

# **CITY OF VASSAR**

Tuscola County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2021

# CITY OF VASSAR

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## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Vassar as of and for the year ended June 30, 2021, 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, 2021, 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

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

During the year ended June 30, 2021, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8), schedule of changes in the net pension liability and related ratios (pages 51 and 52), schedule of defined benefit plan pension contributions (page 53), schedule of changes in the net OPEB liability and related ratios (page 54), schedule of OPEB plan contributions (page 55), schedule of OPEB investment returns (page 56) and budgetary comparison information (pages 57 through 59) 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 8, 2021 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 8, 2021

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

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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, 2021. 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 \$9,542,690 for the fiscal year ended June 30, 2021, compared to \$9,129,135 for the fiscal year ended June 30, 2020.
- In the City's governmental activities, revenues generated were \$2,644,730 while expenses totaled \$2,174,652.
- In the City's business-type activities, revenues generated were \$1,311,510 while expenses totaled \$1,370,232.
- Total net position increased by \$413,555.

### 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, 2021

The City has three types of funds:

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

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

The City maintains eight (8) individual governmental funds. Separate information is presented for the General Fund and Major Street Fund, which are considered to be "major" funds. Data from the other six (6) 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, 2021 is \$9,542,690, consisting of \$4,178,193 in governmental activities and \$5,423,219 in business-type activities.

# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$314,231. Governmental activities unrestricted net position is a deficit of \$780,596, while business-type activities unrestricted net position is a positive \$1,094,827.

The following table shows comparisons of total assets, total deferred outflows, total liabilities, total deferred inflows, and total net position in a condensed format at June 30, 2021 and June 30, 2020.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Assets:</b>						
Current and other assets	\$ 2,688,839	\$ 2,347,224	\$ 2,664,380	\$ 2,787,453	\$ 5,353,219	\$ 5,134,677
Capital assets, net	4,385,267	4,156,397	4,743,334	4,756,108	9,128,601	8,912,505
Total assets	7,074,106	6,503,621	7,407,714	7,543,561	14,481,820	14,047,182
<b>Deferred outflows</b>	3,280,761	173,262	63,850	112,745	3,344,611	286,007
<b>Liabilities:</b>						
Current and other liabilities	127,339	92,829	22,536	33,869	149,875	126,698
Long-term liabilities	5,930,261	2,751,423	2,019,776	2,136,807	7,950,037	4,888,230
Total liabilities	6,057,600	2,844,252	2,042,312	2,170,676	8,099,912	5,014,928
<b>Deferred inflows</b>	119,074	126,715	64,755	62,411	183,829	189,126
<b>Net position:</b>						
Net investment in capital assets	4,114,911	4,048,763	4,244,334	4,146,108	8,359,245	8,194,871
Restricted	843,878	779,202	25,336	22,169	869,214	801,371
Unrestricted (deficit)	(780,596)	(1,122,049)	1,094,827	1,254,942	314,231	132,893
Total net position	\$ 4,178,193	\$ 3,705,916	\$ 5,364,497	\$ 5,423,219	\$ 9,542,690	\$ 9,129,135

The City's combined total net position increased by \$413,555 during the current fiscal year. Governmental activities increased by \$472,277 while business-type activities decreased by \$58,722.

### Governmental Activities:

The total governmental revenue is reported at \$2,644,730, an increase of \$362,214 from the prior fiscal year. Total expenses increased by \$93,540 from the prior fiscal year.

### Business-type Activities:

The total business-type revenue is reported at \$1,311,510, an increase of \$129,336 from the prior fiscal year. Total expenses increased by \$65,530 from the prior fiscal year.



# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

The following table shows the comparison of the change in net position in a condensed format for the fiscal year ended June 30, 2021 and June 30, 2020:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 449,454	\$ 446,307	\$ 1,237,633	\$ 1,165,597	\$ 1,687,087	\$ 1,611,904
Operating grants	516,176	424,588	2,630	5,764	518,806	430,352
Capital grants	289,991	146,756	66,000	-	355,991	146,756
General revenues						
Property taxes	740,532	718,426	-	-	740,532	718,426
Franchise fees	32,132	32,435	-	-	32,132	32,435
Unrestricted grants	521,776	384,887	-	-	521,776	384,887
Investment earnings	4,394	13,332	5,247	10,813	9,641	24,145
Other	90,275	115,785	-	-	90,275	115,785
Total revenues	<u>2,644,730</u>	<u>2,282,516</u>	<u>1,311,510</u>	<u>1,182,174</u>	<u>3,956,240</u>	<u>3,464,690</u>
<b>Program Expenses:</b>						
General government	568,664	542,656	-	-	568,664	542,656
Public safety	619,960	558,192	-	-	619,960	558,192
Public works	768,500	838,472	-	-	768,500	838,472
Health and welfare	21,576	21,576	-	-	21,576	21,576
Community and economic development	29,999	20,475	-	-	29,999	20,475
Recreation and culture	116,013	89,299	-	-	116,013	89,299
Interest on long-term debt	49,940	10,442	-	-	49,940	10,442
Sewer	-	-	865,498	814,208	865,498	814,208
Water	-	-	504,734	490,494	504,734	490,494
Total program expenses	<u>2,174,652</u>	<u>2,081,112</u>	<u>1,370,232</u>	<u>1,304,702</u>	<u>3,544,884</u>	<u>3,385,814</u>
Increase (decrease) in net position before other	<u>470,078</u>	<u>201,404</u>	<u>(58,722)</u>	<u>(122,528)</u>	<u>411,356</u>	<u>78,876</u>
<b>Other items:</b>						
Contributions to principal	2,199	902	-	-	2,199	902
Sale of capital assets	-	2,029	-	-	-	2,029
Total other items	<u>2,199</u>	<u>2,931</u>	<u>-</u>	<u>-</u>	<u>2,199</u>	<u>2,931</u>
<b>Change in net position</b>	<u>472,277</u>	<u>204,335</u>	<u>(58,722)</u>	<u>(122,528)</u>	<u>413,555</u>	<u>81,807</u>
Net position, beginning of year	<u>3,705,916</u>	<u>3,501,581</u>	<u>5,423,219</u>	<u>5,545,747</u>	<u>9,129,135</u>	<u>9,047,328</u>
Net position, end of year	<u>\$ 4,178,193</u>	<u>\$ 3,705,916</u>	<u>\$ 5,364,497</u>	<u>\$ 5,423,219</u>	<u>\$ 9,542,690</u>	<u>\$ 9,129,135</u>

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

### **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, 2021, General Fund financing sources exceeded its financing uses by \$253,542, increasing its ending fund balance to \$1,737,560. The City's second major governmental fund, the Major Street Fund increased its ending fund balance by \$5,653 to \$344,866.

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

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$57,003. During the year, the City made budget amendments which changed the projection to a net decrease in fund balance of \$25,573. The actual results for the year yielded an increase in fund balance of \$253,542.

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

At June 30, 2021, the City of Vassar had \$9,128,601 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, 2020, this total was \$8,912,505. 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, 2021, the City of Vassar's total long-term indebtedness (not including compensated absences, net pension liability and net OPEB liability) was \$4,059,356, 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. During the current year, the City issued a bond in the amount of \$3,290,000 which was used to make an additional contribution to the MERS Defined Benefit Pension Plan in order to reduce its unfunded pension plan liability.

### **Future Economic Factors:**

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

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

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact Vassar City Hall, 287 E. Huron Avenue, Vassar, MI 48768.

***BASIC FINANCIAL STATEMENTS***

# CITY OF VASSAR

## STATEMENT OF NET POSITION

June 30, 2021

	<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	\$ 1,813,251	\$ 1,907,678	\$ 3,720,929	\$ 231,713
Investments	598,988	598,988	1,197,976	-
Receivables	198,777	126,159	324,936	48,835
Inventory	25,726	-	25,726	-
Prepaid expenses	52,097	6,219	58,316	5,700
Restricted cash and cash equivalents	-	25,336	25,336	-
Capital assets not being depreciated	942,383	294,283	1,236,666	52,663
Capital assets being depreciated, net	3,442,884	4,449,051	7,891,935	-
<b>Total assets</b>	<b>7,074,106</b>	<b>7,407,714</b>	<b>14,481,820</b>	<b>338,911</b>
<b>Deferred outflows of resources:</b>				
Related to pension	3,280,761	63,850	3,344,611	-
<b>Liabilities:</b>				
Accounts payable and accrued expenses	127,339	22,536	149,875	-
Long-term liabilities:				
Due within one year				
Current portion of long-term debt	258,682	98,000	356,682	-
Due in more than one year				
Compensated absences	36,461	6,797	43,258	-
Long-term debt	3,301,674	401,000	3,702,674	-
Net pension liability	2,176,902	1,422,099	3,599,001	-
Net OPEB liability	156,542	91,880	248,422	-
<b>Total liabilities</b>	<b>6,057,600</b>	<b>2,042,312</b>	<b>8,099,912</b>	<b>-</b>
<b>Deferred inflows of resources:</b>				
Related to pension	23,954	17,905	41,859	-
Related to OPEB	95,120	46,850	141,970	-
<b>Total deferred inflows of resources</b>	<b>119,074</b>	<b>64,755</b>	<b>183,829</b>	<b>-</b>
<b>Net position:</b>				
Net investment in capital assets	4,114,911	4,244,334	8,359,245	52,663
Restricted for:				
Community development	22,667	-	22,667	-
Fire protection services	61,559	-	61,559	-
Nonexpendable cemetery principal	142,610	-	142,610	-
Repair, replacement and improvement	-	25,336	25,336	-
Street lighting	3,064	-	3,064	-
Streets	613,978	-	613,978	-
Unrestricted (deficit)	(780,596)	1,094,827	314,231	286,248
<b>Total net position</b>	<b>\$ 4,178,193</b>	<b>\$ 5,364,497</b>	<b>\$ 9,542,690</b>	<b>\$ 338,911</b>

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

<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	\$ 568,664	\$ 93,048	\$ -	\$ -	\$ (475,616)
Public safety	619,960	109,542	558	65,398	(444,462)
Public works	768,500	217,208	482,868	210,602	142,178
Health and welfare	21,576	21,582	-	-	6
Community and economic development	29,999	149	-	-	(29,850)
Recreation and culture	116,013	7,925	32,750	13,991	(61,347)
Interest/bond discount on debt	49,940	-	-	-	(49,940)
Total governmental activities	<u>2,174,652</u>	<u>449,454</u>	<u>516,176</u>	<u>289,991</u>	<u>(919,031)</u>
<i>Business-type activities:</i>					
Sewer	865,498	781,396	-	-	(84,102)
Water	504,734	456,237	2,630	66,000	20,133
Total business-type activities	<u>1,370,232</u>	<u>1,237,633</u>	<u>2,630</u>	<u>66,000</u>	<u>(63,969)</u>
Total primary government	<u>\$ 3,544,884</u>	<u>\$ 1,687,087</u>	<u>\$ 518,806</u>	<u>\$ 355,991</u>	<u>\$ (983,000)</u>
<b>COMPONENT UNITS:</b>					
Economic development corporation	\$ 18,849	\$ 1,815	\$ -	\$ -	\$ (17,034)
Downtown development authority	12,377	-	-	-	(12,377)
Total component units	<u>\$ 31,226</u>	<u>\$ 1,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,411)</u>

continued

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2021

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (919,031)	\$ (63,969)	\$ (983,000)	\$ (29,411)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	728,532	-	728,532	-
Property taxes, captured by component units	-	-	-	51,547
Payment in lieu of property taxes	12,000	-	12,000	-
Franchise fees	32,132	-	32,132	-
Grants and contributions not restricted to specific programs	521,776	-	521,776	-
Unrestricted investment earnings	4,394	5,247	9,641	196
Other	90,275	-	90,275	780
Contributions to principal of permanent fund	2,199	-	2,199	-
Total general revenues and contributions to principal	1,391,308	5,247	1,396,555	52,523
Changes in net position	472,277	(58,722)	413,555	23,112
Net position, beginning of year	3,705,916	5,423,219	9,129,135	315,799
Net position, end of year	\$ 4,178,193	\$ 5,364,497	\$ 9,542,690	\$ 338,911

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

# CITY OF VASSAR

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2021

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,013,179	\$ 311,574	\$ 488,498	\$ 1,813,251
Investments	598,988	-	-	598,988
Utility bills receivable	1,078	-	-	1,078
Accounts receivable	13,012	-	400	13,412
Notes receivable	58,514	-	2,153	60,667
Due from other governments	60,846	44,232	18,542	123,620
Due from other funds	7,347	-	-	7,347
Inventory	25,726	-	-	25,726
Prepaid expenditures	49,377	917	1,803	52,097
Total assets	<u>\$ 1,828,067</u>	<u>\$ 356,723</u>	<u>\$ 511,396</u>	<u>\$ 2,696,186</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 68,275	\$ 11,857	\$ 8,101	\$ 88,233
Accrued expenses	18,148	-	-	18,148
Due to other governments	4,064	-	-	4,064
Due to other funds	-	-	7,347	7,347
Deposits payable	20	-	-	20
Total liabilities	<u>90,507</u>	<u>11,857</u>	<u>15,448</u>	<u>117,812</u>
<b>Fund balances:</b>				
Nonspendable	133,617	917	145,608	280,142
Restricted	28,064	343,949	350,340	722,353
Assigned	501,897	-	-	501,897
Unassigned	1,073,982	-	-	1,073,982
Total fund balances	<u>1,737,560</u>	<u>344,866</u>	<u>495,948</u>	<u>2,578,374</u>
Total liabilities and fund balances	<u>\$ 1,828,067</u>	<u>\$ 356,723</u>	<u>\$ 511,396</u>	<u>\$ 2,696,186</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, 2021

**Fund balances of governmental funds** \$ 2,578,374

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	633,962
Capital assets being depreciated, net	3,751,305

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

Net pension liability	(2,176,902)
Deferred outflows related to net pension liability	3,280,761
Net OPEB liability	(156,542)
Deferred inflows related to net pension liability	(23,954)
Deferred inflows related to net OPEB liability	(95,120)

Certain liabilities are not due and payable in the current period and are not reported in the funds.

Accrued interest payable	(16,874)
Compensated absences payable	(36,461)
Long-term debt	<u>(3,560,356)</u>

**Net position of governmental activities** \$ 4,178,193

*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, 2021

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Revenues:</b>				
Property taxes	\$ 740,532	\$ -	\$ -	\$ 740,532
Special assessments	173,107	-	43,600	216,707
Licenses and permits	114,057	-	-	114,057
Federal grants	32,807	-	-	32,807
State grants	505,958	279,540	107,610	893,108
Contributions from other units	74,898	42,067	20,940	137,905
Charges for services	140,120	-	97,758	237,878
Fines and forfeits	465	-	-	465
Interest and rents	81,153	374	360	81,887
Other revenue	42,925	-	249	43,174
	<u>1,906,022</u>	<u>321,981</u>	<u>270,517</u>	<u>2,498,520</u>
<b>Expenditures:</b>				
Current				
General government	1,596,829	-	-	1,596,829
Public safety	1,559,131	-	91,578	1,650,709
Public works	1,457,697	146,881	170,643	1,775,221
Health and welfare	21,576	-	-	21,576
Community and economic development	18,318	-	11,681	29,999
Recreation and culture	97,250	-	-	97,250
Capital outlay	86,821	109,447	20,357	216,625
Debt service				
Principal	43,266	-	-	43,266
Interest and fees	13,095	-	-	13,095
	<u>4,893,983</u>	<u>256,328</u>	<u>294,259</u>	<u>5,444,570</u>
Excess (deficiency) of revenues over expenditures	<u>(2,987,961)</u>	<u>65,653</u>	<u>(23,742)</u>	<u>(2,946,050)</u>
<b>Other financing sources (uses):</b>				
Bond proceeds	3,290,000	-	-	3,290,000
Bond discount	(26,156)	-	-	(26,156)
Interfund transfers in	-	-	82,341	82,341
Interfund transfers out	(22,341)	(60,000)	-	(82,341)
	<u>3,241,503</u>	<u>(60,000)</u>	<u>82,341</u>	<u>3,263,844</u>
Net other financing sources (uses)	<u>3,241,503</u>	<u>(60,000)</u>	<u>82,341</u>	<u>3,263,844</u>
Changes in fund balances	253,542	5,653	58,599	317,794
Fund balances, beginning of year	1,484,018	339,213	437,349	2,260,580
Fund balances, end of year	<u>\$ 1,737,560</u>	<u>\$ 344,866</u>	<u>\$ 495,948</u>	<u>\$ 2,578,374</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, 2021

<b>Changes in fund balances of governmental funds</b>	\$ 317,794
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 capitalized assets	177,085
Contributed capitalized assets	210,602
Depreciation expense	(158,817)
Proceeds from bond issuances are revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(3,290,000)
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	(10,689)
Change in compensated absences payable	(6,213)
Change in long-term debt	43,266
Change in net pension liability and related deferred outflows and deferred inflows	2,960,013
Change in net OPEB liability and related deferred outflows and deferred inflows	<u>229,236</u>
<b>Change in net position of governmental activities</b>	<u>\$ 472,277</u>

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

# CITY OF VASSAR

## PROPRIETARY FUNDS STATEMENT OF NET POSITION

June 30, 2021

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,271,050	\$ 636,628	\$ 1,907,678
Investments	324,452	274,536	598,988
Utility bills receivable	79,226	46,188	125,414
Accounts receivable	745	-	745
Prepaid expenses	3,214	3,005	6,219
Total current assets	<u>1,678,687</u>	<u>960,357</u>	<u>2,639,044</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents			
USDA RRI reserve	25,336	-	25,336
Capital assets not being depreciated	33,422	260,861	294,283
Capital assets being depreciated, net	2,772,174	1,676,877	4,449,051
Total noncurrent assets	<u>2,830,932</u>	<u>1,937,738</u>	<u>4,768,670</u>
Total assets	<u>4,509,619</u>	<u>2,898,095</u>	<u>7,407,714</u>
<b>Deferred outflows of resources:</b>			
Related to pension	<u>31,925</u>	<u>31,925</u>	<u>63,850</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	6,892	12,979	19,871
Accrued interest payable	2,464	201	2,665
Bonds payable - current	61,376	36,624	98,000
Total current liabilities	<u>70,732</u>	<u>49,804</u>	<u>120,536</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable	2,898	3,899	6,797
Bonds payable	401,000	-	401,000
Net pension liability	706,696	715,403	1,422,099
Net OPEB liability	47,332	44,548	91,880
Total noncurrent liabilities	<u>1,157,926</u>	<u>763,850</u>	<u>1,921,776</u>
Total liabilities	<u>1,228,658</u>	<u>813,654</u>	<u>2,042,312</u>
<b>Deferred inflows of resources:</b>			
Related to pension	9,242	8,663	17,905
Related to OPEB	24,135	22,715	46,850
Total deferred inflows of resources	<u>33,377</u>	<u>31,378</u>	<u>64,755</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, 2021

	<u><i>Sewer Fund</i></u>	<u><i>Water Fund</i></u>	<u><i>Total</i></u>
<b>Net position:</b>			
Net investment in capital assets	2,343,220	1,901,114	4,244,334
Restricted for:			
Repair, replacement and improvement	25,336	-	25,336
Unrestricted	<u>910,953</u>	<u>183,874</u>	<u>1,094,827</u>
Total net position	<u>\$ 3,279,509</u>	<u>\$ 2,084,988</u>	<u>\$ 5,364,497</u>

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

# CITY OF VASSAR

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

Year Ended June 30, 2021

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services			
Sales	\$ 760,976	\$ 434,497	\$ 1,195,473
Penalties	-	14,990	14,990
Other	20,420	6,750	27,170
Total operating revenues	<u>781,396</u>	<u>456,237</u>	<u>1,237,633</u>
<b>Operating expenses:</b>			
Salaries and fringe benefits	326,917	228,506	555,423
Supplies	30,770	23,404	54,174
Contracted services	16,130	19,386	35,516
Administrative expense	40,000	40,000	80,000
Other services and charges	190,085	105,985	296,070
Depreciation	250,592	86,238	336,830
Total operating expenses	<u>854,494</u>	<u>503,519</u>	<u>1,358,013</u>
Operating income (loss)	<u>(73,098)</u>	<u>(47,282)</u>	<u>(120,380)</u>
<b>Non-operating revenues (expenses):</b>			
State grants	-	2,630	2,630
Interest income	2,020	3,227	5,247
Interest expense	(11,004)	(1,215)	(12,219)
Net non-operating revenues	<u>(8,984)</u>	<u>4,642</u>	<u>(4,342)</u>
Changes in net position before capital contributions	(82,082)	(42,640)	(124,722)
<b>Capital contributions - other governments</b>	<u>-</u>	<u>66,000</u>	<u>66,000</u>
Changes in fund net position	(82,082)	23,360	(58,722)
Net position, beginning of year	<u>3,361,591</u>	<u>2,061,628</u>	<u>5,423,219</u>
Net position, end of year	<u>\$ 3,279,509</u>	<u>\$ 2,084,988</u>	<u>\$ 5,364,497</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, 2021

	<u><i>Sewer Fund</i></u>	<u><i>Water Fund</i></u>	<u><i>Total</i></u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 851,373	\$ 472,640	\$ 1,324,013
Payments for interfund services	(46,352)	(55,226)	(101,578)
Payments to and on behalf of employees	(262,873)	(145,764)	(408,637)
Payments to suppliers for goods and services	(283,084)	(196,429)	(479,513)
Net cash provided (used) by operating activities	<u>259,064</u>	<u>75,221</u>	<u>334,285</u>
<b>Cash flows from non-capital financing activities:</b>			
State grants	<u>-</u>	<u>2,630</u>	<u>2,630</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions - other governments	-	66,000	66,000
Acquisition of capital assets	(39,875)	(284,181)	(324,056)
Principal payments on debt	(84,404)	(26,596)	(111,000)
Interest paid	(11,639)	(1,360)	(12,999)
Net cash provided (used) by capital and related financing activities	<u>(135,918)</u>	<u>(246,137)</u>	<u>(382,055)</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>2,020</u>	<u>3,227</u>	<u>5,247</u>
Net change in cash, cash equivalents and investments	125,166	(165,059)	(39,893)
Cash, cash equivalents and investments, beginning of year	<u>1,495,672</u>	<u>1,076,223</u>	<u>2,571,895</u>
Cash, cash equivalents and investments, end of year	<u>\$ 1,620,838</u>	<u>\$ 911,164</u>	<u>\$ 2,532,002</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (73,098)	\$ (47,282)	\$ (120,380)
Adjustments:			
Depreciation	250,592	86,238	336,830
Change in assets and liabilities:			
Utility bills receivable	70,722	16,403	87,125
Accounts receivable	(745)	-	(745)
Prepaid expenses	(1,514)	(1,686)	(3,200)
Accounts payable	(4,585)	(5,968)	(10,553)
Compensated absences payable	(6,748)	101	(6,647)
Net pension liability and related deferred outflows and deferred inflows	74,991	74,992	149,983
Net OPEB liability and related deferred outflows and deferred inflows	(50,551)	(47,577)	(98,128)
Net cash provided (used) by operating activities	<u>\$ 259,064</u>	<u>\$ 75,221</u>	<u>\$ 334,285</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, 2021

	<i>Pension (And Other Employee Benefits) Trust Fund</i>	<i>Custodial Fund</i>	
	<i>Health Plan OPEB Trust Fund</i>	<i>Current Tax Collection Fund</i>	<i>Total</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ 4,197	\$ 4,197
Investments			
MERS total market portfolio	<u>208,345</u>	<u>-</u>	<u>208,345</u>
Total assets	<u>208,345</u>	<u>4,197</u>	<u>212,542</u>
<b>Liabilities:</b>			
Accounts payable	<u>-</u>	<u>4,197</u>	<u>4,197</u>
<b>Net position:</b>			
Held in trust for retiree benefits	<u>208,345</u>	<u>-</u>	<u>208,345</u>
Total net position	<u>\$ 208,345</u>	<u>\$ -</u>	<u>\$ 208,345</u>

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

# CITY OF VASSAR

## FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION

Year Ended June 30, 2021

	<i>Pension (And Other Employee Benefits) Trust Fund</i>	<i>Custodial Fund</i>	
	<i>Health Plan OPEB Trust Fund</i>	<i>Current Tax Collection Fund</i>	<i>Total</i>
<b>Additions:</b>			
Employer contributions	\$ 30,000	\$ -	\$ 30,000
Investment income	28,770	-	28,770
Property taxes collected for other governments	-	1,184,766	1,184,766
Total additions	58,770	1,184,766	1,243,536
<b>Deductions:</b>			
Administrative fees	348	-	348
Property taxes paid to other governments	-	1,184,766	1,184,766
Total deductions	348	1,184,766	1,185,114
Net change	58,422	-	58,422
Net position, beginning of year	149,923	-	130,769
Net position, end of year	\$ 208,345	\$ -	\$ 189,191

*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, 2021

	<i><u>Economic Development Corporation</u></i>	<i><u>Downtown Development Authority</u></i>	<i><u>Total</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 155,824	\$ 75,889	\$ 231,713
Notes receivable	48,835	-	48,835
Prepaid expenses	-	5,700	5,700
Capital assets not being depreciated	-	52,663	52,663
	<u>204,659</u>	<u>134,252</u>	<u>338,911</u>
Total assets			
<b>Net position:</b>			
Investment in capital assets	-	52,663	52,663
Unrestricted	<u>204,659</u>	<u>81,589</u>	<u>286,248</u>
	<u>\$ 204,659</u>	<u>\$ 134,252</u>	<u>\$ 338,911</u>
Total net position			

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

# CITY OF VASSAR

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

June 30, 2021

<b>Fund balances of component units</b>	\$ 286,248
Amounts reported for components units activities in the statement of net position are different because:	
Capital assets used in component units activities are not financial resources and are not reported in the funds.	
Capital assets not being depreciated	<u>52,663</u>
<b>Net position of component units</b>	<u><u>\$ 338,911</u></u>

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

# CITY OF VASSAR

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*COMPONENT UNITS*  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2021

	<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	\$ 27,129	\$ 24,418	\$ 51,547
Interest and rents	106	90	196
Other	<u>1,815</u>	<u>780</u>	<u>2,595</u>
Total revenues	<u>29,050</u>	<u>25,288</u>	<u>54,338</u>
<b>Expenses:</b>			
Community and economic development	<u>18,849</u>	<u>12,377</u>	<u>31,226</u>
Change in net position	10,201	12,911	23,112
Net position, beginning of year	<u>194,458</u>	<u>121,341</u>	<u>315,799</u>
Net position, end of year	<u>\$ 204,659</u>	<u>\$ 134,252</u>	<u>\$ 338,911</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, 2021

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Reporting Entity:**

The City is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a five member City Council elected by the community at large. The accompanying financial statements present the City and its component units, entities for which the City is considered financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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

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

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

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

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

#### **Report Presentation:**

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

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

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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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, 2021

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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** are used to account for the resources held in a fiduciary capacity. 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.

*Pension (And Other Postemployment Benefits) Trust Fund* is used to account for assets held by the City in a trustee capacity for the benefit of retirees and their beneficiaries. This includes the Health Plan OPEB Trust Fund. This fund is accounted for in essentially the same manner as proprietary funds, since capital maintenance is critical. They accumulate resources for benefits to qualified employees during retirement.

*Custodial Funds* report fiduciary activities that are not required to be reported in trust funds. This includes the Current Tax Collection Fund.

#### **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, 2021

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

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***Long-term Obligations*** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The General Fund, Sewer Fund, Water Fund, and debt service funds are generally used to liquidate long-term debt.

***Deferred Outflows/Inflows of Resources*** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category, which are deferred outflows of resources related to bond refunding costs and deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources are reported in the government-wide financial statements, the Sewer Fund and the Water Fund. The deferred outflows of resources related to the defined benefit pension plan result from two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting and therefore is reported only in the governmental funds.

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

***Fund Balance Flow Assumption*** – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.



# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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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 2020 tax is levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021, when the proceeds of the levy are budgeted and available for the financing of operations. The 2020 taxable valuation of the City totaled \$43,439,787 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 17.0000 mills for the City's operating purposes.

***Compensated Absences (Sick Leave)*** – It is the City's policy to permit employees to accumulate earned but unused sick days and to pay employees for those days upon termination or resignation per established policies. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

**Other Postemployment Benefit Costs (OPEB)** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the City of Vassar Retiree Health Care Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City of Vassar. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Proprietary Funds Operating Classification** – Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds is charges to customers for sales and services. The proprietary funds also recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not included in these classifications are reported as nonoperating.

#### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Interfund Activity:**

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

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

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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#### Budgetary Information:

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

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

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

	<i><u>Final</u></i> <i><u>Budget</u></i>	<i><u>Actual</u></i>	<i><u>Actual Over</u></i> <i><u>Final Budget</u></i>
<b>General Fund:</b>			
Current			
General government:			
Manager	\$ 95,988	\$ 98,691	\$ 2,703
Hall	288,237	1,340,329	1,052,092
Public safety			
Police	514,059	1,559,131	1,045,072
Public works			
Department of public works	127,074	1,186,382	1,059,308
Street lighting	63,850	73,215	9,365
Cemetery	35,940	42,670	6,730
Capital outlay			
General government			
Hall	21,700	21,940	240
Other financing uses			
Bond discount	-	26,156	26,156
Interfund transfers out	22,000	22,341	341

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### NOTE 3: DEPOSITS AND INVESTMENTS

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

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

**Custodial Credit Risk of Bank Deposits:** The risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a deposit policy for custodial credit risk. At year-end, the City and its component units had \$4,057,740 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$615,416 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.

**Interest Rate Risk - Investments:** Interest rate risk is the risk that the value of fixed income investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City's investment policy does not have specific limits in excess of State law on investment maturities as a means on managing its exposure to fair value losses arising from increasing interest rates. At year end, the average maturities of fixed income security investments are as follows:

<u>Investment</u>	<u>Market Value</u>	<u>Less than 1 Year</u>
Municipal bonds	\$ 303,807	\$ 303,807
Unique assets - commercial paper	300,000	300,000
Short term investments - commercial paper	299,505	299,505
Money market	294,665	294,665
MERS total market portfolio	208,345	208,345
	<u>\$ 1,406,322</u>	<u>\$ 1,406,322</u>

**Credit Risk – Investments:** State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City's investment policy does not have specific limits in excess of state law on investment credit risk. At year end, the credit quality ratings of fixed income securities are as follow:

<u>Investment</u>	<u>Market Value</u>	<u>Rating Organization</u>	<u>Rating</u>
Municipal bonds	\$ 303,807	Fitch	AA+
Unique assets - commercial paper	300,000	Moody	A-1+
Short term investments - commercial paper	299,505	Moody	Aaa
Money market	294,665	Not Rated	N/A
MERS total market portfolio	208,345	Not Rated	N/A
	<u>\$ 1,406,322</u>		

**Custodial Credit Risk – Investments:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

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**Fair Value Measurements:** The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City has the following recurring fair value measurement as of June 30, 2021:

<i>Investment</i>	<i>Market Value</i>	<i>Level 1 Inputs</i>	<i>Level 2 Inputs</i>	<i>Level 3 Inputs</i>
Municipal bonds	\$ 303,807	\$ -	\$ 303,807	\$ -
Unique assets - commercial paper	300,000	-	300,000	-
Short term investments - commercial paper	299,505	-	299,505	-
Money market	294,665	294,665	-	-

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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 required that a Repair, Replacement and Improvement Account (the "RRI" Account) be established and funded as follows: The City shall deposit \$3,167 annually 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, 2021, the City's Sewer Fund had restricted cash and cash equivalents of \$25,336 for the RRI Account.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 568,687	\$ 18,500	\$ -	\$ 587,187
Construction in progress - infrastructure	-	355,196	-	355,196
Total capital assets not being depreciated	<u>568,687</u>	<u>373,696</u>	<u>-</u>	<u>942,383</u>
Capital assets being depreciated:				
Buildings and improvements	1,340,015	-	-	1,340,015
Equipment	1,025,876	13,991	-	1,039,867
Furniture and equipment	95,486	-	-	95,486
Infrastructure	3,603,396	-	-	3,603,396
Vehicles	1,077,797	-	-	1,077,797
Total capital assets being depreciated	<u>7,142,570</u>	<u>13,991</u>	<u>-</u>	<u>7,156,561</u>
Less accumulated depreciation for:				
Buildings and improvements	(904,703)	(23,697)	-	(928,400)
Equipment	(932,586)	(12,341)	-	(944,927)
Furniture and equipment	(54,219)	(10,972)	-	(65,191)
Infrastructure	(1,077,755)	(75,360)	-	(1,153,115)
Vehicles	(585,597)	(36,447)	-	(622,044)
Total accumulated depreciation	<u>(3,554,860)</u>	<u>(158,817)</u>	<u>-</u>	<u>(3,713,677)</u>
Capital assets being depreciated, net	<u>3,587,710</u>	<u>(144,826)</u>	<u>-</u>	<u>3,442,884</u>
Governmental activities, capital assets, net	<u>\$ 4,156,397</u>	<u>\$ 228,870</u>	<u>\$ -</u>	<u>\$ 4,385,267</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 43,009	\$ -	\$ -	\$ 43,009
Construction in progress	12,093	239,181	-	251,274
Total capital assets not being depreciated	<u>55,102</u>	<u>239,181</u>	<u>-</u>	<u>294,283</u>
Capital assets being depreciated:				
Equipment	661,845	-	-	661,845
Land improvements	9,412	-	-	9,412
Sewer system	9,894,096	39,875	-	9,933,971
Vehicles	80,493	-	-	80,493
Water system	3,618,611	45,000	(21,399)	3,642,212
Total capital assets being depreciated	<u>14,264,457</u>	<u>84,875</u>	<u>(21,399)</u>	<u>14,327,933</u>

continued

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 5: CAPITAL ASSETS, CONTINUED

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Less accumulated depreciation for:				
Equipment	(476,906)	(18,726)	-	(495,632)
Land improvements	(9,412)	-	-	(9,412)
Sewer system	(7,035,270)	(235,983)	-	(7,271,253)
Vehicles	(40,169)	(8,701)	-	(48,870)
Water system	(2,001,694)	(73,420)	21,399	(2,053,715)
Total accumulated depreciation	(9,563,451)	(336,830)	21,399	(9,878,882)
Capital assets being depreciated, net	4,701,006	(251,955)	-	4,449,051
Business-type activities, capital assets, net	<u>\$ 4,756,108</u>	<u>\$ (12,774)</u>	<u>\$ -</u>	<u>\$ 4,743,334</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	\$ 15,888	\$ -
Public safety	37,897	-
Public works	86,269	-
Recreation and culture	18,763	-
Sewer	-	250,592
Water	-	86,238
	<u>\$ 158,817</u>	<u>\$ 336,830</u>

### NOTE 6: LONG-TERM DEBT

The City may issue bonds, 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 contract financing are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other liabilities include compensated absences, net pension liability and net OPEB liability.

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2021:

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2021:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Direct Borrowings	\$ 313,622	\$ -	\$ (43,266)	\$ 270,356	\$ 43,682
Direct Placements	-	3,290,000	-	3,290,000	215,000
Compensated absences	30,248	6,213	-	36,461	-
Net pension liability	2,048,607	128,295	-	2,176,902	-
Net OPEB liability	358,946	-	(202,404)	156,542	-
Total governmental activities - long-term liabilities	<u>\$ 2,751,423</u>	<u>\$ 3,424,508</u>	<u>\$ (245,670)</u>	<u>\$ 5,930,261</u>	<u>\$ 258,682</u>
<b>Business-type activities:</b>					
Direct Placements	\$ 610,000	\$ -	\$ (111,000)	\$ 499,000	\$ 98,000
Compensated absences	13,444	-	(6,647)	6,797	-
Net pension liability	1,336,569	85,530	-	1,422,099	-
Net OPEB liability	176,794	-	(84,914)	91,880	-
Total business-type activities - long-term liabilities	<u>\$ 2,136,807</u>	<u>\$ 85,530</u>	<u>\$ (202,561)</u>	<u>\$ 2,019,776</u>	<u>\$ 98,000</u>

Debt issues outstanding are as follows:

	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
<b>Governmental activities:</b>				
<i>Direct Borrowings:</i>				
2006 County Contract Financing	2026	\$ 686,826	4.25%	\$ 171,647
2019 Installment Purchase Agreement	2030	107,634	3.95%	98,709
<i>Direct Placements:</i>				
2021 Limited Tax GO Pension Obligation Bonds	2030	3,290,000	.43-1.98%	3,290,000
<b>Business-type activities:</b>				
<i>Direct Placements:</i>				
2012 Limited Tax General Obligation Refunding Bonds	2022	671,000	2.19%	84,000
2013 Limited Tax General Obligation Capital Improvement Bond	2044	760,000	2.125%	415,000

The 2019 Installment Purchase agreement is collateralized by the equipment that was purchased.



# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Annual debt service requirements to maturity for governmental activities are as follows:

<i>Year Ended</i>	<i>Governmental Activities</i>			<i>Governmental Activities</i>		
	<i>Direct Borrowings</i>			<i>Direct Placements</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>June 30,</i>						
2022	\$ 43,682	\$ 11,193	\$ 54,875	\$ 215,000	\$ 38,283	\$ 253,283
2023	44,051	9,364	53,415	375,000	34,218	409,218
2024	44,434	7,522	51,956	375,000	32,324	407,324
2025	44,833	5,671	50,504	375,000	30,055	405,055
2026	45,189	3,790	48,979	380,000	26,823	406,823
2027-2030	48,167	4,777	52,944	1,570,000	54,841	1,624,841
	<u>\$ 270,356</u>	<u>\$ 42,317</u>	<u>\$ 312,673</u>	<u>\$ 3,290,000</u>	<u>\$ 216,544</u>	<u>\$ 3,506,544</u>

Annual debt service requirements to maturity for business-type activities are as follows:

<i>Year Ended</i>	<i>Business-type Activities</i>		
	<i>Direct Placements</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>June 30,</i>			
2022	\$ 98,000	\$ 10,102	\$ 108,102
2023	14,000	8,373	22,373
2024	15,000	8,065	23,065
2025	15,000	7,746	22,746
2026	15,000	7,427	22,427
2027-2031	82,000	32,047	114,047
2032-2036	92,000	22,802	114,802
2037-2041	101,000	12,591	113,591
2042-2044	67,000	2,156	69,156
	<u>\$ 499,000</u>	<u>\$ 111,309</u>	<u>\$ 610,309</u>

### NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2021 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Cemetery Trust Fund	<u>\$ 7,347</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.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

Interfund transfers reported in the fund statements were as follows:

<u>Interfund Transfers From</u>	<u>Interfund Transfers To</u>	<u>Amount</u>
General Fund	Cool Cities Fund	\$ 10,341
General Fund	Local Street Fund	12,000
Major Street Fund	Local Street Fund	60,000
		<u>\$ 82,341</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>				
Utility bills receivable	\$ 1,078	\$ 125,414	\$ 126,492	\$ -
Accounts receivable	13,412	745	14,157	-
Notes/Loans receivable				
Current portion	9,037	-	9,037	6,950
Long-term portion	51,630	-	51,630	41,885
Intergovernmental	<u>123,620</u>	<u>-</u>	<u>123,620</u>	<u>-</u>
Total receivables	<u>\$ 198,777</u>	<u>\$ 126,159</u>	<u>\$ 324,936</u>	<u>\$ 48,835</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts payable	\$ 88,233	\$ 19,871	\$ 108,104	\$ -
Accrued expenses	18,148	-	18,148	-
Intergovernmental	4,064	-	4,064	-
Deposits payable	20	-	20	-
Accrued interest payable	<u>16,874</u>	<u>2,665</u>	<u>19,539</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 127,339</u>	<u>\$ 22,536</u>	<u>\$ 149,875</u>	<u>\$ -</u>

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### NOTE 9: RISK MANAGEMENT

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The City obtains its general liability insurance coverage through Michigan Township Participating Plan.

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### NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

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

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

The City adopted MERS Restated Defined Contribution Plan under MERS Plan Document ("MERS Defined Contribution Plan") for all new employees of the City hired after July 1, 2012. The plan was implemented in September 2014 and is the only retirement pension plan available to new employees after that date. The City's Defined Contribution Pension Plan is a single employer defined contribution pension plan, established by the City and administered by the MERS Retirement Board. The City's contribution is 10% of each participant's base wages for the plan year contingent upon the participant contributing 5% of base wages. Contributions are immediately 100% vested. City contributions for the plan were \$49,759 and employee contributions for the plan were \$24,879 for the year ended June 30, 2021.

#### **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, 2020 valuation. All divisions are closed.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

	<u>Division 01 - Gnrl Non Union / Police Chief</u>	<u>Division 10 - Gnrl Union</u>	<u>Division 20 - Pol POAM</u>
Benefit Multiplier:	2.00% Multiplier (no max)	2.00% Multiplier (no max)	2.00% Multiplier (no max)
Normal Retirement Age:	60	60	55
Vesting:	10 years	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25	20 and Out
Early Retirement (Reduced):	50/25 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, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits (including refunds)	8
Active employees	3
Total	43

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

The City's minimum required contributions, for the current year, were \$26,604 monthly based on valuation payroll as of the December 31, 2018 valuation. The monthly amount by division was: division 01 - \$14,704, division 10 - \$8,659, and division 20 - \$3,241. 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, 2021 was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.5%; Salary Increases: 3.00% in the long-term; Investment rate of return: 7.35%, net of investment and administrative expenses including inflation.

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

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020 actuarial valuation, first impacting 2022 contributions.

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	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.75%	4.65%	2.50%	3.15%
Global Fixed Income	20.0%	3.75%	0.75%	2.50%	0.25%
Private Investments	20.0%	9.75%	1.95%	2.50%	1.45%
<b>TOTAL</b>	<b>100.0%</b>		<b>7.35%</b>		<b>4.85%</b>

**Discount rate** – The discount rate used to measure the total pension liability is 7.6%. 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 12/31/19	\$ 7,720,016	\$ 4,334,840	\$ 3,385,176
Service cost	25,170	-	25,170
Interest on total pension liability	565,298	-	565,298
Difference between expected and actual experience	214,279	-	214,279
Changes in assumptions	221,307	-	221,307
Employer contributions	-	290,544	(290,544)
Employee contributions	-	12,818	(12,818)
Net investment income	-	517,328	(517,328)
Benefit payments, including employee refunds	(588,936)	(588,936)	-
Administrative expenses	-	(8,461)	8,461
Net changes	437,118	223,293	213,825
Balances at 12/31/20	<u>\$ 8,157,134</u>	<u>\$ 4,558,133</u>	<u>\$ 3,599,001</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

The net pension liability is recorded as follows:

Governmental activities	\$ 2,176,902
Business-type activities	<u>1,422,099</u>
	<u>\$ 3,599,001</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 7.6%, as well as what the City’s net pension liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage higher (8.6%) than the current rate.

	<u>1% Decrease Rate 6.6%</u>	<u>Current Rate 7.6%</u>	<u>1% Increase Rate 8.6%</u>
Net pension liability at 12/31/20	\$ -	\$ 3,599,001	\$ -
Change in net pension liability as of 12/31/20	<u>849,500</u>	<u>-</u>	<u>(717,363)</u>
	<u>\$ 4,448,501</u>	<u>\$ 3,599,001</u>	<u>\$ 2,881,638</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, 2021, the City recognized pension expense of \$694,205. At June 30, 2021, 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	\$ -	\$ 41,859
Contributions subsequent to the measurement date	<u>3,344,611</u>	<u>-</u>
	<u>\$ 3,344,611</u>	<u>\$ 41,859</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental activities	\$ 3,280,761	\$ 23,954
Business-type activities	<u>63,850</u>	<u>17,905</u>
	<u>\$ 3,344,611</u>	<u>\$ 41,859</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 (\$3,344,611), which will impact the net pension liability in fiscal year 2022, rather than pension expense.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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<i>Year Ended</i>		
<u>June 30</u>	<u>Amount</u>	
2022	\$	19,076
2023		63,758
2024		(84,883)
2025		(39,810)

**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.

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

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

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

**Summary of Plan Participants** – As of June 30, 2020, Plan membership consisted of the following:

Retirees and beneficiaries	9
Active participants	<u>3</u>
Total	<u><u>12</u></u>

**Contributions** – The Plan was established and is being funded under the authority of the City and under agreements with the union representing various classes of employees. The Plan’s funding policy is that the City will contribute \$30,000 each year through 2027 to the OPEB trust, and continue to pay benefit payments from general operating funds – pay-as-you-go until plan assets are sufficient to pay plan benefits.

#### Assumptions and Methods

The City’s OPEB liability was measured as of June 30, 2021.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

**Actuarial Assumptions** – The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	2.00% (for purposes of allocating liability)
Investment rate of return	7.35% (including inflation)
20-year Aa Municipal bond rate	2.18% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Public Safety & General 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2020

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	5.25%
Global Fixed Income	20.0%	1.25%
Private Assets	20.0%	7.25%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.35%

**Discount rate** – The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed the City will make contributions of \$30,000 each year through 2027. Based on this assumption, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan members. There is no cross-over point. Therefore, the discount rate is equal to the investment rate of return. This discount rate is used to determine the Total OPEB Liability. As of June 30, 2020, the discount rate used to value OPEB liabilities was 3.73%.



# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

#### Net OPEB Liability

#### *Changes in the Net OPEB Liability*

	<i>Increase (Decrease)</i>		
	<i>Total OPEB Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Liability</i>
Balance at 6/30/20	\$ 685,663	\$ 149,923	\$ 535,740
Service cost	12,599	-	12,599
Interest	25,395	-	25,395
Experience (gains)/losses	5,522	-	5,522
Change in actuarial assumptions	(237,539)	-	(237,539)
Contributions to OPEB trust	-	30,000	(30,000)
Contributions/benefit paid from general operating funds	-	34,873	(34,873)
Net investment income	-	28,770	(28,770)
Benefit payments, including employee refunds	(34,873)	(34,873)	-
Administrative expenses	-	(348)	348
Net changes	(228,896)	58,422	(287,318)
Balance at 6/30/21	<u>\$ 456,767</u>	<u>\$ 208,345</u>	<u>\$ 248,422</u>

The net OPEB liability is recorded as follows:

Governmental activities	\$ 156,542
Business-type activities	<u>91,880</u>
	<u>\$ 248,422</u>

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
<b>Discount</b>			
Total OPEB liability	\$ 503,484	\$ 456,767	\$ 416,977
Plan fiduciary net position	<u>208,345</u>	<u>208,345</u>	<u>208,345</u>
Net OPEB liability	<u>\$ 295,139</u>	<u>\$ 248,422</u>	<u>\$ 208,632</u>
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
<b>Trend</b>			
Total OPEB liability	\$ 415,138	\$ 456,767	\$ 506,423
Plan fiduciary net position	<u>208,345</u>	<u>208,345</u>	<u>208,345</u>
Net OPEB liability	<u>\$ 206,793</u>	<u>\$ 248,422</u>	<u>\$ 298,078</u>

#### OPEB Expense

**Components of the City's OPEB expense for the fiscal year ended June 30, 2021** – Below are the components of the total OPEB expense:

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Service cost	\$ 12,599
Interest on total OPEB liability	25,395
Experience (gains)/losses	(135,794)
Change in actuarial assumptions	(154,542)
Projected earnings on OPEB plan investments	(8,270)
Investment earnings (gains)/losses	(2,227)
Administrative expenses	<u>348</u>
Total OPEB expense	<u>\$ (262,491)</u>

#### Net OPEB Liability

**OPEB plan fiduciary net position** – The OPEB plan fiduciary net position as of June 30, 2021 is \$208,345.

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Experience (gains)/losses	\$ -	\$ 14,012
Change in actuarial assumptions	-	116,795
Investment earnings (gains)/losses	<u>-</u>	<u>11,163</u>
Net OPEB liability	<u>\$ -</u>	<u>\$ 141,970</u>

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

Governmental activities	\$ -	\$ 95,120
Business-type activities	<u>-</u>	<u>46,850</u>
	<u>\$ -</u>	<u>\$ 141,970</u>

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

<i>Year Ending</i>	
<u>June 30</u>	<u>Amount</u>
2022	\$ (133,036)
2023	(2,049)
2024	(2,785)
2025	(4,100)
2026	-
Thereafter	-

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

Net OPEB liability 6/30/20	\$ 535,740
Total OPEB expense	(262,491)
Contributions	(64,873)
Change in deferred outflows of resources	(4,479)
Change in deferred inflows of resources	44,525
Net OPEB liability 6/30/21	<u>\$ 248,422</u>

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

Active participants	\$ 175,851
Retirees and beneficiaries	<u>280,917</u>
Total	<u>\$ 456,768</u>

### NOTE 12: FUND BALANCES

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

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$ 25,726	\$ -	\$ -	\$ 25,726
Prepaid expenditures	49,377	917	1,445	51,739
Long term receivables	58,514	-	1,553	60,067
Nonexpendable cemetery				
principal	-	-	142,610	142,610
Total nonspendable	<u>133,617</u>	<u>917</u>	<u>145,608</u>	<u>280,142</u>
Restricted for:				
Community development	-	-	21,114	21,114
Fire protection services	-	-	61,032	61,032
Street lighting	3,064	-	-	3,064
Streets	-	343,949	268,194	612,143
Youth football field project	25,000	-	-	25,000
Total restricted	<u>28,064</u>	<u>343,949</u>	<u>350,340</u>	<u>722,353</u>
Assigned to:				
Cemetery operations	63,705	-	-	63,705
Parks and recreation	207,492	-	-	207,492
Equipment replacement	194,711	-	-	194,711
Accumulated employee benefits	35,989	-	-	35,989
Total assigned	<u>501,897</u>	<u>-</u>	<u>-</u>	<u>501,897</u>
Unassigned	<u>1,073,982</u>	<u>-</u>	<u>-</u>	<u>1,073,982</u>
Total fund balances	<u>\$ 1,737,560</u>	<u>\$ 344,866</u>	<u>\$ 495,948</u>	<u>\$ 2,578,374</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 25,170	\$ 30,673	\$ 36,767	\$ 37,655
Interest on total pension liability	565,298	571,844	566,348	560,638
Difference between expected and actual experience	214,279	17,555	18,776	10,385
Changes in assumptions	221,307	246,575	-	-
Benefit payments, including employee refunds	(588,936)	(558,701)	(541,590)	(532,114)
Other changes	-	-	-	(1)
<b>Net change in total pension liability</b>	<u>437,118</u>	<u>307,946</u>	<u>80,301</u>	<u>76,563</u>
<b>Total pension liability - beginning</b>	<u>7,720,016</u>	<u>7,412,070</u>	<u>7,331,769</u>	<u>7,255,206</u>
<b>Total pension liability - ending</b>	<u>\$ 8,157,134</u>	<u>\$ 7,720,016</u>	<u>\$ 7,412,070</u>	<u>\$ 7,331,769</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 290,544	\$ 244,500	\$ 208,188	\$ 173,742
Contributions - employee	12,818	13,277	13,877	15,561
Net investment income (loss)	517,328	541,261	(169,796)	560,766
Benefit payments, including employee refunds	(588,936)	(558,701)	(541,590)	(532,114)
Administrative expenses	(8,461)	(9,315)	(8,665)	(8,913)
<b>Net change in plan fiduciary net position</b>	<u>223,293</u>	<u>231,022</u>	<u>(497,986)</u>	<u>209,042</u>
<b>Total plan fiduciary net position - beginning</b>	<u>4,334,840</u>	<u>4,103,818</u>	<u>4,601,804</u>	<u>4,392,762</u>
<b>Total plan fiduciary net position - ending</b>	<u>\$ 4,558,133</u>	<u>\$ 4,334,840</u>	<u>\$ 4,103,818</u>	<u>\$ 4,601,804</u>
<b>City's net pension liability</b>	\$ 3,599,001	\$ 3,385,176	\$ 3,308,252	\$ 2,729,965
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	55.88%	56.15%	55.37%	62.77%
<b>Covered employee payroll</b>	\$ 204,035	\$ 246,335	\$ 293,918	\$ 296,478
<b>City's net pension liability as a percentage of covered employee payroll</b>	1763.91%	1374.22%	1125.57%	920.80%

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

continued

# CITY OF VASSAR

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 41,923	\$ 40,328	\$ 50,789
Interest on total pension liability	553,374	529,440	521,971
Difference between expected and actual experience	24,363	73,066	-
Changes in assumptions	-	372,579	-
Benefit payments, including employee refunds	(521,336)	(511,626)	(442,376)
Other changes	-	-	-
<b>Net change in total pension liability</b>	<u>98,324</u>	<u>503,787</u>	<u>130,384</u>
<b>Total pension liability - beginning</b>	<u>7,156,882</u>	<u>6,653,095</u>	<u>6,522,711</u>
<b>Total pension liability - ending</b>	<u>\$ 7,255,206</u>	<u>\$ 7,156,882</u>	<u>\$ 6,653,095</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 144,024	\$ 124,992	\$ 144,279
Contributions - employee	15,872	17,758	42,213
Net investment income (loss)	470,103	(66,801)	294,080
Benefit payments, including employee refunds	(521,336)	(511,626)	(442,376)
Administrative expenses	(9,300)	(10,034)	(10,757)
<b>Net change in plan fiduciary net position</b>	<u>99,363</u>	<u>(445,711)</u>	<u>27,439</u>
<b>Total plan fiduciary net position - beginning</b>	<u>4,293,399</u>	<u>4,739,110</u>	<u>4,711,671</u>
<b>Total plan fiduciary net position - ending</b>	<u>\$ 4,392,762</u>	<u>\$ 4,293,399</u>	<u>\$ 4,739,110</u>
<b>City's net pension liability</b>	\$ 2,862,444	\$ 2,863,483	\$ 1,913,985
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	60.55%	59.99%	71.23%
<b>Covered employee payroll</b>	\$ 336,374	\$ 336,233	\$ 423,158
<b>City's net pension liability as a percentage of covered employee payroll</b>	850.97%	851.64%	452.31%

# CITY OF VASSAR

## SCHEDULE OF CITY DEFINED BENEFIT PLAN PENSION CONTRIBUTIONS

Last Ten Fiscal Years

<i>Fiscal Year Ended June 30,</i>	<i>Actuarially Determined Contribution</i>	<i>Employer Contributions</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Actuarially Determined Contribution as a Percentage of Covered Payroll</i>	<i>Contributions as Percentage of Covered Payroll</i>
2012	\$ 98,425	\$ 98,425	\$ -	\$ 877,218	11.2%	11.2%
2013	97,524	97,524	-	797,406	12.2%	12.2%
2014	107,999	107,999	-	701,947	15.4%	15.4%
2015	120,592	120,592	-	423,158	28.5%	28.5%
2016	129,780	129,780	-	336,233	38.6%	38.6%
2017	158,268	158,268	-	336,374	47.1%	47.1%
2018	189,216	189,216	-	296,478	63.8%	63.8%
2019	227,160	227,160	-	293,918	77.3%	77.3%
2020	261,840	261,840	-	246,335	106.3%	106.3%
2021	319,248	3,344,611	(3,025,363)	204,035	156.5%	1639.2%

### 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	10 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, effective with the December 31, 2019 valuation
Retirement age	Age 50-60
Mortality	50% Male - 50% Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables

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

# CITY OF VASSAR

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 12,599	\$ 22,765	\$ 18,521	\$ 15,049	\$ 11,645
Interest	25,395	30,965	30,562	27,705	29,463
Changes in benefit terms	-	-	-	-	-
Experience (gains)/losses	5,522	(294,013)	(4,725)	(4,787)	(574)
Changes in assumptions	(237,539)	(63,974)	57,816	113,158	79,464
Benefit payments, including refunds of employee contributions	(34,873)	(32,096)	(33,338)	(36,510)	(37,222)
Other changes	-	-	-	113,848	-
<b>Net change in total OPEB liability</b>	<b>(228,896)</b>	<b>(336,353)</b>	<b>68,836</b>	<b>228,463</b>	<b>82,776</b>
<b>Total OPEB liability - beginning</b>	<b>685,663</b>	<b>1,022,016</b>	<b>953,180</b>	<b>724,717</b>	<b>641,941</b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 456,767</u></b>	<b><u>\$ 685,663</u></b>	<b><u>\$ 1,022,016</u></b>	<b><u>\$ 953,180</u></b>	<b><u>\$ 724,717</u></b>
<b>Plan fiduciary net position</b>					
Contributions to OPEB trust	\$ 30,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Contributions/benefit payments made from general operating funds	34,873	32,096	33,338	36,510	37,222
Net investment income (loss)	28,770	4,422	5,457	5,303	6,956
Benefit payments, including refunds of employee contributions	(34,873)	(32,096)	(33,338)	(36,510)	(37,222)
Administrative expenses	(348)	(268)	(264)	(260)	(211)
<b>Net change in plan fiduciary net position</b>	<b>58,422</b>	<b>19,154</b>	<b>20,193</b>	<b>20,043</b>	<b>21,745</b>
<b>Total plan fiduciary net position - beginning</b>	<b>149,923</b>	<b>130,769</b>	<b>110,576</b>	<b>90,533</b>	<b>68,788</b>
<b>Total plan fiduciary net position - ending</b>	<b><u>\$ 208,345</u></b>	<b><u>\$ 149,923</u></b>	<b><u>\$ 130,769</u></b>	<b><u>\$ 110,576</u></b>	<b><u>\$ 90,533</u></b>
<b>City's net OPEB liability</b>	<b>\$ 248,422</b>	<b>\$ 535,740</b>	<b>\$ 891,247</b>	<b>\$ 842,604</b>	<b>\$ 634,184</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>45.6%</b>	<b>21.9%</b>	<b>12.8%</b>	<b>11.6%</b>	<b>12.5%</b>
<b>Covered employee payroll</b>	<b>\$ 1,141,962</b>	<b>\$ 1,040,268</b>	<b>\$ 1,054,294</b>	<b>\$ 1,014,069</b>	<b>\$ 1,014,369</b>
<b>City's net OPEB liability as a percentage of covered payroll</b>	<b>21.8%</b>	<b>51.5%</b>	<b>84.5%</b>	<b>83.1%</b>	<b>62.5%</b>

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



# CITY OF VASSAR

## SCHEDULE OF CITY OPEB CONTRIBUTIONS

<i>Fiscal Year Ended June 30,</i>	<i>Actuarially Determined Contribution</i>	<i>Employer Contributions</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Actuarially Determined Contribution as a Percentage of Covered Payroll</i>	<i>Contributions as Percentage of Covered Payroll</i>
2017	\$ 64,343	\$ 52,222	\$ 12,121	\$ 1,014,369	6.3%	5.1%
2018	76,061	51,510	24,551	1,014,069	7.5%	5.1%
2019	102,869	48,338	54,531	1,054,294	9.8%	4.6%
2020	127,985	47,096	80,889	1,040,268	12.3%	4.5%
2021	84,238	64,873	19,365	1,141,962	7.4%	5.7%

Assumption changes since prior valuation

- Mortality improvement scale updated from MP-2019 to MP-2020
- Medical trend tables to that prescribed by Public Act 202 for 2021
- Discount rate updated from 3.73% to 7.35%

### Notes to Schedule

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Reporting date	June 30, 2021
Amortization period	9 years
Actuarial methods	
Cost method	Entry age normal (level percentage of compensation)
Asset valuation method	Market value
Discount rate	3.73% for 2021 contribution; 7.35% for June 30, 2021 disclosure

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

# CITY OF VASSAR

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## SCHEDULE OF CITY OPEB INVESTMENT RETURNS

<i>Fiscal Year Ended June 30,</i>	<i>Annual Rate of Return*</i>
2017	12.99%
2018	7.68%
2019	2.67%
2020	2.32%
2021	28.12%

\* Annual money-weighted rate of return, net of investment expenses.

# CITY OF VASSAR

*GENERAL FUND*  
**BUDGETARY COMPARISON SCHEDULE**  
 Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			<i>Variances with</i>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<i>Final Budget</i>
				<i>Favorable</i>
				<i>(Unfavorable)</i>
<b>Revenues:</b>				
Property taxes	\$ 746,172	\$ 738,872	\$ 740,532	\$ 1,660
Special assessments	173,162	173,162	173,107	(55)
Licenses and permits	106,200	106,900	114,057	7,157
Federal grants	-	32,800	32,807	7
State grants	408,747	439,850	505,958	66,108
Contributions from other units	8,000	8,000	74,898	66,898
Charges for services	128,002	138,102	140,120	2,018
Fines and forfeits	1,000	1,000	465	(535)
Interest and rents	82,855	87,840	81,153	(6,687)
Other revenue	19,709	62,134	42,925	(19,209)
	<u>1,673,847</u>	<u>1,788,660</u>	<u>1,906,022</u>	<u>117,362</u>
<b>Expenditures:</b>				
Current				
General government				
Mayor and Council	9,505	9,505	8,847	658
Manager	93,388	95,988	98,691	(2,703)
Clerk	72,055	82,655	81,423	1,232
Audit	14,500	14,500	13,500	1,000
Information technology	10,450	10,450	8,838	1,612
Assessor	22,077	22,077	20,823	1,254
Elections	6,800	6,900	6,221	679
Hall	177,887	288,237	1,340,329	(1,052,092)
Attorney	10,000	20,000	18,157	1,843
Total general government	<u>416,662</u>	<u>550,312</u>	<u>1,596,829</u>	<u>(1,046,517)</u>
Public safety				
Police department	<u>473,932</u>	<u>514,059</u>	<u>1,559,131</u>	<u>(1,045,072)</u>
Public works				
Department of public works	114,074	127,074	1,186,382	(1,059,308)
Sidewalks	9,725	9,725	3,620	6,105
Street lighting	63,850	63,850	73,215	(9,365)
Parking lot	6,305	6,305	5,304	1,001
Refuse	153,900	153,900	146,506	7,394
Cemetery	33,720	35,940	42,670	(6,730)
Total public works	<u>381,574</u>	<u>396,794</u>	<u>1,457,697</u>	<u>(1,060,903)</u>
Health and welfare				
Ambulance	<u>21,576</u>	<u>21,576</u>	<u>21,576</u>	<u>-</u>
Community and economic development				
Economic development	<u>35,000</u>	<u>29,250</u>	<u>18,318</u>	<u>10,932</u>

continued

# CITY OF VASSAR

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2021

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Favorable</i>
				<i>(Unfavorable)</i>
Recreation and culture				
Parks and recreation department	72,400	123,400	97,250	26,150
Band	1,500	1,500	-	1,500
Total recreation and culture	<u>73,900</u>	<u>124,900</u>	<u>97,250</u>	<u>27,650</u>
Capital outlay				
General government				
Information technology	5,000	5,800	5,690	110
Hall	4,500	21,700	21,940	(240)
Public safety				
Police department	4,590	4,590	3,259	1,331
Public works				
Department of public works	57,000	56,999	9,185	47,814
Recreation and culture				
Parks and recreation department	75,000	89,000	46,747	42,253
Total capital outlay	<u>146,090</u>	<u>178,089</u>	<u>86,821</u>	<u>91,398</u>
Debt service				
Principal	43,328	43,266	43,266	-
Interest and fees	13,032	13,095	13,095	-
Total debt service	<u>56,360</u>	<u>56,361</u>	<u>56,361</u>	<u>-</u>
Total expenditures	<u>1,605,094</u>	<u>1,871,341</u>	<u>4,893,983</u>	<u>(3,022,512)</u>
Excess (deficiency) of revenues over expenditures	<u>68,753</u>	<u>(82,681)</u>	<u>(2,987,961)</u>	<u>(2,905,280)</u>
<b>Other financing sources (uses):</b>				
Bond proceeds	-	78,858	3,290,000	3,211,142
Bond discount	-	-	(26,156)	(26,156)
Interfund transfers in	250	250	-	(250)
Interfund transfers out	<u>(12,000)</u>	<u>(22,000)</u>	<u>(22,341)</u>	<u>(341)</u>
Net other financing sources (uses)	<u>(11,750)</u>	<u>57,108</u>	<u>3,241,503</u>	<u>3,184,395</u>
Change in fund balance	57,003	(25,573)	253,542	279,115
Fund balance, beginning of year	<u>1,484,018</u>	<u>1,484,018</u>	<u>1,484,018</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,541,021</u>	<u>\$ 1,458,445</u>	<u>\$ 1,737,560</u>	<u>\$ 279,115</u>

# CITY OF VASSAR

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## MAJOR STREET FUND BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State grants	\$ 295,266	\$ 295,266	\$ 279,540	\$ (15,726)
Contributions from other units	43,300	43,300	42,067	(1,233)
Interest and rents	<u>100</u>	<u>100</u>	<u>374</u>	<u>274</u>
Total revenues	<u>338,666</u>	<u>338,666</u>	<u>321,981</u>	<u>(16,685)</u>
<b>Expenditures:</b>				
Current				
Public works	185,515	153,293	146,881	6,412
Capital outlay	<u>69,600</u>	<u>109,447</u>	<u>109,447</u>	<u>-</u>
Total expenditures	<u>255,115</u>	<u>262,740</u>	<u>256,328</u>	<u>6,412</u>
Excess (deficiency) of revenues over expenditures	<u>83,551</u>	<u>75,926</u>	<u>65,653</u>	<u>(10,273)</u>
<b>Other financing sources (uses):</b>				
Interfund transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Change in fund balance	23,551	15,926	5,653	(10,273)
Fund balance, beginning of year	<u>339,213</u>	<u>339,213</u>	<u>339,213</u>	<u>-</u>
Fund balance, end of year	<u>\$ 362,764</u>	<u>\$ 355,139</u>	<u>\$ 344,866</u>	<u>\$ (10,273)</u>

***OTHER SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

June 30, 2021

	<i>Special Revenue Funds</i>		
	<i>Local Street Fund</i>	<i>Highway Fund</i>	<i>Fire Fund</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 235,353	\$ 16,433	\$ 66,298
Accounts receivable	-	-	-
Notes receivable	-	-	-
Due from other governments	17,107	1,435	-
Prepaid expenditures	918	-	527
Total assets	<u>\$ 253,378</u>	<u>\$ 17,868</u>	<u>\$ 66,825</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,134	\$ -	\$ 5,266
Due to other funds	-	-	-
Total liabilities	<u>2,134</u>	<u>-</u>	<u>5,266</u>
<b>Fund balances:</b>			
Nonspendable:			
Prepaid expenditures	918	-	527
Long term receivables	-	-	-
Nonexpendable cemetery principal	-	-	-
Restricted for:			
Community and economic development	-	-	-
Fire protection services	-	-	61,032
Streets	250,326	17,868	-
Total fund balances	<u>251,244</u>	<u>17,868</u>	<u>61,559</u>
Total liabilities and fund balances	<u>\$ 253,378</u>	<u>\$ 17,868</u>	<u>\$ 66,825</u>

continued

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, CONTINUED

June 30, 2021

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total</u>
	<u>Cool Cities Fund</u>	<u>DDA Loan Revolving Fund</u>	<u>Cemetery Trust Fund</u>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 343	\$ 20,514	\$ 149,557	\$ 488,498
Accounts receivable	-	-	400	400
Notes receivable	-	2,153	-	2,153
Due from other governments	-	-	-	18,542
Prepaid expenditures	358	-	-	1,803
Total assets	<u>\$ 701</u>	<u>\$ 22,667</u>	<u>\$ 149,957</u>	<u>\$ 511,396</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 701	\$ -	\$ -	\$ 8,101
Due to other funds	-	-	7,347	7,347
Total liabilities	<u>701</u>	<u>-</u>	<u>7,347</u>	<u>15,448</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenditures	-	-	-	1,445
Long term receivables	-	1,553	-	1,553
Nonexpendable cemetery principal	-	-	142,610	142,610
Restricted for:				
Community and economic development	-	21,114	-	21,114
Fire protection services	-	-	-	61,032
Streets	-	-	-	268,194
Total fund balances	<u>-</u>	<u>22,667</u>	<u>142,610</u>	<u>495,948</u>
Total liabilities and fund balances	<u>\$ 701</u>	<u>\$ 22,667</u>	<u>\$ 149,957</u>	<u>\$ 511,396</u>



# CITY OF VASSAR

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

Year Ended June 30, 2021

	<i>Special Revenue Funds</i>		
	<i>Local Street Fund</i>	<i>Highway Fund</i>	<i>Fire Fund</i>
<b>Revenues:</b>			
Special assessments	\$ -	\$ -	\$ 43,600
State grants	107,610	-	-
Contributions from other units	20,940	-	-
Charges for services	-	32,711	62,848
Interest and rents	234	17	87
Other revenue	-	-	100
Total revenues	128,784	32,728	106,635
<b>Expenditures:</b>			
Current			
Public safety	-	-	91,578
Public works	139,678	30,965	-
Community and economic development	-	-	-
Capital outlay	15,340	-	5,017
Total expenditures	155,018	30,965	96,595
Excess (deficiency) of revenues over expenditures	(26,234)	1,763	10,040
<b>Other financing sources (uses):</b>			
Interfund transfers in	72,000	-	-
Changes in fund balances	45,766	1,763	10,040
Fund balances, beginning of year	205,478	16,105	51,519
Fund balances, end of year	\$ 251,244	\$ 17,868	\$ 61,559

continued

# CITY OF VASSAR

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

Year Ended June 30, 2021

	<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 Trust Fund</i>	
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	
<b>Revenues:</b>				
Special assessments	\$ -	\$ -	\$ -	\$ 43,600
State grants	-	-	-	107,610
Contributions from other units	-	-	-	20,940
Charges for services	-	-	2,199	97,758
Interest and rents	-	22	-	360
Other revenue	-	149	-	249
Total revenues	-	171	2,199	270,517
<b>Expenditures:</b>				
Current				
Public safety	-	-	-	91,578
Public works	-	-	-	170,643
Community and economic development	11,681	-	-	11,681
Capital outlay	-	-	-	20,357
Total expenditures	11,681	-	-	294,259
Excess (deficiency) of revenues over expenditures	(11,681)	171	2,199	(23,742)
<b>Other financing sources (uses):</b>				
Interfund transfers in	10,341	-	-	82,341
Changes in fund balances	(1,340)	171	2,199	58,599
Fund balances, beginning of year	1,340	22,496	140,411	437,349
Fund balances, end of year	\$ -	\$ 22,667	\$ 142,610	\$ 495,948

# CITY OF VASSAR

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## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2021

### 2006 COUNTY CONTRACT FINANCING

Issue dated August 1, 2006 in the amount of	\$	686,826
Less: Principal paid in prior years		(480,838)
Principal paid in current year		<u>(34,341)</u>
Balance payable at June 30, 2021	\$	<u>171,647</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>December 1</u>	<u>Interest due</u> <u>December 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2022	4.250%	\$ 34,341	\$ 7,298	\$ 41,639
2023	4.250%	34,341	5,838	40,179
2024	4.250%	34,341	4,379	38,720
2025	4.250%	34,341	2,927	37,268
2026	4.250%	<u>34,283</u>	<u>1,460</u>	<u>35,743</u>
		<u>\$ 171,647</u>	<u>\$ 21,902</u>	<u>\$ 193,549</u>

Note: The General Fund is obligated for this debt.

# CITY OF VASSAR

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## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2021

### 2019 INSTALLMENT PURCHASE AGREEMENT

Issue dated April 1, 2020 in the amount of	\$	107,634
Less: Principal paid in prior year		-
Principal paid in current year		<u>(8,925)</u>
Balance payable at June 30, 2021	\$	<u>98,709</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>April 1</u></i>	<i><u>Interest due</u></i> <i><u>April 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2022	3.950%	\$ 9,341	\$ 3,895	\$ 13,236
2023	3.950%	9,710	3,526	13,236
2024	3.950%	10,093	3,143	13,236
2025	3.950%	10,492	2,744	13,236
2026	3.950%	10,906	2,330	13,236
2027	3.950%	11,337	1,899	13,236
2028	3.950%	11,785	1,451	13,236
2029	3.950%	12,250	986	13,236
2030	3.950%	<u>12,795</u>	<u>441</u>	<u>13,236</u>
		<u>\$ 98,709</u>	<u>\$ 20,415</u>	<u>\$ 119,124</u>

Note: The General Fund is obligated for this debt.

# CITY OF VASSAR

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## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2021

### 2021 LIMITED TAX GENERAL OBLIGATION PENSION OBLIGATION BONDS

Issue dated March 4, 2021 in the amount of	\$	3,290,000
Less: Principal paid in prior year		-
Principal paid in current year		-
Balance payable at June 30, 2021	\$	<u>3,290,000</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>
2022	0.430%	\$ 215,000	\$ 20,724	\$ 17,559	\$ 253,283
2023	0.480%	375,000	17,559	16,659	409,218
2024	0.530%	375,000	16,659	15,665	407,324
2025	0.680%	375,000	15,665	14,390	405,055
2026	1.030%	380,000	14,390	12,433	406,823
2027	1.230%	385,000	12,433	10,065	407,498
2028	1.480%	390,000	10,065	7,179	407,244
2029	1.630%	395,000	7,179	3,960	406,139
2030	1.980%	400,000	3,960	-	403,960
		<u>\$ 3,290,000</u>	<u>\$ 118,634</u>	<u>\$ 97,910</u>	<u>\$ 3,506,544</u>

Note: The General Fund is obligated for this debt.

# CITY OF VASSAR

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## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2021

### 2012 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS

Issue dated July 12, 2012 in the amount of	\$	671,000
Less: Principal paid in prior years		(526,000)
Principal paid in current year		<u>(61,000)</u>
Balance payable at June 30, 2021	\$	<u>84,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2022	2.190%	\$ <u>84,000</u>	\$ <u>1,380</u>	\$ <u>85,380</u>

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

Sewer Fund	\$	47,376
Water Fund		<u>36,624</u>
	\$	<u>84,000</u>

# CITY OF VASSAR

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2021

### 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		(295,000)
Principal paid in current year		<u>(50,000)</u>
Balance payable at June 30, 2021	\$	<u>415,000</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>
2022	2.125%	\$ 14,000	\$ 4,461	\$ 4,261	\$ 22,722
2023	2.125%	14,000	4,261	4,112	22,373
2024	2.125%	15,000	4,112	3,953	23,065
2025	2.125%	15,000	3,953	3,793	22,746
2026	2.125%	15,000	3,793	3,634	22,427
2027	2.125%	16,000	3,634	3,464	23,098
2028	2.125%	16,000	3,464	3,294	22,758
2029	2.125%	16,000	3,294	3,124	22,418
2030	2.125%	17,000	3,124	2,943	23,067
2031	2.125%	17,000	2,943	2,763	22,706
2032	2.125%	18,000	2,763	2,571	23,334
2033	2.125%	18,000	2,571	2,380	22,951
2034	2.125%	18,000	2,380	2,189	22,569
2035	2.125%	19,000	2,189	1,987	23,176
2036	2.125%	19,000	1,987	1,785	22,772
2037	2.125%	19,000	1,785	1,583	22,368
2038	2.125%	20,000	1,583	1,371	22,954
2039	2.125%	20,000	1,371	1,158	22,529
2040	2.125%	21,000	1,158	935	23,093
2041	2.125%	21,000	935	712	22,647
2042	2.125%	22,000	712	478	23,190
2043	2.125%	22,000	478	244	22,722
2044	2.125%	23,000	244	-	23,244
		<u>\$ 415,000</u>	<u>\$ 57,195</u>	<u>\$ 52,734</u>	<u>\$ 524,929</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, 2021, 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 8, 2021.

**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 8, 2021