<i>Annual Required Contribution</i>	<i>Annual OPEB Cost</i>	<i>Employer Contributions</i>		<i>Net OPEB Obligation</i>
				<i>Percentage of ARC Contributed</i>	<i>Percentage of OPEB Costs Contributed</i>	
6/30/2014	6/30/2013	\$ 69,260	\$ 69,283	69.30%	69.28%	\$ 111,695
6/30/2015	6/30/2013	70,669	70,698	69.12%	69.09%	133,546
6/30/2016	6/30/2016	64,343	58,418	74.45%	82.00%	144,063

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 11: OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

The funding progress of the plan is as follows:

<i>Actuarial Valuation Date</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Market Value of Assets</i>	<i>Unfunded Accrued Actuarial Liability (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
12/31/2010	\$ 955,940	\$ -	\$ 955,940	0.0%	Not avail.	Not avail.
7/1/2012	950,470	24,975	925,495	2.6%	Not avail.	Not avail.
7/1/2015	636,969	68,788	568,181	10.8%	Not avail.	Not avail.

**Methods and Assumptions** – Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above and in the required supplemental information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

#### *Actuarial Methods*

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	13.0371 years (average future service)
Asset valuation method	Market value

#### *Actuarial Assumptions*

Discount rate	4.78%
Salary scale	2.00%
Return on plan assets	4.78%
Mortality rate	2016 IRC 1.430(h) Annuitant and Non-annuitant (sex-distinct)
Utilization	100% of regular, full time department heads will elect coverage at retirement; actual coverage used for retirees
Implicit subsidy	Actual age-graded premiums for insurance provided
Medical inflation rate	Pre-65: 8.0% in 2016 graded down 0.5% per year to an ultimate rate of 5.0%; Post-65: 5.0% in all years
Dental and Vision inflation rate	3.00%
Annual per-capita costs valued	2016 age-graded premiums

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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### NOTE 12: RESTRICTED NET POSITION

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The governmental activities statement of net position reports \$639,949 of restricted net position, of which \$348,051 is restricted by Act 51 enabling legislation.

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### NOTE 13: RESTATEMENT OF BEGINNING FUND BALANCE

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The City's fire activity was previously recorded as activity of the General Fund. The City is now reporting the fire activity within a special revenue fund, the Fire Fund. As a result of the City's change in reporting, the beginning fund balance of the General Fund has been restated as follows:

	<i>Fund Statements</i>	
	<i>General Fund</i>	<i>Fire Fund</i>
Fund balance, previously stated July 1, 2015	\$ 906,125	\$ -
Reclassify assigned fund balance for fire protection services at July 1, 2015 to the Fire Fund	<u>(102,676)</u>	<u>102,676</u>
Fund balance, restated July 1, 2015	<u>\$ 803,449</u>	<u>\$ 102,676</u>

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### NOTE 14: UPCOMING ACCOUNTING PRONOUNCEMENTS

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In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans, whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.



***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

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

	<u>2015</u>	<u>2014</u>
Service cost	\$ 40,328	\$ 50,789
Interest on total pension liability	529,440	521,971
Difference between expected and actual experience	73,066	-
Changes in assumptions	372,579	-
Benefit payments, including employee refunds	<u>(511,626)</u>	<u>(442,376)</u>
<b>Net change in total pension liability</b>	503,787	130,384
<b>Total pension liability - beginning</b>	<u>6,653,095</u>	<u>6,522,711</u>
<b>Total pension liability - ending</b>	<u>\$ 7,156,882</u>	<u>\$ 6,653,095</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 124,992	\$ 144,279
Contributions - employee	17,758	42,213
Net investment income (loss)	(66,801)	294,080
Benefit payments, including employee refunds	(511,626)	(442,376)
Administrative expenses	<u>(10,034)</u>	<u>(10,757)</u>
<b>Net change in plan fiduciary net position</b>	(445,711)	27,439
<b>Total plan fiduciary net position - beginning</b>	<u>4,739,110</u>	<u>4,711,671</u>
<b>Total plan fiduciary net position - ending</b>	<u>\$ 4,293,399</u>	<u>\$ 4,739,110</u>
<b>City's net pension liability</b>	\$ 2,863,483	\$ 1,913,985
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	59.99%	71.23%
<b>Covered employee payroll</b>	\$ 336,233	\$ 423,158
<b>City's net pension liability as a percentage of covered payroll</b>	851.64%	452.31%

# CITY OF VASSAR

## SCHEDULE OF CITY DEFINED BENEFIT PLAN PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 129,780	\$ 120,592	\$ 107,999	\$ 97,524	\$ 98,425
Contributions in relation to the actuarially determined contribution	<u>129,780</u>	<u>120,592</u>	<u>107,999</u>	<u>97,524</u>	<u>98,425</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 336,233	\$ 423,158	\$ 701,947	\$ 797,406	\$ 877,218
Actuarially determined contribution as a percentage of covered-employee payroll	38.60%	28.50%	15.39%	12.23%	11.22%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 111,621	\$ 85,122	\$ 94,683	\$ 96,276	\$ 105,265
Contributions in relation to the actuarially determined contribution	<u>111,621</u>	<u>85,122</u>	<u>94,683</u>	<u>96,276</u>	<u>105,265</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 903,337	\$ 971,068	\$ 969,326	\$ 1,018,319	\$ 1,001,592
Actuarially determined contribution as a percentage of covered-employee payroll	12.36%	8.77%	9.77%	9.45%	10.51%

### 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	23 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	50-60 years of age depending on years of service credited
Mortality	RP-2014 Group Annuity Mortality Table of a 50% Male - 50% Female blend
Assumption and method changes	Mortality table was adjusted to reflect longer lifetimes Assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75% Asset smoothing was changed from 10 to 5 years

# CITY OF VASSAR

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## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

<i>Actuarial Valuation Date</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Market Value of Assets</i>	<i>Unfunded Accrued Actuarial Liability (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
12/31/2010	\$ 955,940	\$ -	\$ 955,940	0.0%	Not avail.	Not avail.
7/1/2012	950,470	24,975	925,495	2.6%	Not avail.	Not avail.
7/1/2015	636,969	68,788	568,181	10.8%	Not avail.	Not avail.

# CITY OF VASSAR

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	<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	\$ 622,286	\$ 627,086	\$ 626,322	\$ (764)
Licenses and permits	12,700	13,500	14,664	1,164
State grants	321,256	321,256	379,181	57,925
Contributions from other units	8,700	9,200	9,200	-
Charges for services	276,395	276,655	268,265	(8,390)
Fines and forfeits	5,000	2,000	3,033	1,033
Interest and rents	81,560	94,645	101,239	6,594
Other revenue	82,589	151,015	53,101	(97,914)
Total revenues	<u>1,410,486</u>	<u>1,495,357</u>	<u>1,455,005</u>	<u>(40,352)</u>
Current				
General government				
Mayor and Council	9,505	9,505	7,648	(1,857)
Manager	97,168	100,093	91,542	(8,551)
Clerk	36,650	13,408	9,700	(3,708)
Audit	8,900	11,900	11,900	-
Information technology	11,200	20,700	18,626	(2,074)
Treasurer	80,162	85,522	88,945	3,423
Assessor	11,376	12,926	12,425	(501)
Hall	72,355	91,508	91,444	(64)
Attorney	15,000	15,000	6,018	(8,982)
Cemetery	29,666	31,363	28,710	(2,653)
Total general government	<u>371,982</u>	<u>391,925</u>	<u>366,958</u>	<u>(24,967)</u>
Public safety				
Police department	<u>390,429</u>	<u>411,826</u>	<u>411,707</u>	<u>(119)</u>
Public works				
Department of public works	64,652	68,424	63,119	(5,305)
Sidewalks	5,215	5,365	1,919	(3,446)
Street lighting	63,650	63,650	58,036	(5,614)
Parking lot	6,276	7,526	6,017	(1,509)
Refuse	111,559	111,559	108,119	(3,440)
Total public works	<u>251,352</u>	<u>256,524</u>	<u>237,210</u>	<u>(19,314)</u>
Health and welfare				
Ambulance	<u>21,576</u>	<u>21,576</u>	<u>21,576</u>	<u>-</u>
Recreation and culture				
Parks and recreation	<u>96,659</u>	<u>90,771</u>	<u>76,370</u>	<u>(14,401)</u>

continued

# CITY OF VASSAR

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Other				
Insurance	11,138	12,138	11,360	(778)
Capital outlay	113,300	77,300	10,535	(66,765)
Debt service				
Principal	34,340	34,340	34,340	-
Interest and fees	20,086	20,086	20,088	2
Total debt service	54,426	54,426	54,428	2
Total expenditures	1,310,862	1,316,486	1,190,144	(126,342)
Excess (deficiency) of revenues over expenditures	99,624	178,871	264,861	85,990
<b>Other financing sources (uses):</b>				
Transfers from other funds	300	300	2,560	2,260
Transfers to other funds	(70,000)	(70,000)	(70,000)	-
Total other financing sources (uses)	(69,700)	(69,700)	(67,440)	2,260
Change in fund balance	29,924	109,171	197,421	88,250
Fund balance, beginning of year, restated	803,449	803,449	803,449	-
Fund balance, end of year	<u>\$ 833,373</u>	<u>\$ 912,620</u>	<u>\$ 1,000,870</u>	<u>\$ 88,250</u>

# CITY OF VASSAR

## MAJOR STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	<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	\$ 38,562	\$ 38,875	\$ 38,874	\$ (1)
State grants	146,795	180,064	201,432	21,368
Interest and rents	50	50	44	(6)
Total revenues	<u>185,407</u>	<u>218,989</u>	<u>240,350</u>	<u>21,361</u>
<b>Expenditures:</b>				
Current				
Public works	<u>163,793</u>	<u>163,952</u>	<u>150,741</u>	<u>(13,211)</u>
Excess (deficiency) of revenues over expenditures	<u>21,614</u>	<u>55,037</u>	<u>89,609</u>	<u>34,572</u>
<b>Other financing uses:</b>				
Transfers to other funds	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Change in fund balance	(8,386)	25,037	59,609	34,572
Fund balance, beginning of year	<u>177,888</u>	<u>177,888</u>	<u>177,888</u>	<u>-</u>
Fund balance, end of year	<u>\$ 169,502</u>	<u>\$ 202,925</u>	<u>\$ 237,497</u>	<u>\$ 34,572</u>

***OTHER SUPPLEMENTARY INFORMATION***



# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

June 30, 2016

	<i>Special Revenue Funds</i>			
	<i>Local Street Fund</i>	<i>Highway Fund</i>	<i>Fire Fund</i>	<i>Drug Law Enforcement Fund</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 95,141	\$ 23,787	\$ 109,725	\$ 20
Accounts receivable	-	-	-	-
Special assessments receivable	557	-	-	-
Notes receivable	-	-	-	-
Due from other governmental units	12,942	5,143	-	-
Prepaid expenditures	2,839	-	322	-
	<u>2,839</u>	<u>-</u>	<u>322</u>	<u>-</u>
Total assets	<u>\$ 111,479</u>	<u>\$ 28,930</u>	<u>\$ 110,047</u>	<u>\$ 20</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 925	\$ -	\$ 1,431	\$ -
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>925</u>	<u>-</u>	<u>1,431</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenditures	2,839	-	322	-
Long term receivables	-	-	-	-
Nonexpendable cemetery principal	-	-	-	-
Restricted for:				
Streets	107,715	28,930	-	-
Fire protection services	-	-	108,294	-
Drug law enforcement	-	-	-	20
Community and economic development	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>110,554</u>	<u>28,930</u>	<u>108,616</u>	<u>20</u>
Total liabilities and fund balances	<u>\$ 111,479</u>	<u>\$ 28,930</u>	<u>\$ 110,047</u>	<u>\$ 20</u>

continued

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET, CONTINUED

June 30, 2016

	<i>Special Revenue Funds</i>		<i>Permanent Fund</i>	<i>Total</i>
	<i>Cool Cities Fund</i>	<i>DDA Loan Revolving Fund</i>	<i>Cemetery Perpetual Care Fund</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 688	\$ 18,041	\$ 139,715	\$ 387,117
Accounts receivable	-	-	401	401
Special assessments receivable	-	-	-	557
Notes receivable	-	4,354	-	4,354
Due from other governmental units	-	-	-	18,085
Prepaid expenditures	-	-	-	3,161
Total assets	<u>\$ 688</u>	<u>\$ 22,395</u>	<u>\$ 140,116</u>	<u>\$ 413,675</u>
<b>Liabilities and Fund Balances:</b>				
<i>Liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,356
Due to other funds	-	-	6,357	6,357
Total liabilities	<u>-</u>	<u>-</u>	<u>6,357</u>	<u>8,713</u>
<i>Fund balances:</i>				
Nonspendable:				
Prepaid expenditures	-	-	-	3,161
Long term receivables	-	3,754	-	3,754
Nonexpendable cemetery principal	-	-	133,759	133,759
Restricted for:				
Streets	-	-	-	136,645
Fire protection services	-	-	-	108,294
Drug law enforcement	-	-	-	20
Community and economic development	688	18,641	-	19,329
Total fund balances	<u>688</u>	<u>22,395</u>	<u>133,759</u>	<u>404,962</u>
Total liabilities and fund balances	<u>\$ 688</u>	<u>\$ 22,395</u>	<u>\$ 140,116</u>	<u>\$ 413,675</u>

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2016

	<i>Special Revenue Funds</i>			
	<i>Local Street Fund</i>	<i>Highway Fund</i>	<i>Fire Fund</i>	<i>Drug Law Enforcement Fund</i>
<b>Revenues:</b>				
Property taxes	\$ 19,350	\$ -	\$ -	\$ -
State grants	64,655	31,099	-	-
Contributions from other units	-	-	65,064	-
Charges for services	-	-	38,590	-
Interest and rents	16	7	44	-
Other revenue	4	-	4,110	-
Total revenues	<u>84,025</u>	<u>31,106</u>	<u>107,808</u>	<u>-</u>
<b>Expenditures:</b>				
Current				
Public safety	-	-	94,669	-
Public works	150,618	27,734	-	-
Community and economic development	-	-	-	-
Capital outlay	<u>2,220</u>	<u>-</u>	<u>7,199</u>	<u>-</u>
Total expenditures	<u>152,838</u>	<u>27,734</u>	<u>101,868</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(68,813)</u>	<u>3,372</u>	<u>5,940</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	<u>105,000</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Changes in fund balances	36,187	(1,628)	5,940	-
Fund balances, beginning of year, restated	<u>74,367</u>	<u>30,558</u>	<u>102,676</u>	<u>20</u>
Fund balances, end of year	<u>\$ 110,554</u>	<u>\$ 28,930</u>	<u>\$ 108,616</u>	<u>\$ 20</u>

continued

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		<u>Permanent</u>	<u>Total</u>
	<u>Cool Cities</u>	<u>DDA</u>	<u>Fund</u>	
	<u>Fund</u>	<u>Loan</u>	<u>Cemetery</u>	
		<u>Revolving</u>	<u>Perpetual</u>	
		<u>Fund</u>	<u>Care</u>	
			<u>Fund</u>	
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 19,350
State grants	-	-	-	95,754
Contributions from other units	-	-	-	65,064
Charges for services	-	-	-	38,590
Interest and rents	1	9	2,560	2,637
Other revenue	3,000	-	2,600	9,714
	<u>3,001</u>	<u>9</u>	<u>5,160</u>	<u>231,109</u>
<b>Expenditures:</b>				
Current				
Public safety	-	-	-	94,669
Public works	-	-	-	178,352
Community and economic development	3,494	-	-	3,494
Capital outlay	-	-	-	9,419
	<u>3,494</u>	<u>-</u>	<u>-</u>	<u>285,934</u>
Excess (deficiency) of revenues over expenditures	<u>(493)</u>	<u>9</u>	<u>5,160</u>	<u>(54,825)</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	-	-	(2,560)	97,440
Changes in fund balances	(493)	9	2,600	42,615
Fund balances, beginning of year, restated	<u>1,181</u>	<u>22,386</u>	<u>131,159</u>	<u>362,347</u>
Fund balances, end of year	<u>\$ 688</u>	<u>\$ 22,395</u>	<u>\$ 133,759</u>	<u>\$ 404,962</u>

# CITY OF VASSAR

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2016

#### 2006 COUNTY CONTRACT FINANCING

Issue dated August 1, 2006 in the amount of	\$	686,826
Less: Principal paid in prior years	(309,136)	
Principal paid in current year	<u>(34,340)</u>	
Balance payable at June 30, 2016	\$	<u>343,350</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>December 1</u></i>	<i><u>Interest due</u></i> <i><u>December 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2017	5.317%	\$ 34,340	\$ 18,310	\$ 52,650
2018	5.317%	34,340	16,434	50,774
2019	5.317%	34,340	14,608	48,948
2020	5.317%	34,340	12,782	47,122
2021	5.317%	34,340	10,986	45,326
2022	5.317%	34,340	9,130	43,470
2023	5.317%	34,340	7,304	41,644
2024	5.317%	34,340	5,478	39,818
2025	5.317%	34,340	3,662	38,002
2026	5.317%	<u>34,290</u>	<u>1,823</u>	<u>36,113</u>
		\$ <u>343,350</u>	\$ <u>100,517</u>	\$ <u>443,867</u>

# CITY OF VASSAR

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

June 30, 2016

**2012 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS**

Issue dated July 12, 2012 in the amount of	\$ 671,000
Less: Principal paid in prior years	(212,000)
Principal paid in current year	<u>(68,000)</u>
Balance payable at June 30, 2016	<u>\$ 391,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due</i>	<i>Interest due</i>	<i>Total Annual Requirement</i>
2017	2.190%	\$ 63,000	\$ 8,212	\$ 71,212
2018	2.190%	61,000	6,844	67,844
2019	2.190%	61,000	5,508	66,508
2020	2.190%	61,000	4,172	65,172
2021	2.190%	61,000	2,836	63,836
2022	2.190%	<u>84,000</u>	<u>1,380</u>	<u>85,380</u>
		<u>\$ 391,000</u>	<u>\$ 28,952</u>	<u>\$ 419,952</u>

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

Sewer Fund	\$ 220,524
Water Fund	<u>170,476</u>
	<u>\$ 391,000</u>

# CITY OF VASSAR

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2016

#### 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		(67,000)
Principal paid in current year		<u>(44,000)</u>
Balance payable at June 30, 2016	\$	<u>649,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1</i>	<i>Interest due October 1</i>	<i>Interest due April 1</i>	<i>Total Annual Requirement</i>
2017	2.125%	\$ 13,000	\$ 7,236	\$ 7,098	\$ 27,334
2018	2.125%	13,000	7,098	6,959	27,057
2019	2.125%	13,000	6,959	6,821	26,780
2020	2.125%	14,000	6,821	6,673	27,494
2021	2.125%	14,000	6,673	6,524	27,197
2022	2.125%	14,000	6,524	6,375	26,899
2023	2.125%	14,000	6,375	6,226	26,601
2024	2.125%	15,000	6,226	6,067	27,293
2025	2.125%	15,000	6,067	5,908	26,975
2026	2.125%	15,000	5,908	5,748	26,656
2027	2.125%	16,000	5,748	5,578	27,326
2028	2.125%	16,000	5,578	5,408	26,986
2029	2.125%	16,000	5,408	5,238	26,646
2030	2.125%	17,000	5,238	5,058	27,296
2031	2.125%	17,000	5,058	4,877	26,935
2032	2.125%	18,000	4,877	4,686	27,563
2033	2.125%	18,000	4,686	4,494	27,180
2034	2.125%	18,000	4,494	4,303	26,797
2035	2.125%	19,000	4,303	4,101	27,404
2036	2.125%	19,000	4,101	3,899	27,000
2037	2.125%	19,000	3,899	3,698	26,597
2038	2.125%	20,000	3,698	3,485	27,183
2039	2.125%	20,000	3,485	3,273	26,758
2040	2.125%	21,000	3,273	3,049	27,322
2041	2.125%	21,000	3,049	2,826	26,875
2042	2.125%	22,000	2,826	2,593	27,419
2043	2.125%	22,000	2,593	2,359	26,952
2044	2.125%	23,000	2,359	2,114	27,473
2045	2.125%	23,000	2,114	1,870	26,984
2046	2.125%	23,000	1,870	1,626	26,496

continued

# CITY OF VASSAR

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

June 30, 2016

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

<u><i>Fiscal Year Ended</i></u>	<u><i>Interest Rate</i></u>	<u><i>Principal due October 1</i></u>	<u><i>Interest due October 1</i></u>	<u><i>Interest due April 1</i></u>	<u><i>Total Annual Requirement</i></u>
2047	2.125%	24,000	1,626	1,371	26,997
2048	2.125%	25,000	1,371	1,105	27,476
2049	2.125%	25,000	1,105	839	26,944
2050	2.125%	26,000	839	563	27,402
2051	2.125%	21,000	563	-	21,563
		<u>\$ 649,000</u>	<u>\$ 150,048</u>	<u>\$ 142,812</u>	<u>\$ 941,860</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, 2016, 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 4, 2016.

**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 4, 2016