

CITY OF VASSAR

Tuscola County, Michigan

FINANCIAL STATEMENTS

June 30, 2020

CITY OF VASSAR

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June 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8), schedule of changes in the net pension liability and related ratios (pages 50 and 51), schedule of defined benefit plan pension contributions (page 52), schedule of changes in the net OPEB liability and related ratios (page 53), schedule of OPEB plan contributions (page 54) and budgetary comparison information (pages 55 through 58) 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 16, 2020 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 16, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF VASSAR

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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, 2020. 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 \$9,129,135 for the fiscal year ended June 30, 2020, compared to \$9,047,328 for the fiscal year ended June 30, 2019.
- In the City's governmental activities, revenues generated were \$2,282,516 while expenses totaled \$2,081,112.
- In the City's business-type activities, revenues generated were \$1,182,174 while expenses totaled \$1,304,702.
- Total net position increased by \$81,807.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

The City has three types of funds:

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

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

The City maintains nine (9) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund, and Fire 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, 2020 is \$9,129,135, consisting of \$3,705,916 in governmental activities and \$5,423,219 in business-type activities.

CITY OF VASSAR

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$132,893. Governmental activities unrestricted net position is a deficit of \$1,122,049, while business-type activities unrestricted net position is a positive \$1,254,942.

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, 2020 and June 30, 2019.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Assets:						
Current and other assets	\$ 2,347,224	\$ 2,191,190	\$ 2,787,453	\$ 2,743,858	\$ 5,134,677	\$ 4,935,048
Capital assets, net	4,156,397	3,867,627	4,756,108	4,923,596	8,912,505	8,791,223
Total assets	6,503,621	6,058,817	7,543,561	7,667,454	14,047,182	13,726,271
Deferred outflows	173,262	395,199	112,745	256,226	286,007	651,425
Liabilities:						
Current and other liabilities	92,829	75,038	33,869	43,667	126,698	118,705
Long-term liabilities	2,751,423	2,875,674	2,136,807	2,333,418	4,888,230	5,209,092
Total liabilities	2,844,252	2,950,712	2,170,676	2,377,085	5,014,928	5,327,797
Deferred inflows	126,715	1,723	62,411	848	189,126	2,571
Net position:						
Net investment in capital assets	4,048,763	3,867,627	4,146,108	4,204,596	8,194,871	8,072,223
Restricted	779,202	802,209	22,169	19,002	801,371	821,211
Unrestricted (deficit)	(1,122,049)	(1,168,255)	1,254,942	1,322,149	132,893	153,894
Total net position	\$ 3,705,916	\$ 3,501,581	\$ 5,423,219	\$ 5,545,747	\$ 9,129,135	\$ 9,047,328

The City's combined total net position increased by \$81,807 during the current fiscal year. Governmental activities increased by \$204,335 while business-type activities decreased by \$122,528.

Governmental Activities:

The total governmental revenue is reported at \$2,282,516, an increase of \$181,802 from the prior fiscal year. Total expenses increased by \$128,425 from the prior fiscal year.

Business-type Activities:

The total business-type revenue is reported at \$1,182,174, a decrease of \$59,358 from the prior fiscal year. Total expenses increased by \$21,014 from the prior fiscal year.

CITY OF VASSAR

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

The following table shows the comparison of the change in net position in a condensed format for the fiscal year ended June 30, 2020 and June 30, 2019:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Revenues:						
Program revenues						
Charges for services	\$ 475,346	\$ 481,531	\$ 1,165,597	\$ 1,154,604	\$ 1,640,943	\$ 1,636,135
Operating grants	424,588	528,383	5,764	78,939	430,352	607,322
Capital grants	146,756	-	-	-	146,756	-
General revenues						
Property taxes	689,387	630,787	-	-	689,387	630,787
Franchise fees	32,435	22,293	-	-	32,435	22,293
Unrestricted grants	384,887	405,627	-	-	384,887	405,627
Investment earnings	13,332	11,777	10,813	7,989	24,145	19,766
Other	115,785	20,316	-	-	115,785	20,316
Total revenues	<u>2,282,516</u>	<u>2,100,714</u>	<u>1,182,174</u>	<u>1,241,532</u>	<u>3,464,690</u>	<u>3,342,246</u>
Program Expenses:						
General government	542,656	471,348	-	-	542,656	471,348
Public safety	558,192	584,367	-	-	558,192	584,367
Public works	838,472	746,298	-	-	838,472	746,298
Health and welfare	21,576	21,576	-	-	21,576	21,576
Community and economic development	20,475	27,511	-	-	20,475	27,511
Recreation and culture	89,299	89,539	-	-	89,299	89,539
Interest on long-term debt	10,442	12,048	-	-	10,442	12,048
Sewer	-	-	814,208	842,497	814,208	842,497
Water	-	-	490,494	441,191	490,494	441,191
Total program expenses	<u>2,081,112</u>	<u>1,952,687</u>	<u>1,304,702</u>	<u>1,283,688</u>	<u>3,385,814</u>	<u>3,236,375</u>
Increase (decrease) in net position before other	<u>201,404</u>	<u>148,027</u>	<u>(122,528)</u>	<u>(42,156)</u>	<u>78,876</u>	<u>105,871</u>
Other items:						
Contributions to principal	902	2,900	-	-	902	2,900
Sale of capital assets	2,029	2,500	-	-	2,029	2,500
Total other items	<u>2,931</u>	<u>5,400</u>	<u>-</u>	<u>-</u>	<u>2,931</u>	<u>5,400</u>
Change in net position	204,335	153,427	(122,528)	(42,156)	81,807	111,271
Net position, beginning of year	<u>3,501,581</u>	<u>3,348,154</u>	<u>5,545,747</u>	<u>5,587,903</u>	<u>9,047,328</u>	<u>8,936,057</u>
Net position, end 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>

CITY OF VASSAR

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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 three governmental funds that is considered a major fund. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2020, General Fund financing sources exceeded its financing uses by \$164,362, increasing its ending fund balance to \$1,484,018. The City's second major governmental fund, the Major Street Fund increased its ending fund balance by \$19,640 to \$339,213. The City's third major governmental fund, the Fire Fund decreased its ending fund balance by \$88,892 to \$51,519.

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$75,501. During the year, the City made budget amendments which changed the projection to a net increase in fund balance of \$66,127. The actual results for the year yielded an increase in fund balance of \$164,362.

Capital Assets and Debt Administration:

At June 30, 2020, the City of Vassar had \$8,912,505 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, 2019, this total was \$8,791,223. 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, 2020, the City of Vassar's total long-term indebtedness (not including compensated absences, net pension liability and net OPEB liability) was \$923,622, which was backed by the full faith and credit of the City. Additional information about the City's indebtedness is presented in Note 6 of the Notes to the Financial Statements.

Future Economic Factors:

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

Contacting the City's Financial Management:

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

BASIC FINANCIAL STATEMENTS

CITY OF VASSAR

STATEMENT OF NET POSITION

June 30, 2020

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 2,176,823	\$ 2,549,726	\$ 4,726,549	\$ 191,677
Receivables	100,850	212,539	313,389	71,533
Inventory	24,639	-	24,639	-
Prepaid expenses	44,912	3,019	47,931	-
Restricted cash and cash equivalents	-	22,169	22,169	-
Capital assets not being depreciated	568,687	55,102	623,789	52,663
Capital assets being depreciated, net	3,587,710	4,701,006	8,288,716	-
Total assets	6,503,621	7,543,561	14,047,182	315,873
Deferred outflows of resources:				
Related to pension	168,499	110,398	278,897	-
Related to OPEB	4,763	2,347	7,110	-
Total deferred outflows of resources	173,262	112,745	286,007	-
Liabilities:				
Accounts payable and accrued expenses	92,829	33,869	126,698	74
Long-term liabilities:				
Due within one year				
Compensated absences	-	7,860	7,860	-
Current portion of long-term debt	43,327	75,000	118,327	-
Due in more than one year				
Compensated absences	30,248	5,584	35,832	-
Long-term debt	270,295	535,000	805,295	-
Net pension liability	2,048,607	1,336,569	3,385,176	-
Net OPEB liability	358,946	176,794	535,740	-
Total liabilities	2,844,252	2,170,676	5,014,928	74
Deferred inflows of resources:				
Related to OPEB	126,715	62,411	189,126	-
Net position:				
Net investment in capital assets	4,048,763	4,146,108	8,194,871	52,663
Restricted for:				
Community development	23,836	-	23,836	-
Fire protection services	51,519	-	51,519	-
Nonexpendable cemetery principal	140,411	-	140,411	-
Repair, replacement and improvement	-	22,169	22,169	-
Street lighting	2,640	-	2,640	-
Streets	560,796	-	560,796	-
Unrestricted (deficit)	(1,122,049)	1,254,942	132,893	263,136
Total net position	\$ 3,705,916	\$ 5,423,219	\$ 9,129,135	\$ 315,799

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

CITY OF VASSAR

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 542,656	\$ 94,302	\$ -	\$ -	\$ (448,354)
Public safety	558,192	111,567	1,306	146,756	(298,563)
Public works	838,472	234,422	413,582	-	(190,468)
Health and welfare	21,576	21,622	-	-	46
Community and economic development	20,475	-	-	-	(20,475)
Recreation and culture	89,299	13,433	9,700	-	(66,166)
Interest on long-term debt	10,442	-	-	-	(10,442)
Total governmental activities	<u>2,081,112</u>	<u>475,346</u>	<u>424,588</u>	<u>146,756</u>	<u>(1,034,422)</u>
<i>Business-type activities:</i>					
Sewer	814,208	747,105	-	-	(67,103)
Water	490,494	418,492	5,764	-	(66,238)
Total business-type activities	<u>1,304,702</u>	<u>1,165,597</u>	<u>5,764</u>	<u>-</u>	<u>(133,341)</u>
Total primary government	<u>\$ 3,385,814</u>	<u>\$ 1,640,943</u>	<u>\$ 430,352</u>	<u>\$ 146,756</u>	<u>\$ (1,167,763)</u>
COMPONENT UNITS:					
Economic development corporation	\$ 5,940	\$ 240	\$ -	\$ -	\$ (5,700)
Downtown development authority	24,522	12,462	-	-	(12,060)
Total component units	<u>\$ 30,462</u>	<u>\$ 12,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,760)</u>

continued

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

CITY OF VASSAR

STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2020

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (1,034,422)	\$ (133,341)	\$ (1,167,763)	\$ (17,760)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	678,615	-	678,615	-
Property taxes, captured by component units	-	-	-	44,046
Payment in lieu of property taxes	10,772	-	10,772	-
Franchise fees	32,435	-	32,435	-
Grants and contributions not restricted to specific programs	384,887	-	384,887	-
Unrestricted investment earnings	13,332	10,813	24,145	188
Other	115,785	-	115,785	1,027
Contributions to principal of permanent fund	902	-	902	-
Special item - Sale of capital assets	2,029	-	2,029	-
Total general revenues, contributions to principal and special item	1,238,757	10,813	1,249,570	45,261
Changes in net position	204,335	(122,528)	81,807	27,501
Net position, beginning of year	3,501,581	5,545,747	9,047,328	288,298
Net position, end of year	\$ 3,705,916	\$ 5,423,219	\$ 9,129,135	\$ 315,799

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

CITY OF VASSAR

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2020

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Fire Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Assets:					
Cash and cash equivalents	\$ 1,445,669	\$ 306,615	\$ 54,240	\$ 370,299	\$ 2,176,823
Accounts receivable	13,819	-	-	400	14,219
Notes receivable	-	-	-	2,354	2,354
Due from other governments	34,087	34,271	-	15,919	84,277
Due from other funds	7,347	-	-	-	7,347
Inventory	24,639	-	-	-	24,639
Prepaid expenditures	38,340	817	-	5,755	44,912
	<u>38,340</u>	<u>817</u>	<u>-</u>	<u>5,755</u>	<u>44,912</u>
Total assets	<u>\$ 1,563,901</u>	<u>\$ 341,703</u>	<u>\$ 54,240</u>	<u>\$ 394,727</u>	<u>\$ 2,354,571</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 46,424	\$ 2,490	\$ 2,721	\$ 1,550	\$ 53,185
Due to other governmental units	33,439	-	-	-	33,439
Due to other funds	-	-	-	7,347	7,347
Deposits payable	20	-	-	-	20
	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>
Total liabilities	<u>79,883</u>	<u>2,490</u>	<u>2,721</u>	<u>8,897</u>	<u>93,991</u>
Fund balances:					
Nonspendable	62,979	817	-	142,982	206,778
Restricted	2,640	338,396	51,519	242,848	635,403
Assigned	421,483	-	-	-	421,483
Unassigned	996,916	-	-	-	996,916
	<u>996,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>996,916</u>
Total fund balances	<u>1,484,018</u>	<u>339,213</u>	<u>51,519</u>	<u>385,830</u>	<u>2,260,580</u>
Total liabilities and fund balances	<u>\$ 1,563,901</u>	<u>\$ 341,703</u>	<u>\$ 54,240</u>	<u>\$ 394,727</u>	<u>\$ 2,354,571</u>

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

CITY OF VASSAR

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

June 30, 2020

Fund balances of governmental funds	\$ 2,260,580
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	568,687
Capital assets being depreciated, net	3,587,710
Accrued interest is not due and payable in the current period and is not reported in the funds.	(6,185)
Deferred outflows of resources from the difference between projected and actual investment earnings of the pension plan as well as City contributions made after the measurement date of the net pension liability are not reported in the funds.	168,499
Deferred outflows of resources from the difference between projected and actual investment earnings of the OPEB plan are not reported in the funds.	4,763
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences payable	(30,248)
Long-term debt	(313,622)
Net pension liability	(2,048,607)
Net OPEB liability	(358,946)
Deferred inflows of resources from the difference between expected and actual experience of the OPEB plan as well as change of assumptions are not reported in the funds.	<u>(126,715)</u>
Net position of governmental activities	<u>\$ 3,705,916</u>

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

CITY OF VASSAR

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

Year Ended June 30, 2020

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Fire Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Revenues:					
Property taxes	\$ 718,426	\$ -	\$ -	\$ -	\$ 718,426
Special assessments	8,848	-	43,680	-	52,528
Licenses and permits	139,205	-	-	-	139,205
State grants	388,139	254,590	-	97,986	740,715
Contributions from other units	6,700	40,731	139,366	20,275	207,072
Charges for services	275,828	-	62,979	29,028	367,835
Fines and forfeits	1,190	-	-	-	1,190
Interest and rents	102,323	327	183	2,697	105,530
Other revenue	14,991	397	8,090	4,897	28,375
Total revenues	<u>1,655,650</u>	<u>296,045</u>	<u>254,298</u>	<u>154,883</u>	<u>2,360,876</u>
Expenditures:					
Current					
General government	486,671	-	-	-	486,671
Public safety	413,439	-	92,159	20	505,618
Public works	327,238	226,405	-	175,092	728,735
Health and welfare	21,576	-	-	-	21,576
Community and economic development	3,637	-	-	5,928	9,565
Recreation and culture	71,061	-	-	-	71,061
Capital outlay	110,103	-	358,665	-	468,768
Debt service					
Principal	34,341	-	-	-	34,341
Interest and fees	10,217	-	-	-	10,217
Total expenditures	<u>1,478,283</u>	<u>226,405</u>	<u>450,824</u>	<u>181,040</u>	<u>2,336,552</u>
Excess (deficiency) of revenues over expenditures	<u>177,367</u>	<u>69,640</u>	<u>(196,526)</u>	<u>(26,157)</u>	<u>24,324</u>
Other financing sources (uses):					
Sale of capital assets	6,510	-	-	-	6,510
Proceeds from bank loan	-	-	107,634	-	107,634
Interfund transfers in	2,485	10,000	-	72,000	84,485
Interfund transfers out	<u>(22,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>(2,485)</u>	<u>(84,485)</u>
Net other financing sources (uses)	<u>(13,005)</u>	<u>(50,000)</u>	<u>107,634</u>	<u>69,515</u>	<u>114,144</u>
Changes in fund balances	164,362	19,640	(88,892)	43,358	138,468
Fund balances, beginning of year	<u>1,319,656</u>	<u>319,573</u>	<u>140,411</u>	<u>342,472</u>	<u>2,122,112</u>
Fund balances, end of year	<u>\$ 1,484,018</u>	<u>\$ 339,213</u>	<u>\$ 51,519</u>	<u>\$ 385,830</u>	<u>\$ 2,260,580</u>

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

CITY OF VASSAR

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

Year Ended June 30, 2020

Changes in fund balances of governmental funds	\$ 138,468
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Purchases of capital assets	440,246
Depreciation expense	(146,995)
Less loss on disposal of capital asset	(4,481)
Proceeds from financing is revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(107,634)
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	(225)
Change in compensated absences payable	5,509
Change in long-term debt	34,341
Change in net pension liability and related deferred outflows and deferred inflows	(242,383)
Change in net OPEB liability and related deferred outflows and deferred inflows	<u>87,489</u>
Change in net position of governmental activities	<u>\$ 204,335</u>

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

CITY OF VASSAR

PROPRIETARY FUNDS STATEMENT OF NET POSITION

June 30, 2020

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,473,503	\$ 1,076,223	\$ 2,549,726
Accounts receivable	149,948	62,591	212,539
Prepaid expenses	<u>1,700</u>	<u>1,319</u>	<u>3,019</u>
Total current assets	<u>1,625,151</u>	<u>1,140,133</u>	<u>2,765,284</u>
Noncurrent assets:			
Restricted cash and cash equivalents			
USDA RRI reserve	22,169	-	22,169
Capital assets not being depreciated	33,422	21,680	55,102
Capital assets being depreciated, net	<u>2,982,891</u>	<u>1,718,115</u>	<u>4,701,006</u>
Total noncurrent assets	<u>3,038,482</u>	<u>1,739,795</u>	<u>4,778,277</u>
Total assets	<u>4,663,633</u>	<u>2,879,928</u>	<u>7,543,561</u>
Deferred outflows of resources:			
Related to pension	54,909	55,489	110,398
Related to OPEB	<u>1,209</u>	<u>1,138</u>	<u>2,347</u>
Total deferred outflows of resources	<u>56,118</u>	<u>56,627</u>	<u>112,745</u>
Liabilities:			
Current liabilities:			
Accounts payable	11,477	18,947	30,424
Accrued interest payable	3,099	346	3,445
Compensated absences payable	7,860	-	7,860
Bonds payable - current	<u>48,404</u>	<u>26,596</u>	<u>75,000</u>
Total current liabilities	<u>70,840</u>	<u>45,889</u>	<u>116,729</u>
Noncurrent liabilities:			
Compensated absences payable	1,786	3,798	5,584
Bonds payable	498,376	36,624	535,000
Net pension liability	663,931	672,638	1,336,569
Net OPEB liability	<u>91,076</u>	<u>85,718</u>	<u>176,794</u>
Total noncurrent liabilities	<u>1,255,169</u>	<u>798,778</u>	<u>2,053,947</u>
Total liabilities	<u>1,326,009</u>	<u>844,667</u>	<u>2,170,676</u>

continued

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

CITY OF VASSAR

PROPRIETARY FUNDS
STATEMENT OF NET POSITION, CONTINUED

June 30, 2020

	<u><i>Sewer Fund</i></u>	<u><i>Water Fund</i></u>	<u><i>Total</i></u>
Deferred inflows of resources:			
Related to OPEB	<u>32,151</u>	<u>30,260</u>	<u>62,411</u>
Net position:			
Net investment in capital assets	2,469,533	1,676,575	4,146,108
Restricted for:			
Repair, replacement and improvement	22,169	-	22,169
Unrestricted	<u>869,889</u>	<u>385,053</u>	<u>1,254,942</u>
Total net position	<u>\$ 3,361,591</u>	<u>\$ 2,061,628</u>	<u>\$ 5,423,219</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, 2020

	<u>Sewer</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services			
Sales	\$ 735,322	\$ 402,549	\$ 1,137,871
Penalties	-	12,300	12,300
Other	11,783	3,643	15,426
State grants	-	5,764	5,764
Total operating revenues	<u>747,105</u>	<u>424,256</u>	<u>1,171,361</u>
Operating expenses:			
Salaries and fringe benefits	314,449	210,908	525,357
Supplies	18,683	22,856	41,539
Contracted services	9,728	38,869	48,597
Administrative expense	28,000	28,000	56,000
Other services and charges	179,934	101,282	281,216
Depreciation	<u>250,485</u>	<u>86,911</u>	<u>337,396</u>
Total operating expenses	<u>801,279</u>	<u>488,826</u>	<u>1,290,105</u>
Operating income (loss)	<u>(54,174)</u>	<u>(64,570)</u>	<u>(118,744)</u>
Non-operating revenues (expenses):			
Interest income	3,228	7,585	10,813
Interest expense	<u>(12,929)</u>	<u>(1,668)</u>	<u>(14,597)</u>
Net non-operating revenues	<u>(9,701)</u>	<u>5,917</u>	<u>(3,784)</u>
Changes in fund net position	(63,875)	(58,653)	(122,528)
Net position, beginning of year	<u>3,425,466</u>	<u>2,120,281</u>	<u>5,545,747</u>
Net position, end of year	<u>\$ 3,361,591</u>	<u>\$ 2,061,628</u>	<u>\$ 5,423,219</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, 2020

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 743,946	\$ 423,708	\$ 1,167,654
Receipts from state grants	-	5,764	5,764
Payments to and on behalf of employees	(259,002)	(148,922)	(407,924)
Payments to suppliers	(244,013)	(187,268)	(431,281)
Net cash provided (used) by operating activities	<u>240,931</u>	<u>93,282</u>	<u>334,213</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(169,908)	(169,908)
Principal payments	(82,404)	(26,596)	(109,000)
Interest paid	(13,192)	(1,814)	(15,006)
Net cash provided (used) by capital and related financing activities	<u>(95,596)</u>	<u>(198,318)</u>	<u>(293,914)</u>
Cash flows from investing activities:			
Interest received	<u>3,228</u>	<u>7,585</u>	<u>10,813</u>
Net change in cash and cash equivalents	148,563	(97,451)	51,112
Cash and cash equivalents, beginning of year	<u>1,347,109</u>	<u>1,173,674</u>	<u>2,520,783</u>
Cash and cash equivalents, end of year	<u>\$ 1,495,672</u>	<u>\$ 1,076,223</u>	<u>\$ 2,571,895</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (54,174)	\$ (64,570)	\$ (118,744)
Adjustments:			
Depreciation	250,485	86,911	337,396
Change in assets and liabilities:			
Accounts receivable	(3,159)	5,216	2,057
Prepaid expenses	1,512	3,948	5,460
Accounts payable	(9,180)	(209)	(9,389)
Compensated absences payable	(3,148)	2,085	(1,063)
Net pension liability and related deferred outflows and deferred inflows	80,795	80,795	161,590
Net OPEB liability and related deferred outflows and deferred inflows	(22,200)	(20,894)	(43,094)
Net cash provided (used) by operating activities	<u>\$ 240,931</u>	<u>\$ 93,282</u>	<u>\$ 334,213</u>

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

CITY OF VASSAR

FIDUCIARY FUNDS STATEMENT OF NET POSITION

June 30, 2020

	<i>Retiree Health Plan OPEB Trust Fund</i>	<i>Agency Funds</i>
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ -	\$ 18,417
Investments		
Mutual fund - equities and other	<u>149,923</u>	<u>-</u>
Total assets	<u>149,923</u>	<u>\$ 18,417</u>
Liabilities:		
Accounts payable	<u>-</u>	<u>\$ 18,417</u>
Net position:		
Restricted for OPEB	<u>149,923</u>	
Total net position	<u>\$ 149,923</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, 2020

	<i>Retiree Health Plan OPEB Trust Fund</i>
Additions:	
Employer contributions	\$ 15,000
Investment income	<u>4,422</u>
Total additions	<u>19,422</u>
Deductions:	
Administrative fees	<u>268</u>
Net increase	19,154
Net position, beginning of year	<u>130,769</u>
Net position, end of year	<u>\$ 149,923</u>

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

CITY OF VASSAR

COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
June 30, 2020

	<i><u>Economic Development Corporation</u></i>	<i><u>Downtown Development Authority</u></i>	<i><u>Total</u></i>
Assets:			
Cash and cash equivalents	\$ 122,925	\$ 68,752	\$ 191,677
Notes receivable	71,533	-	71,533
Capital assets not being depreciated	<u>-</u>	<u>52,663</u>	<u>52,663</u>
Total assets	<u>194,458</u>	<u>121,415</u>	<u>315,873</u>
Liabilities:			
Accounts payable	<u>-</u>	<u>74</u>	<u>74</u>
Net position:			
Investment in capital assets	-	52,663	52,663
Unrestricted	<u>194,458</u>	<u>68,678</u>	<u>263,136</u>
Total net position	<u>\$ 194,458</u>	<u>\$ 121,341</u>	<u>\$ 315,799</u>

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

CITY OF VASSAR

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

June 30, 2020

Fund balances of component units	\$ 263,136
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>
Net position of component units	<u><u>\$ 315,799</u></u>

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

CITY OF VASSAR

COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	<i><u>Economic Development Corporation</u></i>	<i><u>Downtown Development Authority</u></i>	<i><u>Total</u></i>
Revenues:			
General revenues:			
Property taxes	\$ 22,153	\$ 21,893	\$ 44,046
Interest and rents	111	77	188
Other	<u>240</u>	<u>13,489</u>	<u>13,729</u>
Total revenues	<u>22,504</u>	<u>35,459</u>	<u>57,963</u>
Expenses:			
Community and economic development	<u>5,940</u>	<u>24,522</u>	<u>30,462</u>
Change in net position	16,564	10,937	27,501
Net position, beginning of year	<u>177,894</u>	<u>110,404</u>	<u>288,298</u>
Net position, end of year	<u>\$ 194,458</u>	<u>\$ 121,341</u>	<u>\$ 315,799</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Special Revenue Fund – Fire Fund accounts for the special assessment assessed for fire protection services.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

Specific Balances and Transactions:

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

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

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

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and similar items) are reported in the applicable governmental activities or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over the following useful lives:

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 2019 tax is levied and collectible on July 1, 2019 and is recognized as revenue in the year ended June 30, 2020, when the proceeds of the levy are budgeted and available for the financing of operations. The 2019 taxable valuation of the City totaled \$42,067,079 (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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 this 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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>
General Fund:			
Current			
Public works			
Street lighting	\$ 63,450	\$ 71,306	\$ 7,856
Refuse	149,500	152,226	2,726
Cemetery	33,865	34,201	336
Other financing uses			
Interfund transfers out	21,750	22,000	250

NOTE 3: DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk of Bank Deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a deposit policy for custodial credit risk. At year-end, the City and its component units had \$4,998,503 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$502,352 was covered by federal depository insurance (FDIC) and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk of Investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Trust Fund for OPEB:		
Mutual fund - Equities and other	\$ 149,923	Counterparty

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Trust Fund for OPEB:			
Mutual fund - Equities and other	\$ 149,923	Not Rated	N/A

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

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

NOTE 4: BOND RESERVES

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

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

At June 30, 2020, the City's Sewer Fund had restricted cash and cash equivalents of \$22,169 for the RRI Account.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 573,168	\$ -	\$ (4,481)	\$ 568,687
Capital assets being depreciated:				
Buildings and improvements	1,326,668	13,347	-	1,340,015
Equipment	989,791	42,692	(41,380)	991,103
Furniture and equipment	130,259	-	-	130,259
Infrastructure	3,603,396	-	-	3,603,396
Vehicles	693,590	384,207	-	1,077,797
Total capital assets being depreciated	<u>6,743,704</u>	<u>440,246</u>	<u>(41,380)</u>	<u>7,142,570</u>
Less accumulated depreciation for:				
Buildings and improvements	(881,562)	(23,141)	-	(904,703)
Equipment	(928,100)	(11,094)	41,380	(897,814)
Furniture and equipment	(77,007)	(11,984)	-	(88,991)
Infrastructure	(1,002,395)	(75,360)	-	(1,077,755)
Vehicles	(560,181)	(25,416)	-	(585,597)
Total accumulated depreciation	<u>(3,449,245)</u>	<u>(146,995)</u>	<u>41,380</u>	<u>(3,554,860)</u>
Capital assets being depreciated, net	<u>3,294,459</u>	<u>293,251</u>	<u>-</u>	<u>3,587,710</u>
Governmental activities, capital assets, net	<u>\$ 3,867,627</u>	<u>\$ 293,251</u>	<u>\$ (4,481)</u>	<u>\$ 4,156,397</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 43,009	\$ -	\$ -	\$ 43,009
Construction in progress	-	12,093	-	12,093
Total capital assets not being depreciated	<u>43,009</u>	<u>12,093</u>	<u>-</u>	<u>55,102</u>
Capital assets being depreciated:				
Equipment	661,845	-	-	661,845
Land improvements	9,412	-	-	9,412
Sewer lines	2,012,772	-	-	2,012,772
Sewer treatment plant	7,881,324	-	-	7,881,324
Vehicles	80,493	-	-	80,493
Water buildings, tank and tower	688,477	-	-	688,477
Water mains and wells	2,772,319	157,815	-	2,930,134
Total capital assets being depreciated	<u>14,106,642</u>	<u>157,815</u>	<u>-</u>	<u>14,264,457</u>

continued

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: CAPITAL ASSETS, CONTINUED

	<u>July 1,</u> <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2020</u>
Less accumulated depreciation for:				
Equipment	(457,014)	(19,892)	-	(476,906)
Land improvements	(9,412)	-	-	(9,412)
Sewer lines	(886,097)	(40,255)	-	(926,352)
Sewer treatment plant	(5,913,357)	(195,561)	-	(6,108,918)
Vehicles	(31,468)	(8,701)	-	(40,169)
Water buildings, tank and tower	(389,501)	(21,020)	-	(410,521)
Water mains and wells	<u>(1,539,206)</u>	<u>(51,967)</u>	<u>-</u>	<u>(1,591,173)</u>
Total accumulated depreciation	<u>(9,226,055)</u>	<u>(337,396)</u>	<u>-</u>	<u>(9,563,451)</u>
Capital assets being depreciated, net	<u>4,880,587</u>	<u>(179,581)</u>	<u>-</u>	<u>4,701,006</u>
Business-type activities, capital assets, net	<u>\$ 4,923,596</u>	<u>\$ (167,488)</u>	<u>\$ -</u>	<u>\$ 4,756,108</u>
Component units:				
Capital assets not being depreciated:				
Land	<u>\$ 52,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,663</u>

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
General government	\$ 28,781	\$ -
Public safety	26,515	-
Public works	73,461	-
Recreation and culture	18,238	-
Sewer	-	250,485
Water	-	<u>86,911</u>
	<u>\$ 146,995</u>	<u>\$ 337,396</u>

NOTE 6: LONG-TERM DEBT

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

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: LONG-TERM DEBT, CONTINUED

The following is a summary of long-term liabilities transactions for the year ended June 30, 2020:

	<u>July 1,</u> <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2020</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Notes and Agreements:					
2006 County Contract Financing, due in annual amounts of \$34,283 to \$34,341 plus interest at 4.25% through 2026.	\$ 240,329	\$ -	\$ (34,341)	\$ 205,988	\$ 34,341
2019 Installment Purchase Agreement, due in annual amounts of \$13,236 including interest at 3.95% through 2030.	-	107,634	-	107,634	8,986
Other Liabilities:					
Compensated absences	<u>35,757</u>	<u>-</u>	<u>(5,509)</u>	<u>30,248</u>	<u>-</u>
Total governmental activities - long-term liabilities	<u>\$ 276,086</u>	<u>\$ 107,634</u>	<u>\$ (39,850)</u>	<u>\$ 343,870</u>	<u>\$ 43,327</u>
Business-type activities:					
Bonds Payable:					
2012 Limited Tax General Obligation Refunding Bonds, due in annual amounts ranging from \$61,000 to \$84,000 plus interest at 2.19% through 2022.	\$ 206,000	\$ -	\$ (61,000)	\$ 145,000	\$ 61,000
2013 Limited Tax General Obligation Capital Improvement Bond, due in annual amounts ranging from \$13,000 to \$23,000 plus interest at 2.125% through 2051.	513,000	-	(48,000)	465,000	14,000
Other Liabilities:					
Compensated absences	<u>14,507</u>	<u>-</u>	<u>(1,063)</u>	<u>13,444</u>	<u>7,860</u>
Total business-type activities - long-term liabilities	<u>\$ 733,507</u>	<u>\$ -</u>	<u>\$ (110,063)</u>	<u>\$ 623,444</u>	<u>\$ 82,860</u>

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: LONG-TERM LIABILITIES, CONTINUED

Annual debt service requirements to maturity for all outstanding debt (excluding other liabilities) as of June 30, 2020 are as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	\$ 43,327	\$ 13,031	\$ 56,358	\$ 75,000	\$ 12,569	\$ 87,569
2022	43,682	11,193	54,875	98,000	10,815	108,815
2023	44,051	9,364	53,415	14,000	9,137	23,137
2024	44,434	7,522	51,956	15,000	8,829	23,829
2025	44,833	5,671	50,504	15,000	8,511	23,511
2026-2030	93,295	8,628	101,923	80,000	37,590	117,590
2031-2035	-	-	-	90,000	28,561	118,561
2036-2040	-	-	-	99,000	18,543	117,543
2041-2045	-	-	-	111,000	7,386	118,386
2046	-	-	-	13,000	138	13,138
	<u>\$ 313,622</u>	<u>\$ 55,409</u>	<u>\$ 369,031</u>	<u>\$ 610,000</u>	<u>\$ 142,079</u>	<u>\$ 752,079</u>

NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2020 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Cemetery Perpetual Care 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.

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

Interfund transfers reported in the fund statements were as follows:

<i>Interfund Transfers From</i>	<i>Interfund Transfers To</i>	<i>Amount</i>
General Fund	Major Street Fund	\$ 10,000
General Fund	Local Street Fund	12,000
Major Street Fund	Local Street Fund	60,000
Cemetery Perpetual Care Fund	General Fund	2,485
		<u>\$ 84,485</u>

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total Primary Government</i>	<i>Component Units</i>
Receivables:				
Accounts receivable	\$ 14,219	\$ 212,539	\$ 226,758	\$ -
Notes/Loans receivable				
Current portion	600	-	600	18,000
Long-term portion	1,754	-	1,754	53,533
Intergovernmental	<u>84,277</u>	<u>-</u>	<u>84,277</u>	<u>-</u>
Total receivables	<u>\$ 100,850</u>	<u>\$ 212,539</u>	<u>\$ 313,389</u>	<u>\$ 71,533</u>
Accounts payable and accrued expenses:				
Accounts payable	\$ 53,185	\$ 30,424	\$ 83,609	\$ 74
Intergovernmental	33,439	-	33,439	-
Deposits payable	20	-	20	-
Accrued interest payable	<u>6,185</u>	<u>3,445</u>	<u>9,630</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 92,829</u>	<u>\$ 33,869</u>	<u>\$ 126,698</u>	<u>\$ 74</u>

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal League for its insurance coverage. 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.

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

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

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

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

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

The City's Defined Contribution Pension Plan is a single employer defined contribution pension plan, established by the City and administered by the MERS Retirement Board. The City's contribution is 10% of each participant's base wages for the plan year contingent upon the participant contributing 5% of base wages. Contributions are immediately 100% vested. City contributions for the plan were \$42,610 and employee contributions for the plan were \$21,305 for the year ended June 30, 2020.

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.

Benefits Provided – The following are the benefits provided from the December 31, 2019 valuation. All divisions are closed.

	<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, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits (including refunds)	9
Active employees	4
Total	43

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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

The City's minimum required contributions, for the current year, were \$21,820 monthly based on valuation payroll as of the December 31, 2017 valuation. The monthly amount by division was: division 01 - \$12,301, division 10 - \$6,767, and division 20 - \$2,752. 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, 2020 was measured as of December 31, 2019, 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, 2019 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.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study of 2009-2013 completed in 2015.

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%
TOTAL	100.0%		7.35%		4.85%

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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 12/31/18	\$ 7,412,070	\$ 4,103,818	\$ 3,308,252
Service cost	30,673	-	30,673
Interest on total pension liability	571,844	-	571,844
Difference between expected and actual experience	17,555	-	17,555
Changes in assumptions	246,575	-	246,575
Employer contributions	-	244,500	(244,500)
Employee contributions	-	13,277	(13,277)
Net investment income	-	541,261	(541,261)
Benefit payments, including employee refunds	(558,701)	(558,701)	-
Administrative expenses	-	(9,315)	9,315
Net changes	307,946	231,022	76,924
Balances at 12/31/19	<u>\$ 7,720,016</u>	<u>\$ 4,334,840</u>	<u>\$ 3,385,176</u>

The net pension liability is recorded as follows:

Governmental activities	\$ 2,048,607
Business-type activities	<u>1,336,569</u>
	<u>\$ 3,385,176</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.

	<i>1% Decrease Rate 6.6%</i>	<i>Current Rate 7.6%</i>	<i>1% Increase Rate 8.6%</i>
Net pension liability at 12/31/19	\$ -	\$ 3,385,176	\$ -
Change in net pension liability as of 12/31/19	<u>776,406</u>	<u>-</u>	<u>(661,666)</u>
	<u>\$ 4,161,582</u>	<u>\$ 3,385,176</u>	<u>\$ 2,723,510</u>

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2020, the City recognized pension expense of \$665,813. At June 30, 2020, the City reported deferred outflows and inflows from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 147,977	\$ -
Contributions subsequent to the measurement date	130,920	-
	<u>\$ 278,897</u>	<u>\$ -</u>

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Governmental activities	\$ 168,499	\$ -
Business-type activities	110,398	-
	<u>\$ 278,897</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$130,920), which will impact the net pension liability in fiscal year 2021, rather than pension expense.

<i>Year Ended</i>		<i>Amount</i>
<u>June 30</u>		
2021	\$	30,594
2022		58,886
2023		103,569
2024		(45,072)

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. The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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.

Eligibility	Department head with 20 years of service with the City hired prior to January 1, 2013
City benefits	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
Retiree contributions	
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
Changes since prior valuation	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 \$15,000 in 2020, and \$30,000 each subsequent year through 2027 to the OPEB trust, and continue to pay benefit payments from general operating funds – pay-as-you-go. There are no long term contracts for contributions to the Plan.

Summary of Significant Accounting Policies – For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are presorted by the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Assumptions and Methods

The City’s OPEB liability was measured as of June 30, 2020.

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

Inflation	2.50%
Salary increases	3.50% (for purposes of allocating liability)
Investment rate of return	5.02% (including inflation)
20-year Aa Municipal bond rate	2.66% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General and Public Safety Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2019

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

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
Total Market Portfolio	30.0%	7.35%
EST Market Portfolio	30.0%	6.70%
Divers Bond Portfolio	20.0%	3.00%
Short Term Income	20.0%	1.00%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 5.01%

Discount rate – The discount rate used to measure the total OPEB liability was 3.73%. The projection of cash flows used to determine the discount rate assumed the City will make contributions of \$15,000 in 2020 and \$30,000 in each subsequent year through 2027. Based on this assumption, the assets are not projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets, 2044, (“crossover point” or “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. As of June 30, 2019, the discount rate used to value OPEB liabilities was 3.01%.

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 6/30/19	\$ 1,022,016	\$ 130,769	\$ 891,247
Service cost	22,765	-	22,765
Interest	30,965	-	30,965
Experience (gains)/losses	(294,013)	-	(294,013)
Change in actuarial assumptions	(63,974)	-	(63,974)
Contributions to OPEB trust	-	15,000	(15,000)
Contributions/benefit paid from general operating funds	-	32,096	(32,096)
Net investment income	-	4,422	(4,422)
Benefit payments, including employee refunds	(32,096)	(32,096)	-
Administrative expenses	-	(268)	268
Net changes	(336,353)	19,154	(355,507)
Balance at 6/30/20	<u>\$ 685,663</u>	<u>\$ 149,923</u>	<u>\$ 535,740</u>

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

The net OPEB liability is recorded as follows:

Governmental activities	\$	358,946
Business-type activities		<u>176,794</u>
	\$	<u>535,740</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>
Discount			
Total OPEB liability	\$ 780,389	\$ 685,663	\$ 607,888
Plan fiduciary net position	<u>149,923</u>	<u>149,923</u>	<u>149,923</u>
Net OPEB liability	<u>\$ 630,466</u>	<u>\$ 535,740</u>	<u>\$ 457,965</u>
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Trend			
Total OPEB liability	\$ 610,437	\$ 685,663	\$ 778,862
Plan fiduciary net position	<u>149,923</u>	<u>149,923</u>	<u>149,923</u>
Net OPEB liability	<u>\$ 460,514</u>	<u>\$ 535,740</u>	<u>\$ 628,939</u>

OPEB Expense

Components of the City's OPEB expense for the fiscal year ended June 30, 2020 – Below are the components of the total OPEB expense:

Service cost	\$	22,765
Interest on total OPEB liability		30,965
Experience (gains)/losses		(141,256)
Change in actuarial assumptions		12,895
Projected earnings on OPEB plan investments		(10,997)
Investment earnings (gains)/losses		1,873
Administrative expenses		<u>268</u>
Total OPEB expense	\$	<u>(83,487)</u>

Net OPEB Liability

OPEB plan fiduciary net position – The OPEB plan fiduciary net position as of June 30, 2020 is \$149,923.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

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	\$ -	\$ 155,328
Change in actuarial assumptions	-	33,798
Investment earnings (gains)/losses	7,110	-
Net OPEB liability	<u>\$ 7,110</u>	<u>\$ 189,126</u>

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

Governmental activities	\$ 4,763	\$ 126,715
Business-type activities	<u>2,347</u>	<u>62,411</u>
	<u>\$ 7,110</u>	<u>\$ 189,126</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>
2021	\$ (166,988)
2022	(18,394)
2023	2,051
2024	1,315

Reconciliation of the net OPEB liability

Net OPEB liability 6/30/19	\$ 891,247
Total OPEB expense	(83,487)
Contributions	(47,096)
Change in deferred outflows of resources	(38,369)
Change in deferred inflows of resources	<u>(186,555)</u>
Net OPEB liability 6/30/20	<u>\$ 535,740</u>

Total OPEB liability by participant status

Active participants	\$ 279,517
Retirees and beneficiaries	<u>406,146</u>
Total	<u>\$ 685,663</u>

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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>Fire Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable:					
Inventory	\$ 24,639	\$ -	\$ -	\$ -	\$ 24,639
Prepaid expenditures	38,340	817	-	817	39,974
Long term receivables	-	-	-	1,754	1,754
Nonexpendable cemetery principal	-	-	-	140,411	140,411
Total nonspendable	<u>62,979</u>	<u>817</u>	<u>-</u>	<u>142,982</u>	<u>206,778</u>
Restricted for:					
Community development	-	-	-	22,082	22,082
Fire protection services	-	-	51,519	-	51,519
Street lighting	2,640	-	-	-	2,640
Streets	-	338,396	-	220,766	559,162
Total restricted	<u>2,640</u>	<u>338,396</u>	<u>51,519</u>	<u>242,848</u>	<u>635,403</u>
Assigned to:					
Cemetery operations	58,182	-	-	-	58,182
Parks and recreation	172,212	-	-	-	172,212
Debt service	3,442	-	-	-	3,442
Equipment replacement	151,658	-	-	-	151,658
Accumulated employee benefits	35,989	-	-	-	35,989
Total assigned	<u>421,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,483</u>
Unassigned	<u>996,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>996,916</u>
Total fund balances	<u>\$ 1,484,018</u>	<u>\$ 339,213</u>	<u>\$ 51,519</u>	<u>\$ 385,830</u>	<u>\$ 2,260,580</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VASSAR

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 30,673	\$ 36,767	\$ 37,655
Interest on total pension liability	571,844	566,348	560,638
Difference between expected and actual experience	17,555	18,776	10,385
Changes in assumptions	246,575	-	-
Benefit payments, including employee refunds	(558,701)	(541,590)	(532,114)
Other changes	-	-	(1)
Net change in total pension liability	307,946	80,301	76,563
Total pension liability - beginning	7,412,070	7,331,769	7,255,206
Total pension liability - ending	\$ 7,720,016	\$ 7,412,070	\$ 7,331,769
Plan fiduciary net position			
Contributions - employer	\$ 244,500	\$ 208,188	\$ 173,742
Contributions - employee	13,277	13,877	15,561
Net investment income (loss)	541,261	(169,796)	560,766
Benefit payments, including employee refunds	(558,701)	(541,590)	(532,114)
Administrative expenses	(9,315)	(8,665)	(8,913)
Net change in plan fiduciary net position	231,022	(497,986)	209,042
Total plan fiduciary net position - beginning	4,103,818	4,601,804	4,392,762
Total plan fiduciary net position - ending	\$ 4,334,840	\$ 4,103,818	\$ 4,601,804
City's net pension liability	\$ 3,385,176	\$ 3,308,252	\$ 2,729,965
Plan fiduciary net position as a percentage of the total pension liability	56.15%	55.37%	62.77%
Covered employee payroll	\$ 246,335	\$ 293,918	\$ 296,478
City's net pension liability as a percentage of covered employee payroll	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	-	-	-
Net change in total pension liability	98,324	503,787	130,384
Total pension liability - beginning	<u>7,156,882</u>	<u>6,653,095</u>	<u>6,522,711</u>
Total pension liability - ending	<u>\$ 7,255,206</u>	<u>\$ 7,156,882</u>	<u>\$ 6,653,095</u>
Plan fiduciary net position			
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)
Net change in plan fiduciary net position	99,363	(445,711)	27,439
Total plan fiduciary net position - beginning	<u>4,293,399</u>	<u>4,739,110</u>	<u>4,711,671</u>
Total plan fiduciary net position - ending	<u>\$ 4,392,762</u>	<u>\$ 4,293,399</u>	<u>\$ 4,739,110</u>
City's net pension liability	\$ 2,862,444	\$ 2,863,483	\$ 1,913,985
Plan fiduciary net position as a percentage of the total pension liability	60.55%	59.99%	71.23%
Covered employee payroll	\$ 336,374	\$ 336,233	\$ 423,158
City's net pension liability as a percentage of covered employee payroll	850.97%	851.64%	452.31%

CITY OF VASSAR

SCHEDULE OF CITY DEFINED BENEFIT PLAN PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 261,840	\$ 227,160	\$ 189,216	\$ 158,268	\$ 129,780
Contributions in relation to the actuarially determined contribution	<u>261,840</u>	<u>227,160</u>	<u>189,216</u>	<u>158,268</u>	<u>129,780</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 246,335	\$ 293,918	\$ 296,478	\$ 336,374	\$ 336,233
Actuarially determined contribution as a percentage of covered-employee payroll	106.29%	77.29%	63.82%	47.05%	38.60%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 120,592	\$ 107,999	\$ 97,524	\$ 98,425	\$ 111,621
Contributions in relation to the actuarially determined contribution	<u>120,592</u>	<u>107,999</u>	<u>97,524</u>	<u>98,425</u>	<u>111,621</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 423,158	\$ 701,947	\$ 797,406	\$ 877,218	\$ 903,337
Actuarially determined contribution as a percentage of covered-employee payroll	28.50%	15.39%	12.23%	11.22%	12.36%

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	11 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	Experience based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables

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

CITY OF VASSAR

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

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

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

CITY OF VASSAR

SCHEDULE OF CITY OPEB CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 127,985	\$ 102,869	\$ 76,061	\$ 64,343
Contributions in relation to the actuarially determined contribution	<u>47,096</u>	<u>48,338</u>	<u>51,510</u>	<u>52,222</u>
Contribution (excess) deficiency	<u>\$ 80,889</u>	<u>\$ 54,531</u>	<u>\$ 24,551</u>	<u>\$ 12,121</u>
Covered-employee payroll	\$ 1,040,268	\$ 1,054,294	\$ 1,014,069	\$ 1,014,369
Actuarially determined contribution as a percentage of covered-employee payroll	12.30%	9.76%	7.50%	6.34%
Employer contribution as a percentage of covered-employee payroll	4.5%	4.6%	5.1%	5.1%
Assumption changes since prior valuation				
Mortality improvement scale updated from MP-2018 to MP-2019				
Post-Medicare trend changed from 7.00% graded down to 4.5% by .25% per year				
Salary Scaled changed from 3.5%				
Discount rate changed from 3.01%				

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

CITY OF VASSAR

GENERAL FUND BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2020

	<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>
Revenues:				
Property taxes	\$ 719,540	\$ 729,540	\$ 718,426	\$ (11,114)
Special assessments	8,848	8,848	8,848	-
Licenses and permits	46,250	121,250	139,205	17,955
State grants	398,550	410,950	388,139	(22,811)
Contributions from other units	9,200	9,200	6,700	(2,500)
Charges for services	270,796	276,736	275,828	(908)
Fines and forfeits	1,500	1,500	1,190	(310)
Interest and rents	82,005	91,705	102,323	10,618
Other revenue	8,825	15,845	14,991	(854)
Total revenues	<u>1,545,514</u>	<u>1,665,574</u>	<u>1,655,650</u>	<u>(9,924)</u>
Expenditures:				
Current				
General government				
Mayor and Council	9,505	10,505	10,228	277
Manager	102,139	122,339	101,769	20,570
Clerk	74,802	76,202	75,962	240
Audit	14,000	11,000	10,400	600
Information technology	7,950	11,588	11,131	457
Treasurer	7,838	3,278	2,212	1,066
Assessor	22,027	22,027	20,441	1,586
Elections	3,000	3,000	1,218	1,782
Hall	239,095	244,795	237,811	6,984
Attorney	10,000	18,000	15,499	2,501
Total general government	<u>490,356</u>	<u>522,734</u>	<u>486,671</u>	<u>36,063</u>
Public safety				
Police department	<u>449,505</u>	<u>471,399</u>	<u>413,439</u>	<u>57,960</u>
Public works				
Department of public works	56,563	56,563	54,784	1,779
Sidewalks	7,470	10,220	9,066	1,154
Street lighting	63,450	63,450	71,306	(7,856)
Parking lot	6,275	6,275	5,655	620
Refuse	149,500	149,500	152,226	(2,726)
Cemetery	32,740	33,865	34,201	(336)
Total public works	<u>315,998</u>	<u>319,873</u>	<u>327,238</u>	<u>(7,365)</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>10,000</u>	<u>9,090</u>	<u>3,637</u>	<u>5,453</u>

continued

CITY OF VASSAR

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2020

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Recreation and culture				
Parks and recreation department	69,320	72,145	68,211	3,934
Band	1,500	3,000	2,850	150
Total recreation and culture	<u>70,820</u>	<u>75,145</u>	<u>71,061</u>	<u>4,084</u>
Capital outlay				
General government				
Information technology	4,000	2,862	2,862	-
Hall	4,550	8,650	7,861	789
Public safety				
Police department	6,400	11,900	11,826	74
Public works				
Department of public works	20,000	78,500	76,644	1,856
Community and economic development				
Economic development	10,000	10,910	10,910	-
Recreation and culture				
Parks and recreation department	500	500	-	500
Total capital outlay	<u>45,450</u>	<u>113,322</u>	<u>110,103</u>	<u>2,430</u>
Debt service				
Principal	34,341	34,341	34,341	-
Interest and fees	10,217	10,217	10,217	-
Total debt service	<u>44,558</u>	<u>44,558</u>	<u>44,558</u>	<u>-</u>
Total expenditures	<u>1,448,263</u>	<u>1,577,697</u>	<u>1,478,283</u>	<u>98,625</u>
Excess (deficiency) of revenues over expenditures	<u>97,251</u>	<u>87,877</u>	<u>177,367</u>	<u>89,490</u>
Other financing sources (uses):				
Sale of capital assets	-	-	6,510	6,510
Interfund transfers in	-	-	2,485	2,485
Interfund transfers out	(21,750)	(21,750)	(22,000)	(250)
Net other financing sources (uses)	<u>(21,750)</u>	<u>(21,750)</u>	<u>(13,005)</u>	<u>8,745</u>
Change in fund balance	75,501	66,127	164,362	98,235
Fund balance, beginning of year	<u>1,319,656</u>	<u>1,319,656</u>	<u>1,319,656</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,395,157</u>	<u>\$ 1,385,783</u>	<u>\$ 1,484,018</u>	<u>\$ 98,235</u>

CITY OF VASSAR

MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenues:				
State grants	\$ 258,751	\$ 243,986	\$ 254,590	\$ 10,604
Contributions from other units	40,195	40,195	40,731	536
Interest and rents	75	400	327	(73)
Other revenue	-	400	397	(3)
Total revenues	<u>299,021</u>	<u>284,981</u>	<u>296,045</u>	<u>11,064</u>
Expenditures:				
Current				
Public works	<u>268,832</u>	<u>303,541</u>	<u>226,405</u>	<u>77,136</u>
Excess (deficiency) of revenues over expenditures	<u>30,189</u>	<u>(18,560)</u>	<u>69,640</u>	<u>88,200</u>
Other financing sources (uses):				
Interfund transfers in	10,000	10,000	10,000	-
Interfund transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Change in fund balance	(19,811)	(68,560)	19,640	88,200
Fund balance, beginning of year	<u>319,573</u>	<u>319,573</u>	<u>319,573</u>	<u>-</u>
Fund balance, end of year	<u>\$ 299,762</u>	<u>\$ 251,013</u>	<u>\$ 339,213</u>	<u>\$ 88,200</u>

CITY OF VASSAR

FIRE FUND
BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenues:				
Special assessments	\$ 43,760	\$ 43,760	\$ 43,680	\$ (80)
Contributions from other units	141,748	141,748	139,366	(2,382)
Charges for services	66,000	66,000	62,979	(3,021)
Interest and rents	100	200	183	(17)
Other revenue	<u>53,025</u>	<u>60,525</u>	<u>8,090</u>	<u>(52,435)</u>
Total revenues	<u>304,633</u>	<u>312,233</u>	<u>254,298</u>	<u>(57,935)</u>
Expenditures:				
Current				
Public safety	99,710	96,145	92,159	3,986
Capital outlay	<u>352,100</u>	<u>358,665</u>	<u>358,665</u>	<u>-</u>
Total expenditures	<u>451,810</u>	<u>454,810</u>	<u>450,824</u>	<u>3,986</u>
Excess (deficiency) of revenues over expenditures	<u>(147,177)</u>	<u>(142,577)</u>	<u>(196,526)</u>	<u>(53,949)</u>
Other financing sources (uses):				
Proceeds from bank loan	<u>105,352</u>	<u>107,634</u>	<u>107,634</u>	<u>-</u>
Change in fund balance	(41,825)	(34,943)	(88,892)	(53,949)
Fund balance, beginning of year	<u>140,411</u>	<u>140,411</u>	<u>140,411</u>	<u>-</u>
Fund balance, end of year	<u>\$ 98,586</u>	<u>\$ 105,468</u>	<u>\$ 51,519</u>	<u>\$ (53,949)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF VASSAR

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2020

	<i>Special Revenue Funds</i>		
	<i>Local Street Fund</i>	<i>Highway Fund</i>	<i>Drug Law Enforcement Fund</i>
Assets:			
Cash and cash equivalents	\$ 192,955	\$ 13,442	\$ -
Accounts receivable	-	-	-
Notes receivable	-	-	-
Due from other governments	13,256	2,663	-
Prepaid expenditures	817	-	-
Total assets	<u>\$ 207,028</u>	<u>\$ 16,105</u>	<u>\$ -</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,550	\$ -	\$ -
Due to other funds	-	-	-
Total liabilities	<u>1,550</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	817	-	-
Long term receivables	-	-	-
Nonexpendable cemetery principal	-	-	-
Restricted for:			
Community and economic development	-	-	-
Streets	204,661	16,105	-
Total fund balances	<u>205,478</u>	<u>16,105</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 207,028</u>	<u>\$ 16,105</u>	<u>\$ -</u>

continued

CITY OF VASSAR

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, CONTINUED

June 30, 2020

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total</u>
	<u>Cool Cities Fund</u>	<u>DDA Loan Revolving Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
Assets:				
Cash and cash equivalents	\$ (3,598)	\$ 20,142	\$ 147,358	\$ 370,299
Accounts receivable	-	-	400	400
Notes receivable	-	2,354	-	2,354
Due from other governments	-	-	-	15,919
Prepaid expenditures	4,938	-	-	5,755
Total assets	<u>\$ 1,340</u>	<u>\$ 22,496</u>	<u>\$ 147,758</u>	<u>\$ 394,727</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,550
Due to other funds	-	-	7,347	7,347
Total liabilities	<u>-</u>	<u>-</u>	<u>7,347</u>	<u>8,897</u>
Fund balances:				
Nonspendable:				
Prepaid expenditures	-	-	-	817
Long term receivables	-	1,754	-	1,754
Nonexpendable cemetery principal	-	-	140,411	140,411
Restricted for:				
Community and economic development	1,340	20,742	-	22,082
Streets	-	-	-	220,766
Total fund balances	<u>1,340</u>	<u>22,496</u>	<u>140,411</u>	<u>385,830</u>
Total liabilities and fund balances	<u>\$ 1,340</u>	<u>\$ 22,496</u>	<u>\$ 147,758</u>	<u>\$ 394,727</u>

CITY OF VASSAR

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

Year Ended June 30, 2020

	<i>Special Revenue Funds</i>		
	<i>Local Street Fund</i>	<i>Highway Fund</i>	<i>Drug Law Enforcement Fund</i>
Revenues:			
State grants	\$ 97,986	\$ -	\$ -
Contributions from other units	20,275	-	-
Charges for services	-	28,126	-
Interest and rents	172	11	-
Other revenue	397	-	-
Total revenues	118,830	28,137	-
Expenditures:			
Current			
Public safety	-	-	20
Public works	147,899	27,193	-
Community and economic development	-	-	-
Total expenditures	147,899	27,193	20
Excess (deficiency) of revenues over expenditures	(29,069)	944	(20)
Other financing sources (uses):			
Interfund transfers in	72,000	-	-
Interfund transfers out	-	-	-
Net other financing sources (uses)	72,000	-	-
Changes in fund balances	42,931	944	(20)
Fund balances, beginning of year	162,547	15,161	20
Fund balances, end of year	\$ 205,478	\$ 16,105	\$ -

continued

CITY OF VASSAR

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

Year Ended June 30, 2020

	<i>Special Revenue Funds</i>		<i>Permanent Fund</i>	
	<i>Cool Cities Fund</i>	<i>DDA Loan Revolving Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total</i>
Revenues:				
State grants	\$ -	\$ -	\$ -	\$ 97,986
Contributions from other units	-	-	-	20,275
Charges for services	-	-	902	29,028
Interest and rents	-	29	2,485	2,697
Other revenue	4,500	-	-	4,897
Total revenues	4,500	29	3,387	154,883
Expenditures:				
Current				
Public safety	-	-	-	20
Public works	-	-	-	175,092
Community and economic development	5,913	15	-	5,928
Total expenditures	5,913	15	-	181,040
Excess (deficiency) of revenues over expenditures	(1,413)	14	3,387	(26,157)
Other financing sources (uses):				
Interfund transfers in	-	-	-	72,000
Interfund transfers out	-	-	(2,485)	(2,485)
Net other financing sources (uses)	-	-	(2,485)	69,515
Changes in fund balances	(1,413)	14	902	43,358
Fund balances, beginning of year	2,753	22,482	139,509	342,472
Fund balances, end of year	\$ 1,340	\$ 22,496	\$ 140,411	\$ 385,830

CITY OF VASSAR

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

2006 COUNTY CONTRACT FINANCING

Issue dated August 1, 2006 in the amount of	\$	686,826
Less: Principal paid in prior years		(446,497)
Principal paid in current year		<u>(34,341)</u>
Balance payable at June 30, 2020	\$	<u>205,988</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>December 1</u></i>	<i><u>Interest due</u></i> <i><u>December 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2021	4.250%	\$ 34,341	\$ 8,781	\$ 43,122
2022	4.250%	34,341	7,298	41,639
2023	4.250%	34,341	5,838	40,179
2024	4.250%	34,341	4,379	38,720
2025	4.250%	34,341	2,927	37,268
2026	4.250%	<u>34,283</u>	<u>1,460</u>	<u>35,743</u>
		<u>\$ 205,988</u>	<u>\$ 30,683</u>	<u>\$ 236,671</u>

Note: The General Fund is obligated for this debt.

CITY OF VASSAR

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

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		-
Balance payable at June 30, 2020	\$	<u>107,634</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due April 1</i>	<i>Interest due April 1</i>	<i>Total Annual Requirement</i>
2021	3.950%	\$ 8,986	\$ 4,250	\$ 13,236
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%	12,734	502	13,236
		<u>\$ 107,634</u>	<u>\$ 24,726</u>	<u>\$ 132,360</u>

CITY OF VASSAR

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

2012 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS

Issue dated July 12, 2012 in the amount of	\$	671,000
Less: Principal paid in prior years		(465,000)
Principal paid in current year		<u>(61,000)</u>
Balance payable at June 30, 2020	\$	<u>145,000</u>

Balance payable as follows:

<i>Fiscal</i> <u>Year Ended</u>	<i>Interest</i> <u>Rate</u>	<i>Principal due</i>	<i>Interest due</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2021	2.190%	\$ 61,000	\$ 2,836	\$ 63,836
2022	2.190%	<u>84,000</u>	<u>1,380</u>	<u>85,380</u>
		<u>\$ 145,000</u>	<u>\$ 4,216</u>	<u>\$ 149,216</u>

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

Sewer Fund	\$	81,780
Water Fund		<u>63,220</u>
	\$	<u>145,000</u>

CITY OF VASSAR

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

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		(247,000)
Principal paid in current year		<u>(48,000)</u>
Balance payable at June 30, 2020	\$	<u>465,000</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>
2021	2.125%	\$ 14,000	\$ 4,941	\$ 4,792	\$ 23,733
2022	2.125%	14,000	4,792	4,643	23,435
2023	2.125%	14,000	4,643	4,494	23,137
2024	2.125%	15,000	4,494	4,335	23,829
2025	2.125%	15,000	4,335	4,176	23,511
2026	2.125%	15,000	4,176	4,016	23,192
2027	2.125%	16,000	4,016	3,846	23,862
2028	2.125%	16,000	3,846	3,676	23,522
2029	2.125%	16,000	3,676	3,506	23,182
2030	2.125%	17,000	3,506	3,326	23,832
2031	2.125%	17,000	3,326	3,145	23,471
2032	2.125%	18,000	3,145	2,954	24,099
2033	2.125%	18,000	2,954	2,763	23,717
2034	2.125%	18,000	2,763	2,571	23,334
2035	2.125%	19,000	2,571	2,369	23,940
2036	2.125%	19,000	2,369	2,168	23,537
2037	2.125%	19,000	2,168	1,966	23,134
2038	2.125%	20,000	1,966	1,753	23,719
2039	2.125%	20,000	1,753	1,541	23,294
2040	2.125%	21,000	1,541	1,318	23,859
2041	2.125%	21,000	1,318	1,094	23,412
2042	2.125%	22,000	1,094	861	23,955
2043	2.125%	22,000	861	627	23,488
2044	2.125%	23,000	627	383	24,010
2045	2.125%	23,000	383	138	23,521
2046	2.125%	13,000	138	-	13,138
		<u>\$ 465,000</u>	<u>\$ 71,402</u>	<u>\$ 66,461</u>	<u>\$ 602,863</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, 2020, 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 16, 2020.

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 16, 2020