

CITY OF MARYSVILLE, MICHIGAN

**ANNUAL FINANCIAL REPORT
with Supplementary Information**

**FOR THE YEAR ENDED
JUNE 30, 2014**

**Stewart,
Beauvais
& Whipple P.C.**

CERTIFIED PUBLIC ACCOUNTANTS



CITY OF MARYSVILLE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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 Marysville, Michigan (the "City") as of and for the year ended June 30, 2014, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of the City of Marysville Housing Commission, which represents 98 percent, 147 percent, and 45 percent, respectively of the assets, net position, and revenues of the discretely presented component units. These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Marysville Housing Commission is based solely on the report of the other auditor. 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 from 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 City'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 purpose of expressing an opinion on the effectiveness of the City'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 of the financial statements.

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 based on our audit and the report of the other auditor, 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 City of Marysville, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 15 to the financial statements, for 2014 the City adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. As a result of GASB 65 certain items that were previously reported as assets and liabilities are now classified as deferred outflows of resources and deferred inflows of resources and debt issuance costs previously reported as assets are now considered outflows of resources. GASB 67 enhances note disclosures and required supplementary information reported in anticipation of GASB Statement No. 68. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, the retirement systems and retiree health benefits schedules and other information and the budgetary comparison information on pages 60-72, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marysville, Michigan's basic financial statements. The combining General Fund schedules, combining and individual nonmajor fund statements and schedules, and the fund financial statements of the Local Development Finance Authorities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents and presented on pages 73-91 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic 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 December 10, 2014 on our consideration of the City of Marysville'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 Marysville's internal control over financial reporting and compliance.



Certified Public Accountants

December 10, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Marysville's annual report is presented to offer readers a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information, which presents combining statements for the general fund, nonmajor governmental funds, internal service funds, and component unit information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the City's net position and how they have changed. Net position, defined as the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into two categories:

Governmental activities - most of the City's basic services are included here, such as the police, fire, public works, parks and recreation, general administration and debt retirement. Property taxes, state-shared revenues, and charges for services, are most of the funding.

Business-type activities - the City charges fees to customers to help cover the costs of certain services it provides. The City's water supply, wastewater, and golf course operations are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three types of funds:

Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City currently has 11 governmental funds.

Proprietary Funds - Proprietary funds use the accrual basis of accounting, which is the same basis used by the private businesses. The City maintains two different types of proprietary funds.

Enterprise Funds - are used to report services for which the City charges customers a fee for those services. The City has three enterprise funds, the Water Supply System, Wastewater, and Golf Course Funds.

Internal Service Funds - reports activities that provide services and supplies to other City programs. The City utilizes an Equipment Rental Fund and an Employee Sick and Vacation Fund.

Fiduciary Funds - Fiduciary funds are used to account for 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 these funds are not available to support the City's operations. The City has four fiduciary funds, two for separate employee retirement systems, retirees health care, and the Tax Agency Fund.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The City has combined total net position of \$54,605,790. This is an increase of \$1,684,885 over 2013. Government-type activities comprise \$26,709,475, and business-type activities make up \$27,896,315 of the total net position. In a condensed format, the table below shows net position at of the June 30, 2014 and 2013.

	Governmental Activities		Business-type Activities	
	2014	Restated 2013	2014	Restated 2013
Assets				
Current and other assets	\$ 12,078,901	\$ 11,741,662	\$ 2,922,462	\$ 7,016,941
Capital assets	<u>18,792,353</u>	<u>18,701,211</u>	<u>40,609,460</u>	<u>36,241,466</u>
Total Assets	<u>30,871,254</u>	<u>30,442,873</u>	<u>43,531,922</u>	<u>43,258,407</u>
Deferred Outflows of Resources				
Deferred charge on refunding	<u>37,455</u>	<u>43,697</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities	463,680	577,138	952,412	362,840
Non-current liabilities	<u>3,735,554</u>	<u>4,172,627</u>	<u>14,683,195</u>	<u>15,711,467</u>
Total Liabilities	<u>4,199,234</u>	<u>4,749,765</u>	<u>15,635,607</u>	<u>16,074,307</u>
Net Position				
Net investment in capital assets	15,908,810	15,621,921	25,771,607	20,388,760
Restricted	3,639,639	2,931,076	443,128	392,128
Unrestricted	<u>7,161,026</u>	<u>7,183,808</u>	<u>1,681,580</u>	<u>6,403,212</u>
Total Net Position	<u>\$ 26,709,475</u>	<u>\$ 25,736,805</u>	<u>\$ 27,896,315</u>	<u>\$ 27,184,100</u>

The City's governmental activities experienced an increase in net position of \$972,670 due to increased investment income over 2013 and higher tax revenues and operating contributions. The business-type activities experienced an increase in net position of \$712,215, \$371,471 in the Water Supply System Fund, \$303,664 in the Wastewater fund and \$37,080 in the Golf Course Fund.

The following table shows the changes in net position for 2014 and 2013:

	Governmental Activities		Business-type Activities	
	2014	Restated 2013	2014	Restated 2013
Revenue				
Program Revenue				
Charges for services	\$ 965,345	\$ 900,216	\$ 5,077,470	\$ 4,829,863
Operating grants and contributions	1,005,120	893,155	-	-
Capital grants and Contributions	828,958	1,301,285	-	-
General Revenue				
Property taxes	6,300,140	5,964,502	-	-
Franchise fees	148,181	145,302	-	-
Grants and contributions not restricted to specific programs	952,532	907,958	-	-
Unrestricted investment income	84,995	(251,997)	56,641	(170,863)
Total Revenue	10,285,271	9,860,421	5,134,111	4,659,000
Program Expenses				
General government	1,036,562	997,826	-	-
Public safety	4,029,934	4,294,956	-	-
Public works	3,498,819	3,481,119	-	-
Recreation and culture	567,572	591,534	-	-
Interest on long-term debt	129,864	190,424	-	-
Water supply system	-	-	1,594,914	1,415,768
Wastewater	-	-	2,324,828	2,118,841
Golf Course	-	-	552,004	541,405
Total Program Expenses	9,262,751	9,555,859	4,471,746	4,076,014
Increase (Decrease) in Net Position before transfers	1,022,520	304,562	662,365	582,986
Transfers	(49,850)	(185,519)	49,850	185,519
Changes in Net Position	\$ 972,670	\$ 119,043	\$ 712,215	\$ 768,505

Governmental Activities

Revenues for governmental activities totaled \$10.3 million in 2014, of which approximately \$6.3 million or 61% of total revenue was received from taxes followed by operating and capital grants and contributions of \$1.8 million or 18% of total revenue.

Business-type Activities

The City has three business-type activities, water supply, wastewater, and a golf course. The City operates its own water and sewage treatment facilities and a golf course. The water supply, wastewater, and golf course funds had a net increase in net position of \$371,471, \$303,664 and \$37,080, respectively.

FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund ended 2014 with a fund balance of \$6,298,192, of which \$2,181,174 was nonspendable, \$31,100 was restricted, \$970,729 was committed, \$197,500 was assigned, with the remaining amount of \$2,917,689 classified as unassigned. This is an increase of \$652,231 from the prior year.

The City's other major funds, the Motor Vehicle Highway Fund and the Public Improvement Fund, ended 2014 with fund balances of \$834,799 and \$402,233, respectively. This is an increase of \$116,493 for the Motor Vehicle Highway Fund due to the tax levy and transfer in from the General Fund and a decrease of \$94,778 in the Public Improvement Fund due to the City's portion of projects.

The other major funds are the Water Supply System, Wastewater, and Golf Course Funds, which have been discussed previously.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City administration and City Council monitors the budget, and if necessary, amends the budget to take into account unanticipated events that occur during the year. During the year no amendments were made.

The General Fund revenues for the year were over budget by \$403,135 or 5.2% due to taxes coming in over budget by \$182,048, and other revenues over budget of \$191,580 due to an operating contribution from a business doing significant work in the City. The General Fund expenditures for the year were under budget by \$282,930 or 3.8% due to a number of factors including general government expenditures were under budget by \$162,615 due to reductions in costs for legal fees, no contingency used and lower salary and wage costs with staffing changes; and public safety expenditures were under budget by \$79,527 due to reductions in costs including healthcare.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had \$59.4 million dollars invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2014. The investment in capital assets includes land, building and building improvements, infrastructure (including bike paths, sidewalks, and streets), machinery and equipment, vehicles, and utility systems (water supply and wastewater systems). During the year the City added \$1,499,953 of capital assets in the governmental activities and \$5,702,562 in the business-type activities before taking into account depreciation. Depreciation for the year was \$1,408,811 for governmental activities and \$1,334,568 for business-type activities. The following table shows the capital assets at June 30, 2014 and 2013:

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Land	\$ 917,470	\$ 917,470	\$ 99,500	\$ 91,500
Land improvements	6,327,679	6,231,950	676,320	676,320
Buildings and improvements	6,728,690	6,705,395	32,975,880	26,752,346
Machinery and equipment	3,269,437	3,030,951	3,846,179	3,442,621
Vehicles	1,450,770	1,450,770	-	-
Infrastructure	42,001,744	40,991,062	-	-
Utility systems	-	-	18,754,814	18,533,835
Construction in progress	130,970	76,910	61,828	1,215,337
	<u>60,826,760</u>	<u>59,404,508</u>	<u>56,414,521</u>	<u>50,711,959</u>
Accumulated depreciation	(42,034,407)	(40,703,297)	(15,805,061)	(14,470,493)
	<u>\$ 18,792,353</u>	<u>\$ 18,701,211</u>	<u>\$ 40,609,460</u>	<u>\$ 36,241,466</u>

The City's major additions were land improvements for River Road of \$953,515, the purchase of a backhoe for \$87,500, and inspection equipment for \$197,070 in the governmental activities and Water Plant improvements of \$5,031,627, water intake improvements of \$348,000, and water tower painting for \$220,979 in the business-type activities.

Long-term Debt

At June 30, 2014, the City had \$18,651,438 in long-term debt compared to \$19,884,094 at June 30, 2013.

	Governmental Activities		Business-type Activities	
	2014	Restated 2013	2014	Restated 2013
General Obligation Bonds	\$ 1,388,798	\$ 1,432,887	\$ 1,761,202	\$ 1,817,113
Capital Improvement Bonds	1,570,000	1,730,000	-	-
Michigan Municipal Bond Authority Loans	-	-	960,000	1,315,000
State Revolving Funds	-	-	10,383,074	10,828,118
Clean Water Program	-	-	1,560,000	1,680,000
Capital Lease	-	-	173,577	212,475
Bond Discount	(37,800)	(39,900)	-	-
Other Postemployment Benefits	422,540	632,747	(154,658)	(141,239)
Compensated Absences	392,016	416,893	-	-
	<u>\$ 3,735,554</u>	<u>\$ 4,172,627</u>	<u>\$ 14,683,195</u>	<u>\$ 15,711,467</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The City of Marysville, population of 9,959 per the 2010 Census (9,813 per the 2012 Census from SEMCOG), is primarily a residential community located in St. Clair County; this was a slight increase of 2.8% or 275 from the 2000 Census. According to SEMCOG, population peaked in 2008 at 10,132 and is estimated to reach 10,820 in 2020. The City's proximity to the downtown Detroit metropolitan area and several major roadways, including Interstate Highways 94 and 69, has aided residential development in previous years. However, due to the general state of the economy, residential development has significantly declined. The latest reported (Census 2010) median income level for Marysville is \$52,588 and the median house value of owner occupied units is \$136,700.

The City General Fund progressively relies on property taxes as its main source of revenue, however, the City initiated a refuse collection fee in fiscal year 2012 to offset declining revenues. The City continues to operate within the state-authorized tax rate limit. The following history presents the level of taxes as a percent of total revenue:

2014	75.9%
2013	79.8%
2012	75.9%
2011	81.4%
2010	79.9%
2009	76.6%
2008	75.9%
2007	74.5%
2006	76.3%

With the continual uncertainty with Revenue Sharing at the State level, along with the short-term outlook for the State of Michigan, the City administration will closely, with City Council, analyze all aspects of the budget process to continue providing the services that benefit the community.

The City has also adopted a budget for fiscal year 2014-15, in which the General Fund has a balanced budget. The City's elected and appointed officials considered many factors when setting that budget, along with the tax rates and fees that will be charged for the City's activities. Revenues and transfers for the budgeted 2014-15 year decreased by 2.29% or \$183,500 (not factoring any fund draws) and expenditures and transfers budgeted for the 2014-2015 year in the General Fund decreased by 4.62% or \$371,934 from the amended 2013-2014 budget.

CONTACTING THE CITY'S MANAGEMENT

This financial report is intended to provide our citizens, stakeholders, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, we invite you to contact the Finance Director's office by mail at 1111 Delaware, Marysville, Michigan 48040, by phone (810) 455-1314, by fax (810) 364-3940, or email to rwarnke@cityofmarysvillemi.com.

A separate report is issued for City of Marysville Housing Commission that can be obtained at 1100 New York, Marysville, Michigan 48040.

BASIC FINANCIAL STATEMENTS

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 581,768	\$ 50,855	\$ 632,623	\$ 193,833
Investments	8,626,512	3,409,417	12,035,929	325,116
Receivables (net of allowance)	649,121	861,957	1,511,078	29,785
Prepaid expenses	113,647	18,783	132,430	-
Internal balances	1,432,851	(1,432,851)	-	-
Due from component units	65,057	-	65,057	-
Inventory	6,686	14,301	20,987	-
Long-term notes receivable	603,259	-	603,259	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,048,440	693,698	1,742,138	104,253
Assets being depreciated	17,743,913	39,915,762	57,659,675	2,330,041
Total Assets	30,871,254	43,531,922	74,403,176	2,983,028
Deferred Outflows of Resources:				
Deferred charge on refunding	37,455	-	37,455	-
Liabilities:				
Payables and accrued liabilities	371,966	854,847	1,226,813	84,497
Accrued interest	47,467	97,565	145,032	-
Advances and deposits	13,200	-	13,200	36,546
Unearned revenue	31,047	-	31,047	1,587
Non-current liabilities -				
Net OPEB obligation	422,540	(154,658)	267,882	-
Due within one year	191,989	576,902	768,891	34,736
Due in more than one year	3,121,025	14,260,951	17,381,976	924,510
Total Liabilities	4,199,234	15,635,607	19,834,841	1,081,876
Net Position:				
Net investment in capital assets	15,908,810	25,771,607	41,680,417	2,434,294
Restricted -				
Nonexpendable	255,218	-	255,218	-
Expendable	3,384,421	443,128	3,827,549	-
Unrestricted (deficit)	7,161,026	1,681,580	8,842,606	(533,142)
Total Net Position	\$ 26,709,475	\$ 27,896,315	\$ 54,605,790	\$ 1,901,152

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 1,036,562	\$ 92,023	\$ 219,312	\$ -
Public Safety	4,029,934	384,312	22,816	-
Public Works	3,498,819	344,746	721,982	828,958
Recreation and Culture	567,572	144,264	41,010	-
Interest on Long Term Debt	129,864	-	-	-
Total governmental activities	<u>9,262,751</u>	<u>965,345</u>	<u>1,005,120</u>	<u>828,958</u>
Business type activities:				
Water Supply System	1,594,914	1,984,484	-	-
Wastewater	2,324,828	2,654,902	-	-
Golf Course	552,004	438,084	-	-
Total business type activities	<u>4,471,746</u>	<u>5,077,470</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 13,734,497</u>	<u>\$ 6,042,815</u>	<u>\$ 1,005,120</u>	<u>\$ 828,958</u>
Component Units				
Housing Commission	\$ 855,850	\$ 412,086	\$ 204,715	\$ 2,500
Local Development Finance Authority				
District No. 1	5,807	-	-	-
District No. 2	16,991	-	-	-
Total Component Units	<u>\$ 878,648</u>	<u>\$ 412,086</u>	<u>\$ 204,715</u>	<u>\$ 2,500</u>

General revenues:
Property taxes
Franchise fees
Grants and contribution not restricted to specific programs
Unrestricted investment income (loss)
Transfers
Total general revenues and transfers

Change in net position
Net assets at beginning of year, restated
Net position at end of year

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

Net (Expense) Revenue and Change in Net Position

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$(725,227)	\$ -	\$(725,227)	\$ -
(3,622,806)	-	(3,622,806)	-
(1,603,133)	-	(1,603,133)	-
(382,298)	-	(382,298)	-
(129,864)	-	(129,864)	-
<u>(6,463,328)</u>	<u>-</u>	<u>(6,463,328)</u>	<u>-</u>
-	389,570	389,570	-
-	330,074	330,074	-
-	(113,920)	(113,920)	-
<u>-</u>	<u>605,724</u>	<u>605,724</u>	<u>-</u>
<u>(6,463,328)</u>	<u>605,724</u>	<u>(5,857,604)</u>	<u>-</u>
-	-	-	(236,549)
-	-	-	(5,807)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,991)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(259,347)</u>
6,300,140	-	6,300,140	858,473
148,181	-	148,181	-
952,532	-	952,532	-
84,995	56,641	141,636	2,069
(49,850)	49,850	-	-
<u>7,435,998</u>	<u>106,491</u>	<u>7,542,489</u>	<u>860,542</u>
972,670	712,215	1,684,885	601,195
<u>25,736,805</u>	<u>27,184,100</u>	<u>52,920,905</u>	<u>1,299,957</u>
<u>\$ 26,709,475</u>	<u>\$ 27,896,315</u>	<u>\$ 54,605,790</u>	<u>\$ 1,901,152</u>

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
		Motor Vehicle Highway	Public Improvement		
Assets:					
Cash and cash equivalents	\$ 134	\$ 272,413	\$ 1,045	\$ 271,053	\$ 544,645
Investments	4,042,073	561,191	416,094	2,870,926	7,890,284
Receivables, net of allowance -					
Property taxes	24,046	-	-	-	24,046
Interest and accounts	169,334	1,195	1,254	90,948	262,731
Due from other governmental units	180,140	-	29,443	148,440	358,023
Due from component units	65,057	-	-	-	65,057
Prepaid expenditures	100,990	-	-	10,001	110,991
Advance to other funds	1,476,925	-	-	-	1,476,925
Long-term notes receivable	603,259	-	-	-	603,259
Total Assets	\$ 6,661,958	\$ 834,799	\$ 447,836	\$ 3,391,368	\$ 11,335,961
Liabilities:					
Accounts payable	\$ 133,605	\$ -	\$ 45,603	\$ 22,265	\$ 201,473
Accrued liabilities	134,102	-	-	21,781	155,883
Advances and deposits	13,200	-	-	-	13,200
Due to other funds	44,074	-	-	-	44,074
Unearned revenue	7,917	-	-	23,130	31,047
Total Liabilities	332,898	-	45,603	67,176	445,677
Deferred Inflows of Resources:					
Unavailable revenues -					
Property taxes	23,434	-	-	-	23,434
Grants	7,434	-	-	-	7,434
Charges for services	-	-	-	29,355	29,355
	30,868	-	-	29,355	60,223
Fund Balances:					
Nonspendable -					
Prepaid expenditures	100,990	-	-	10,001	110,991
Long-term notes receivable	603,259	-	-	-	603,259
Advance to other funds	1,476,925	-	-	-	1,476,925
Perpetual Care	-	-	-	255,218	255,218
Restricted	31,100	834,799	402,233	2,112,256	3,380,388
Committed	970,729	-	-	917,362	1,888,091
Assigned	197,500	-	-	-	197,500
Unassigned	2,917,689	-	-	-	2,917,689
Total Fund Balances	6,298,192	834,799	402,233	3,294,837	10,830,061
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,661,958	\$ 834,799	\$ 447,836	\$ 3,391,368	\$ 11,335,961

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

CITY OF MARYSVILLE, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund Balances - total governmental funds		\$ 10,830,061
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 therefore are not reported in the funds.		
Capital assets		58,721,902
Accumulated depreciation	(40,422,115)
Other long - term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent personal property taxes	\$	23,434
Grants		7,434
Charges for services		29,355
	<u> </u>	60,223
Internal Service Fund used by management to charge cost of the City's motor pool activities and accrued vacation and sick benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		905,788
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(2,958,798)
Postemployment benefits	(455,374)
Accrued interest	(47,467)
	<u> </u>	(3,461,639)
Discounts and Premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized from net position (netted against bonds payables).		
		37,800
Losses on refunding are not reported in the governmental funds, where they are capitalized and amortized from net position		
		<u>37,455</u>
Net Position of governmental activities		<u>\$ 26,709,475</u>

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	General	Capital Projects Funds		Other Governmental Fund	Total Governmental Funds
		Motor Vehicle Highway	Public Improvement		
Revenues:					
Taxes	\$ 6,203,848	\$ 100,980	\$ -	\$ -	\$ 6,304,828
Licenses and permits	242,467	-	-	-	242,467
Intergovernmental -					
Federal/State	999,804	-	828,958	721,982	2,550,744
Local	-	-	-	41,010	41,010
Charges for services	386,316	-	-	209,679	595,995
Fines and forfeits	14,116	-	-	-	14,116
Interest and rent	53,607	5,179	5,318	28,691	92,795
Other	277,580	-	-	179,080	456,660
Total Revenues	<u>8,177,738</u>	<u>106,159</u>	<u>834,276</u>	<u>1,180,442</u>	<u>10,298,615</u>
Expenditures:					
Current -					
General Government	701,782	-	-	-	701,782
Public Safety	2,873,582	-	-	3,672	2,877,254
Public Works	1,457,768	-	-	695,173	2,152,941
Recreation and Cultural	260,036	-	-	258,707	518,743
Other Activities	1,696,250	-	-	-	1,696,250
Capital outlay	7,596	14,666	1,229,054	-	1,251,316
Debt service -					
Principal	44,089	-	-	160,000	204,089
Interest	57,041	-	-	67,019	124,060
Total Expenditures	<u>7,098,144</u>	<u>14,666</u>	<u>1,229,054</u>	<u>1,184,571</u>	<u>9,526,435</u>
Revenues over (under) expenditures	<u>1,079,594</u>	<u>91,493</u>	<u>(394,778)</u>	<u>(4,129)</u>	<u>772,180</u>
Other Financing Sources (Uses):					
Transfers in	248,000	125,000	300,000	626,382	1,299,382
Transfers out	(675,363)	(100,000)	-	(523,294)	(1,298,657)
Total Other Financing Sources (Uses)	<u>(427,363)</u>	<u>25,000</u>	<u>300,000</u>	<u>103,088</u>	<u>725</u>
Net Change in Fund Balances	652,231	116,493	(94,778)	98,959	772,905
Fund Balances at beginning of year, restated	<u>5,645,961</u>	<u>718,306</u>	<u>497,011</u>	<u>3,195,878</u>	<u>10,057,156</u>
Fund Balances at end of year	<u>\$ 6,298,192</u>	<u>\$ 834,799</u>	<u>\$ 402,233</u>	<u>\$ 3,294,837</u>	<u>\$ 10,830,061</u>

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

CITY OF MARYSVILLE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ 772,905

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,194,915
Depreciation expense	(1,314,786)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(13,344)
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The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.

Principal payment on bonds	\$	204,089	
Amortization of bond discount	(2,100)	
Amortization of deferred loss on refunding	(6,242)	
Decrease in accrued interest		2,538	198,285

Internal service funds used by management to charge costs of the City's motor pool activities and vacation and sick activities. The net revenues (expenses) attributable to those funds is reported with governmental activities.	(68,269)
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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.

Decrease in postemployment benefits payable		202,964
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Change in net position of governmental activities	\$	972,670
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The accompanying notes are an integral part of these financial statements.

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business Type Activities-Enterprise Funds				Governmental
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 14,840	\$ 23,551	\$ 12,464	\$ 50,855	\$ 37,123
Investments	708,853	2,700,564	-	3,409,417	736,228
Accounts and interest receivable	374,118	487,839	-	861,957	4,321
Due from other funds	-	137,574	31,505	169,079	-
Inventories	-	-	14,301	14,301	6,686
Prepaid expenses	8,164	4,515	6,104	18,783	2,656
Total Current Assets	1,105,975	3,354,043	64,374	4,524,392	787,014
Non-Current Assets:					
Property, Plant and Equipment, net	12,142,657	27,124,451	1,342,352	40,609,460	492,566
Net OPEB asset	84,376	89,859	-	174,235	32,834
Total Non-Current Assets	12,227,033	27,214,310	1,342,352	40,783,695	525,400
Total Assets	13,333,008	30,568,353	1,406,726	45,308,087	1,312,414
Liabilities:					
Current Liabilities:					
Accounts payable	737,450	49,548	26,529	813,527	12,457
Accrued expenses	17,999	7,572	15,749	41,320	2,153
Accrued interest	13,609	83,956	-	97,565	-
Due to other funds	125,005	-	-	125,005	-
Capital lease payable (current portion)	-	-	40,991	40,991	-
Bonds payable (current portion)	43,111	492,800	-	535,911	-
Total Current Liabilities	937,174	633,876	83,269	1,654,319	14,610
Long-Term Liabilities (net of current portion):					
Advance from other funds	1,476,925	-	-	1,476,925	-
Net OPEB obligation	-	-	19,577	19,577	-
Capital lease payable	-	-	132,586	132,586	-
Accrued vacation and sick	-	-	-	-	392,016
Bonds payable	1,314,878	12,813,487	-	14,128,365	-
Total Long-Term Liabilities	2,791,803	12,813,487	152,163	15,757,453	392,016
Total Liabilities	3,728,977	13,447,363	235,432	17,411,772	406,626
Net Position:					
Net investment in capital assets	10,784,668	13,818,164	1,168,775	25,771,607	492,566
Restricted	6,000	437,128	-	443,128	-
Unrestricted (deficit)	(1,186,637)	2,865,698	2,519	1,681,580	413,222
Total Net Position	\$ 9,604,031	\$ 17,120,990	\$ 1,171,294	\$ 27,896,315	\$ 905,788

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014**

	Business Type Activities-Enterprise Funds				Governmental
	Water Supply System	Wastewater	Golf Course	Total	Activities Internal Service Funds
Operating Revenues:					
Charges for services -					
Service fees	\$ 1,925,420	\$ 2,649,385	\$ 296,237	\$ 4,871,042	\$ 31,766
Rent income	-	-	141,681	141,681	476,052
Other	59,064	5,517	166	64,747	6,507
Total Operating Revenues	<u>1,984,484</u>	<u>2,654,902</u>	<u>438,084</u>	<u>5,077,470</u>	<u>514,325</u>
Operating Expenses:					
Personnel services	623,746	391,247	289,419	1,304,412	223,830
Supplies	118,670	93,956	57,974	270,600	97,418
Other services	481,766	518,645	138,490	1,138,901	146,859
Depreciation	301,349	977,326	55,893	1,334,568	94,025
Total Operating Expenses	<u>1,525,531</u>	<u>1,981,174</u>	<u>541,776</u>	<u>4,048,481</u>	<u>562,132</u>
Operating Income (Loss)	<u>458,953</u>	<u>673,728</u>	<u>(103,692)</u>	<u>1,028,989</u>	<u>(47,807)</u>
Non-Operating Revenues (Expenses):					
Gain on sale of assets	-	-	-	-	19,644
Investment income	32,476	24,165	-	56,641	10,469
Interest expenses	(69,383)	(343,654)	(10,228)	(423,265)	-
Total Non-Operating Revenues (Expenses)	<u>(36,907)</u>	<u>(319,489)</u>	<u>(10,228)</u>	<u>(366,624)</u>	<u>30,113</u>
Net Income (Loss) Before Transfers	<u>422,046</u>	<u>354,239</u>	<u>(113,920)</u>	<u>662,365</u>	<u>(17,694)</u>
Transfers:					
Transfers from other funds	-	-	151,000	151,000	-
Transfers to other funds	(50,575)	(50,575)	-	(101,150)	(50,575)
	<u>(50,575)</u>	<u>(50,575)</u>	<u>151,000</u>	<u>49,850</u>	<u>(50,575)</u>
Change in Net Position	371,471	303,664	37,080	712,215	(68,269)
Net Position at beginning of year, restated	<u>9,232,560</u>	<u>16,817,326</u>	<u>1,134,214</u>	<u>27,184,100</u>	<u>974,057</u>
Net Position end of year	<u>\$ 9,604,031</u>	<u>\$ 17,120,990</u>	<u>\$ 1,171,294</u>	<u>\$ 27,896,315</u>	<u>\$ 905,788</u>

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business Type Activities-Enterprise Funds				Governmental
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 1,988,038	\$ 2,691,707	\$ 445,300	\$ 5,125,045	\$ -
Cash receipts from interfund services	-	-	-	-	516,073
Cash payments to suppliers	(330,436)	(592,706)	(180,215)	(1,103,357)	(235,268)
Cash payments for interfund services	(71,995)	(62,488)	-	(134,483)	-
Cash payments to employees	(619,749)	(400,831)	(291,928)	(1,312,508)	(257,269)
Net Cash Provided by (Used for)					
Operating Activities	<u>965,858</u>	<u>1,635,682</u>	<u>(26,843)</u>	<u>2,574,697</u>	<u>23,536</u>
Cash Flows From Noncapital Financing Activities:					
Transfers from/to other funds	(50,575)	(50,575)	151,000	49,850	(50,575)
Due from/to other funds	125,059	(137,529)	(66,449)	(78,919)	-
Net Cash Provided by (Used for) Noncapital					
Financing Activities	<u>74,484</u>	<u>(188,104)</u>	<u>84,551</u>	<u>(29,069)</u>	<u>(50,575)</u>
Cash Flows From Capital and Related					
Financing Activities:					
Interest paid	(55,774)	(344,518)	(10,228)	(410,520)	-
Bond proceeds	-	138,640	-	138,640	-
Bond payments	(43,111)	(947,800)	-	(990,911)	-
Capital lease payments	-	-	(38,898)	(38,898)	-
Due from/to other funds	-	(123,608)	-	(123,608)	-
Advances from other funds	1,476,925	-	-	1,476,925	-
Proceeds from sale of assets	-	-	-	-	19,644
Acquisition and construction of capital assets	(5,245,760)	(46,474)	(7,723)	(5,299,957)	(305,038)
Net Cash Used for Capital and Related					
Financing Activities	<u>(3,867,720)</u>	<u>(1,323,760)</u>	<u>(56,849)</u>	<u>(5,248,329)</u>	<u>(285,394)</u>
Cash Flows From Investing Activities:					
Sale (purchase) of investments	<u>2,181,256</u>	<u>(298,279)</u>	<u>-</u>	<u>1,882,977</u>	<u>326,051</u>
Net Increase (Decrease) in Cash and Cash					
Equivalents for the year	(646,122)	(174,461)	859	(819,724)	13,618
Cash and Cash Equivalents at					
Beginning of Year, as restated	<u>660,962</u>	<u>198,012</u>	<u>11,605</u>	<u>870,579</u>	<u>23,505</u>
Cash and Cash Equivalents at End of Year	<u>\$ 14,840</u>	<u>\$ 23,551</u>	<u>\$ 12,464</u>	<u>\$ 50,855</u>	<u>\$ 37,123</u>

Continued

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

	Business Type Activities-Enterprise Funds				Governmental
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to					
Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss) for the year	\$ 458,953	\$ 673,728	\$ (103,692)	\$ 1,028,989	\$ (47,807)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities -					
Depreciation	301,349	977,326	55,893	1,334,568	94,025
Change in assets and liabilities -					
Receivables	3,554	36,805	7,216	47,575	(1,508)
Due to/from other funds	-	-	-	-	3,256
Prepays and deposits	(5,325)	(2,667)	(6,104)	(14,096)	(1,274)
Inventories	-	-	7,451	7,451	5,401
Net OPEB asset	33	(10,748)	-	(10,715)	(7,243)
Accounts payable/accrued expenses	207,294	(38,762)	12,393	180,925	(21,314)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 965,858</u>	<u>\$ 1,635,682</u>	<u>\$ (26,843)</u>	<u>\$ 2,574,697</u>	<u>\$ 23,536</u>

Concluded

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Employee Retirement Systems</u>		<u>Retiree's</u>		<u>Agency</u>
	<u>Police and</u>	<u>Other City</u>	<u>Health</u>		<u>Funds</u>
	<u>Firefighters</u>	<u>Employees</u>	<u>Care</u>	<u>Total</u>	
Assets:					
Cash and cash equivalents	\$ 6,790	\$ 6,168	\$ -	\$ 12,958	\$ 8,958
Investments, at fair value					
U.S. government securities	-	-	1,099,690	1,099,690	-
Cash/money market funds	915,443	876,713	1,326,119	3,118,275	-
Asset backed securities	-	-	335,082	335,082	-
Corporate bonds	-	-	1,568,615	1,568,615	-
Mutual funds	8,447,274	10,126,274	248,045	18,821,593	-
Stocks	6,417,870	7,708,143	8,470,896	22,596,909	-
Total Investments	<u>15,780,587</u>	<u>18,711,130</u>	<u>13,048,447</u>	<u>47,540,164</u>	<u>-</u>
Receivables -					
Taxes	-	-	-	-	95,824
Members	11,250	11,613	-	22,863	-
Interest and dividends	11,890	11,463	-	23,353	-
	<u>23,140</u>	<u>23,076</u>	<u>-</u>	<u>46,216</u>	<u>95,824</u>
Prepayments	<u>-</u>	<u>-</u>	<u>43,393</u>	<u>43,393</u>	<u>-</u>
Total Assets	<u>15,810,517</u>	<u>18,740,374</u>	<u>13,091,840</u>	<u>47,642,731</u>	<u>\$ 104,782</u>
Liabilities:					
Accounts payable	15,293	21,995	87,593	124,881	\$ 2,988
Due to other governmental units	-	-	-	-	101,794
	<u>15,293</u>	<u>21,995</u>	<u>87,593</u>	<u>124,881</u>	<u>\$ 104,782</u>
Net Position:					
Restricted for pension benefits	15,795,224	18,718,379	-	34,513,603	
Restricted for other postemployment benefits	<u>-</u>	<u>-</u>	<u>13,004,247</u>	<u>13,004,247</u>	
	<u>\$ 15,795,224</u>	<u>\$ 18,718,379</u>	<u>\$ 13,004,247</u>	<u>\$ 47,517,850</u>	

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Employee Retirement Systems		Retiree's Health Care	Total
	Police and Firefighters	Other City Employees		
Additions:				
Contributions -				
Member contributions	\$ 162,383	\$ 169,379	\$ -	\$ 331,762
Employer contributions	544,898	402,234	961,191	1,908,323
Total Contributions	707,281	571,613	961,191	2,240,085
Investment income -				
Interest/dividends	909,979	1,186,219	297,227	2,393,425
Net appreciation (depreciation)	1,294,172	1,367,895	(614,108)	2,047,959
Total investment income (loss)	2,204,151	2,554,114	(316,881)	4,441,384
Less investment expenses	(75,724)	(81,384)	(14,759)	(171,867)
Net investment income (loss)	2,128,427	2,472,730	(331,640)	4,269,517
Total Additions	2,835,708	3,044,343	629,551	6,509,602
Deductions:				
Retirement benefit payments	1,428,491	1,609,048	-	3,037,539
Health/life insurance	-	-	1,046,022	1,046,022
Professional fees	17,670	17,149	-	34,819
Other	5,900	6,316	-	12,216
Total Deductions	1,452,061	1,632,513	1,046,022	4,130,596
Net increase (decrease)	1,383,647	1,411,830	(416,471)	2,379,006
Net position -				
Beginning of year	14,411,577	17,306,549	13,420,718	45,138,844
End of year	\$ 15,795,224	\$ 18,718,379	\$ 13,004,247	\$ 47,517,850

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

COMPONENT UNITS

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2014**

	Housing Commission	Local Development Finance Authority District No. 1	Local Development Finance Authority District No. 2	Total
Assets:				
Cash and cash equivalents	\$ 128,751	\$ -	\$ 65,082	\$ 193,833
Investments	325,116	-	-	325,116
Receivables	29,785	-	-	29,785
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	104,253	-	-	104,253
Assets being depreciated	2,330,041	-	-	2,330,041
Total Assets	2,917,946	-	65,082	2,983,028
Liabilities:				
Payables and accrued liabilities	84,497	-	-	84,497
Unearned revenue	1,587	-	-	1,587
Advances and deposits	36,546	-	-	36,546
Non-current liabilities				
Due within one year	-	34,736	-	34,736
Due in more than one year	-	29,405	895,105	924,510
Total Liabilities	122,630	64,141	895,105	1,081,876
Net Position:				
Net investment in capital assets	2,434,294	-	-	2,434,294
Unrestricted (deficit)	361,022	(64,141)	(830,023)	(533,142)
Total Net Position	\$ 2,795,316	\$(64,141)	\$(830,023)	\$ 1,901,152

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

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution
Housing Commission				
Business-type activities:				
Low rent and capital fund program	\$ 855,850	\$ 412,086	\$ 204,715	\$ 2,500
Local Development Finance Authority				
District No. 1				
Governmental activities:				
Community and Economic Development	2,860	-	-	-
Interest on Long Term Debt	2,947	-	-	-
	<u>5,807</u>	<u>-</u>	<u>-</u>	<u>-</u>
District No. 2				
Governmental activities:				
Community and Economic Development	2,830	-	-	-
Interest on Long Term Debt	14,161	-	-	-
	<u>16,991</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 878,648</u>	<u>\$ 412,086</u>	<u>\$ 204,715</u>	<u>\$ 2,500</u>

General Revenues:

 Property taxes
 Unrestricted investment income
 Total general revenues

Change in net position

Net position at beginning of year, restated

Net position at end of year

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

Net (Expense) Revenue and Change in Net Position

<u>Housing Commission</u>	<u>Local Development Finance Authority District No. 1</u>	<u>Local Development Finance Authority District No. 2</u>	<u>Total</u>
\$(236,549)			\$(236,549)
	\$(2,860)		
	(2,947)		
	<u>(5,807)</u>		(5,807)
		\$(2,830)	
		(14,161)	
		<u>(16,991)</u>	<u>(16,991)</u>
			<u>(259,347)</u>
-	43,616	814,857	858,473
2,069	-	-	2,069
<u>2,069</u>	<u>43,616</u>	<u>814,857</u>	<u>860,542</u>
(234,480)	37,809	797,866	601,195
<u>3,029,796</u>	<u>(101,950)</u>	<u>(1,627,889)</u>	<u>1,299,957</u>
<u>\$ 2,795,316</u>	<u>\$(64,141)</u>	<u>\$(830,023)</u>	<u>\$ 1,901,152</u>

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The City of Marysville, Michigan (the "City") was incorporated in 1924, under the provisions of Act 279, P.A. of 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter, including public safety (police, fire, civil defense, and inspections), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water supply and sewage disposal systems, and general administrative services.

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate for the City.

BLENDED COMPONENT UNIT -

CITY OF MARYSVILLE BUILDING AUTHORITY - is governed by a five-person board which is appointed by the Mayor with the City Council confirmation. The main function of the Authority at the present time is to pay off building bonds and maintain buildings. The City of Marysville Building Authority is reported as if it were a part of the primary government because its sole purpose is to finance the construction of City facilities that require financing. The Authority activity is reported as a Debt Service Fund and Capital Project Fund captioned "Building Authority". Separate financial statements for the Authority are not published.

DISCRETELY PRESENTED COMPONENT UNITS -

MARYSVILLE HOUSING COMMISSION - is a Public Housing Agency established pursuant to the Authority of Act 18 of the Public Act of 1933, as amended, which is governed by a five (5) member board appointed by the City Manager. This is a legally separate entity, but is considered a component unit due to the City's ability to influence the Housing Commission's actions through representation on the Housing Commission's Board and because of their financial relationship.

The audited financial statements of the Marysville Housing Commission may be obtained at the following location:

Marysville Housing Commission
1100 New York
Marysville, Michigan 48040

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

LOCAL DEVELOPMENT FINANCE AUTHORITIES - were formed for the purpose of promoting and stimulating the local economy and operate with 11 members, 7 of which are appointed by the City, 2 by Marysville Public Schools District, 1 by St. Clair County Community College, and 1 by St. Clair County. This is a legally separate entity, but is considered a component unit due to the City's ability to influence the Authorities' actions through representation on the Authority's Board and because of their financial relationship. The main function of the Authorities at the present time is to provide aid to local businesses for economic growth and expansion and retirement of debt. The audited financial statements of the Local Development Finance Authorities are included with these statements.

FISCAL YEAR ENDS - All of the City Funds and component units operate and are reported on a June 30 year-end with the exception of the Marysville Housing Commission, which operates on a March 31 year-end.

B. Government-wide and fund financial statements -

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. (Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.) Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on July 1, and due on August 31, are recognized as revenue in the year for which they are levied. Also, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

Public Improvement Fund - is used to account for the funds earmarked for improvements to the City. Financing is generally from General Fund appropriations.

Motor Vehicle Highway Fund - is used to account for the cost of certain capital improvements to the Streets and Highways.

The City reports the following major proprietary funds:

Water Supply System Fund - is used to account for the treatment and distribution of water to residential and commercial users.

Wastewater Fund - is used to account for sanitary sewer services provided to the residential and commercial users.

Golf Course Fund - is used to account for the operations and activities of operating the City owned golf course.

Additionally, the City reports the following fund types:

Governmental Fund Types -

Special Revenue Funds - are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for a specified purpose other than for debt service or capital projects.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Debt Service Funds - are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital Projects Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay including the acquisition or construction of capital facilities and other capital assets.

Proprietary Fund Type -

Internal Service Funds - are used to account for and report the costs of operating and maintaining the City's motor pool and for charging the cost of vested vacation and sick for qualified employees. Charges are made to other funds based on equipment used and when vacation and sick benefits are earned. The internal service funds of the City are the Equipment Rental and Employee Vacation and Sick Funds.

Fiduciary Fund Types -

Pension Trust and Other Post-Employment Benefits Trust Funds - are used to accumulate resources for pension and health and life benefits.

Agency Fund - is used to account for assets held by the City as an agent for other governments and other funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise and Internal Services Funds are charges to customers (other funds) for sales and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance -

Deposits and Investments -

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All accounts and property taxes receivables are shown net of an allowance for uncollectible.

The long-term receivables are for advance from the primary government to component units.

Inventories and Prepaid Items -

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar -

The City's property tax is levied as of July 1 on the assessed valuation of property located in the City as of the preceding December 31. The taxes are due on July 31 with final collection date as of February 28, after which they are added to the delinquent tax roll. The City also collects taxes for other governmental units, which are recorded in the tax agency fund. For the year, the City levied 16.11 mills for the General Fund.

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives in years:

	<u>Primary Government</u>	<u>Component Units</u>
Buildings and improvements	7-50	15-40
Land improvements	7-40	-
Utility systems	10-50	-
Machinery and equipment	3-20	3-7
Bikepaths and sidewalks	30	-
Vehicles	3-10	-
Streets	20-30	-

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. The City has elected to fund vacation and sick time as it is earned. As a result, these amounts are appropriately accounted for in the Employees Vacation and Sick Pay Fund, an Internal Service Fund.

Long-Term Obligations -

In the government-wide financial statements, and 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 statements of net position. Bond premiums and discounts, if material, 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources - In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City currently has one item that qualifies for reporting in this category. It is a deferred charges on refunding reported on the government-wide statement of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) so will not be recognized as an inflow of resources (revenues) until that time. The City had one item that qualifies for reporting in this category. The governmental fund balance sheet presents unavailable revenues that are not collected within the 60 day period. The City had unavailable revenues from property taxes, charges for services, and grants. The amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Fund Balance -

In the fund financial statements, governmental funds reported fund balances in one or more of the following classifications:

Nonspendable fund balance – the portion of fund balance that cannot be spent based on its form or because it must remain intact.

Restricted fund balance – the portion of fund balance that has limitations imposed by external sources.

Committed fund balance – the portion of fund balance where amounts can only be used for specific purposes pursuant to constraints imposed by formal action via board resolution, (e.g., to establish, modify or rescind) of the highest level of decision-making authority (City Council).

Assigned fund balance – the portion of fund balance that reflects the City's intended use of resources, currently only the City Council can assign fund balance. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the General Fund is reported as assigned.

Unassigned fund balance – the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the City's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Upcoming Accounting Pronouncements -

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012 which will become effective for the City's June 30, 2015 fiscal year. The statement requires governments providing defined benefit plans to report the net pension liability in their statement of net position. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement will improve the comparability and consistency of how governments calculate the pension liabilities and expenses. The City is currently evaluating the implications of the pronouncement.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

Annual budgets are adopted for the General and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results.

In January the department heads/responsible individuals are provided various information to prepare the budgets for their department, which are due at the end of January. The City Manager and Finance Director assemble each of the department budgets and prepares one tentative overall budget. The budget is presented to the City Council in April for review. The City Council holds a public hearing and may make any revisions, which, in their opinion and as a result of the public hearing, is necessary.

The General Fund budget was approved at the activity level and the total expenditure level for the Special Revenue Funds. Michigan Public Act 621 of 1978 Section 18, as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated at the legally enacted level.

During the year the City incurred expenditures in the General Fund, which were in excess of the amount appropriated as follows:

Excess of Expenditures Over Appropriations -

<u>Fund/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
General Fund (GAAP – basis) -			
General Fund (Budgetary – basis)			
Public Safety			
Fire department	\$ 1,246,409	\$ 1,269,049	\$ 22,640
Public Works			
Street lighting	255,000	265,520	10,520
Debt Service			
Principal	34,406	44,089	9,683
Interest	-	57,041	57,041

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - DEPOSITS AND INVESTMENTS:

Carrying Amount -

At year-end, the carrying amount of the City of Marysville cash and investments is as follows:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Petty Cash and Cash on Hand	\$ 2,205	\$ 100	\$ -	\$ 2,305
Deposits with Financial Institutions -				
Checking/Money Market	630,418	193,733	21,916	846,067
Savings/Certificates of Deposit	-	325,116	-	325,116
Total Deposits	<u>630,418</u>	<u>518,849</u>	<u>21,916</u>	<u>1,171,183</u>
Investments -				
Cash/Money Market Funds	-	-	3,118,275	3,118,275
Marketable CD's	499,213	-	-	499,213
U.S. Government Securities	5,963,791	-	1,099,690	7,063,481
Asset Backed Securities	-	-	335,082	335,082
Stocks - U.S. Market	-	-	22,596,909	22,596,909
Corporate Bond/Notes	5,572,925	-	1,568,615	7,141,540
Mutual Funds	-	-	18,821,593	18,821,593
Total Investments	<u>12,035,929</u>	<u>-</u>	<u>47,540,164</u>	<u>59,576,093</u>
Grand Total	<u>\$ 12,668,552</u>	<u>\$ 518,949</u>	<u>\$ 47,562,080</u>	<u>\$ 60,749,581</u>
Reconciliation to Statements of Net Position				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 2,205	\$ 100	\$ -	\$ 2,305
Deposits with Financial Institutions	630,418	193,733	21,916	846,067
Total Cash and Cash Equivalents	<u>632,623</u>	<u>193,833</u>	<u>21,916</u>	<u>848,372</u>
Reported as Investments -				
Deposits with Financial Institutions	-	325,116	-	325,116
Cash/Money Market Funds	-	-	3,118,275	3,118,275
Marketable CD's	499,213	-	-	499,213
U.S. Government Securities	5,963,791	-	1,099,690	7,063,481
Asset Backed Securities	-	-	335,082	335,082
Stocks - U.S. Market	-	-	22,596,909	22,596,909
Corporate Bond/Notes	5,572,925	-	1,568,615	7,141,540
Mutual Funds	-	-	18,821,593	18,821,593
Total Investments	<u>12,035,929</u>	<u>325,116</u>	<u>47,540,164</u>	<u>59,901,209</u>
Grand Total – Statements of Net Position	<u>\$ 12,668,552</u>	<u>\$ 518,949</u>	<u>\$ 47,562,080</u>	<u>\$ 60,749,581</u>

Deposits -

Act 217 PA 1982, as amended, authorizes the City to deposit in certificates of deposit, savings accounts, depository accounts, or depository receipts of a state or nationally chartered bank or state or federal chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintain a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended by section 21.145 and 21.146 of the Michigan Compiled Laws.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. As an indication of the level of deposits custodial credit risk assumed by the City, as of June 30, 2014, the book value of the City's deposits, excluding the Housing Commission, was \$717,416 with a corresponding bank balance of \$809,984, of which \$269,159 was covered by depository insurance with the remaining \$540,825 uninsured and uncollateralized.

The book balance of the Housing Commission's deposits was \$453,767 with a corresponding bank balance of \$463,747 which was insured and/or collateralized. In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. All deposits were fully insured or collateralized.

The City's investment policy allows for the use of bank deposits, including certificates of deposit. There are no limitations placed on the use of bank deposits.

Investments -

The City's investment policy and Act 20 of the Michigan Public Acts of 1943, as amended, authorizes the City to invest surplus funds in bonds, securities and other obligations of the United States government or an agency or instrumentality of the United States; certificates of deposits, savings accounts, deposit accounts or depository receipts of a bank or a savings and loan association which is a member of the Federal Deposit Insurance Corporation or a credit union which is insured by the National Credit Union Administration. The bank, savings and loan association, or credit union must be eligible to be a depository of surplus funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classifications established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the Investment Company Act of 1940, Title I of Michigan Chapter 686, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967; investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; and investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Cash and investments of the City's retirement system and retirees health care fund are subject to the requirements of the Public Employee Retirement System Investments Act (MCL 38.1132).

The Housing Commission investments are limited by state law to direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged, certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

Credit Risk - Investments - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

State law limits investments in commercial paper to the top two ratings issued by a nationally recognized statistical rating organization. The City Employees' Retirement System and the Police Officers' and Firefighters' Retirement System specifies that all debt securities must have a qualifying rating of Baa/BBB or above by at least two of its major rating agencies at the time of issue. The Retiree's Healthcare System specifies that all debt securities must have an investment grade rating of bbb or better by Standard & Poor. The overall rating of the portfolio should be AA or better. As of June 30, 2014, the credit quality ratings of City's investments in Corporate Bonds and Asset Backed Securities had the following Moody's ratings:

Fair Value	Rating
\$ 433,835	A1
312,393	A2
297,641	A3
121,683	AA2
181,099	AA3
296,025	AAA
160,195	BAA1
5,673,751	Not Rated
\$ 7,476,622	

Custodial Credit Risk - Investments - is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments that are in the possession of another party. The City's policy requires securities be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts. As of June 30, 2014, \$59,576,093 of investments was held in third-party safekeeping not in the City's name, however, evidenced by safekeeping receipts. Marketable CD's with a carrying amount of \$499,213 were federally insured.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

Primary Government - the City places no limits on the amounts the City may invest with any single issuer.

Fiduciary Fund - the General City Employees' Retirement System and the Police Officers' and Firefighters' Retirement System establish certain minimums and maximums that may be invested in any asset class (International Securities, Small/Mid Cap, Equity, Large Cap Equity, Core Bonds, Fixed Income and Cash). The managers may not invest more than 5% of the System's assets in the outstanding securities of an issue, except for Treasury and Agency securities. There is no policy that places limits on the amount any of the other pension-type funds may invest with any issuer.

Component Unit - the Housing Commission's investments are insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

As of June 30, 2014, the City had investments of 5% or more of the total investments as follows:

	<u>Governmental</u>	<u>Fiduciary</u>
Ginnie Mae	6.8 %	- %
American Europacific Growth Fund	-	8.5
Loomis Sayles Bond Fund	-	7.6
Templeton Inst. Funds	-	7.5

Interest Rate Risk - Investment - is the risk that the value of investments will decrease as a result of a rise in the interest rates. The investment policy adopted by the City for the primary government specifies the investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycle taking into account the investment risk contracts and cash flow characteristics of the portfolio. At year-end, the City's investments excluding the Housing Commission (component unit) had the following range of maturity dates:

<u>Investment Type</u>	<u>Fair Value</u>	<u><1</u>	<u>1-5</u>	<u>6-10</u>	<u>>10</u>
U.S. Government Securities	\$ 7,063,481	\$ -	\$ -	\$ 2,839,236	\$ 4,224,245
Corporate Bonds/Notes	7,141,540	95,730	1,311,691	161,194	5,572,925
Asset Backed Securities	335,082	-	-	-	335,082
Certificates of Deposit	<u>499,213</u>	<u>247,875</u>	<u>251,338</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$15,039,316</u>	<u>\$ 343,605</u>	<u>\$ 1,563,029</u>	<u>\$ 3,000,430</u>	<u>\$10,132,252</u>

Negotiability - Negotiable certificate of deposits are usually in bearer form, and have secondary market that are easily transferable and highly liquid. As of June 30, 2014, the City had negotiable Certificate of Deposits in the amount of \$499,213.

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property Taxes	\$ 49,046	\$ -
Interest and accounts	312,637	861,957
Due from other governmental units	<u>358,023</u>	<u>-</u>
	719,706	861,957
Less - allowance for uncollectible	<u>(70,585)</u>	<u>-</u>
	<u>\$ 649,121</u>	<u>\$ 861,957</u>

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2014 was as follows:

	July 1, 2013			June 30, 2014
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 917,470	\$ -	\$ -	\$ 917,470
Construction in progress	<u>76,910</u>	<u>1,051,720</u>	<u>997,660</u>	<u>130,970</u>
Total capital assets, not being depreciated	<u>994,380</u>	<u>1,051,720</u>	<u>997,660</u>	<u>1,048,440</u>
Capital assets, being depreciated:				
Buildings	6,076,685	23,295	-	6,099,980
Building improvements	628,710	-	-	628,710
Land improvements	6,231,950	95,729	-	6,327,679
Machinery and equipment	3,030,951	316,187	77,701	3,269,437
Vehicles	1,450,770	-	-	1,450,770
Bikepaths	794,584	-	-	794,584
Sidewalks	2,294,214	13,022	-	2,307,236
Streets	<u>37,902,264</u>	<u>997,660</u>	-	<u>38,899,924</u>
Total capital assets being depreciated	<u>58,410,128</u>	<u>1,445,893</u>	<u>77,701</u>	<u>59,778,320</u>
Less accumulated depreciation for:				
Buildings	2,783,363	97,619	-	2,880,982
Building improvements	512,740	17,590	-	530,330
Land improvements	2,272,215	212,708	-	2,484,923
Machinery and equipment	2,437,835	164,318	77,701	2,524,452
Vehicles	822,870	67,156	-	890,026
Bikepaths	245,209	29,130	-	274,339
Sidewalks	1,719,148	39,655	-	1,758,803
Streets	<u>29,909,917</u>	<u>780,635</u>	-	<u>30,690,552</u>
Total accumulated depreciation	<u>40,703,297</u>	<u>1,408,811</u>	<u>77,701</u>	<u>42,034,407</u>
Total capital assets being depreciated, net	<u>17,706,831</u>	<u>37,082</u>	-	<u>17,743,913</u>
Governmental activities capital assets, net	<u>\$ 18,701,211</u>	<u>\$ 1,088,802</u>	<u>\$ 997,660</u>	<u>\$ 18,792,353</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 91,500	\$ 8,000	\$ -	\$ 99,500
Land improvements	532,370	-	-	532,370
Construction in progress	<u>1,215,337</u>	<u>5,050,526</u>	<u>6,204,035</u>	<u>61,828</u>
Total capital assets, not being depreciated	<u>1,839,207</u>	<u>5,058,526</u>	<u>6,204,035</u>	<u>693,698</u>
Capital assets, being depreciated:				
Buildings	26,198,416	19,499	-	26,217,915
Building improvements	553,930	6,204,035	-	6,757,965
Land Improvements	143,950	-	-	143,950
Utility systems	18,533,835	220,979	-	18,754,814
Machinery and equipment	<u>3,442,621</u>	<u>403,558</u>	-	<u>3,846,179</u>
Total capital assets being depreciated	<u>48,872,752</u>	<u>6,848,071</u>	-	<u>55,720,823</u>

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - CAPITAL ASSETS - (cont'd):

	July 1, 2013			June 30, 2014
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Less accumulated depreciation for:				
Buildings	5,258,795	789,263	-	6,048,058
Building improvements	339,129	16,036	-	355,165
Land Improvements	58,110	7,670	-	65,780
Utility systems	6,686,616	365,963	-	7,052,579
Machinery and equipment	<u>2,127,843</u>	<u>155,636</u>	-	<u>2,283,479</u>
Total accumulated depreciation	<u>14,470,493</u>	<u>1,334,568</u>	-	<u>15,805,061</u>
 Total capital assets being depreciated, net	<u>34,402,259</u>	<u>5,513,503</u>	-	<u>39,915,762</u>
 Total capital assets, net	<u>\$ 36,241,466</u>	<u>\$ 10,572,029</u>	<u>\$ 6,204,035</u>	<u>\$ 40,609,460</u>

The Business-type capital assets include \$286,626 of capitalized interest. Interest of \$423,265 was incurred in 2014 and expensed.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 20,855
Public Safety	189,081
Public Works	1,058,872
Recreation and Cultural	<u>45,978</u>
 Total depreciation expense-governmental activities	 <u>\$ 1,314,786</u>
 Business-type activities:	
Golf Course	\$ 55,893
Water Supply System Fund	301,349
Wastewater Fund	<u>977,326</u>
 Total depreciation expense-business-type activities	 <u>\$ 1,334,568</u>

In addition there was depreciation of \$94,025 in the Motor Pool Fund.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - CAPITAL ASSETS - (cont'd):

Housing Commission - Activity for the Housing Commission for the year ended March 31, 2014 was as follows:

	April 1, 2013		March 31, 2014	
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 104,253	\$ -	\$ -	\$ 104,253
Construction in progress	<u>23,626</u>	-	<u>23,626</u>	-
	<u>127,879</u>	-	<u>23,626</u>	<u>104,253</u>
Capital assets, being depreciated:				
Buildings	3,768,997	-	-	3,768,997
Furniture and equipment	238,470	2,316	409	240,377
Building improvements	<u>2,777,479</u>	<u>53,582</u>	-	<u>2,831,061</u>
Total Capital Assets being depreciated	6,784,946	55,898	409	6,840,435
Less accumulated depreciation	<u>4,266,291</u>	<u>244,512</u>	<u>409</u>	<u>4,510,394</u>
Total capital assets being depreciated, net	<u>2,518,655</u>	<u>(188,614)</u>	<u>-</u>	<u>2,330,041</u>
Housing Commission capital assets, net	<u>\$ 2,646,534</u>	<u>\$(188,614)</u>	<u>\$ 23,626</u>	<u>\$ 2,434,294</u>

Depreciation expense for the year ended March 31, 2014 was \$244,512.

NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable/accrued liabilities	\$ 213,930	\$ 813,527
Accrued wages and fringe benefits	<u>158,036</u>	<u>41,320</u>
	<u>\$ 371,966</u>	<u>\$ 854,847</u>

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of June 30, 2014 is as follows:

Due To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Wastewater Fund	Water Supply System Fund	\$ 125,005 (1)
	General Fund	12,569 (1)
Golf Course Fund	General Fund	<u>31,505 (2)</u>
		<u>\$ 169,079</u>

Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Ambulance Fund	\$ 248,000 (2)
Local Streets Fund	Major Streets Fund	200,000 (2)
	Motor Vehicle Highway Fund	100,000 (2)
Public Improvement Fund	General Fund	300,000 (2)
Motor Vehicle Highway Fund	General Fund	125,000 (2)
Park and Recreation Fund	General Fund	99,363 (2)
Building Authority Debt Fund	Building Authority Capital Project Fund	75,294 (4)
	Wastewater Fund	50,575 (4)
	Water Supply System Fund	50,575 (4)
	Motor Pool Fund	50,575 (4)
Golf Course Fund	General Fund	<u>151,000 (2)</u>
		<u>\$ 1,450,382</u>

Advance To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Supply System Fund	<u>\$ 1,476,925 (3)</u>

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 - LONG-TERM DEBT - (cont'd):

	Restated Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Business-type Activities:					
Enterprise Funds -					
Wastewater Fund -					
Michigan Municipal Bond					
Authority Wastewater Loans -					
Phase I 1993	\$ 165,000	\$ -	\$ 135,000	\$ 30,000	\$ 30,000
Phase II 1996	1,150,000	-	220,000	930,000	225,000
2006 General Obligation Bond	416,013	-	12,800	403,213	12,800
Wastewater System Junior					
State Revolving Funds -					
Series 5303-01	2,185,000	-	95,000	2,090,000	100,000
Series 5366-01	8,643,118	14,956	365,000	8,293,074	-
Clean Water Program					
2003	1,680,000	-	120,000	1,560,000	125,000
Net OPEB Obligation	(79,111)	30,409	41,157	(89,859)	-
Total Wastewater Fund	<u>14,160,020</u>	<u>45,365</u>	<u>988,957</u>	<u>13,216,428</u>	<u>492,800</u>
Water Fund -					
2006 General Obligation Bond	1,401,100	-	43,111	1,357,989	43,111
Net OPEB Obligation	(84,409)	43,827	43,794	(84,376)	-
Total Water Fund	<u>1,316,691</u>	<u>43,827</u>	<u>86,905</u>	<u>1,273,613</u>	<u>43,111</u>
Golf Fund -					
Capital Lease	212,475	-	38,898	173,577	40,991
Net OPEB Obligation	22,281	6,703	9,407	19,577	-
Total Golf Fund	<u>234,756</u>	<u>6,703</u>	<u>48,305</u>	<u>193,154</u>	<u>40,991</u>
 Total Business-type Activities	 <u>15,711,467</u>	 <u>95,895</u>	 <u>1,124,167</u>	 <u>14,683,195</u>	 <u>576,902</u>
 Total Primary Government	 <u>\$ 19,884,094</u>	 <u>\$ 788,292</u>	 <u>\$ 2,253,637</u>	 <u>\$ 18,418,749</u>	 <u>\$ 768,891</u>

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

Governmental Activities -

Bonds -

On February 17, 2005, the City issued \$2,680,000 General Obligation – limited tax refunding bonds to purchase U.S. Government, State and Local Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$3,225,000 of the 1996 Building Authority Bonds. As a result, the Refunding bonds have been removed from the City’s financial statements. The reacquisition price was lower than the net carrying amount of the old debt by \$111,683. This amount is being capitalized and amortized over the remaining life of the refunding debt, which is the same as the life of the refunded debt. This advance refunding was undertaken to reduce the total debt service payments over 15 years and resulted in an economic loss of \$111,683. The bonds are due in annual installments ranging from \$175,000 to \$245,000 through October 2021, plus interest ranging from 3.75 to 4.375 percent, payable semi-annually

\$ 1,570,000

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 - LONG-TERM DEBT - (cont'd):

On December 19, 2006, the City issued \$3,500,000, 2006 General Obligation capital improvements bonds. The bonds were used for construction of various capital improvements within governmental activities and water and wastewater systems. Principal and interest is payable from lawfully available monies of the City including ad valorem taxes, which may be levied in an amount sufficient to pay the annual obligations. The bonds are apportioned to each fund/activity based on their percentage of improvements completed with the bonds. The bonds are due in annual installments ranging from \$100,000 to \$250,000 through October 2031, plus interest ranging from 3.90% to 4.05% payable semi-annually of which the General Fund is responsible for 44.1%

\$ 1,388,798

\$ 2,958,798

Compensated Absences -

In accordance with contracts negotiated with various employee groups of the City of Marysville, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. Accrued vacation and sick of \$392,016 has been recorded as a long-term liability in the accrued vacation and sick fund (Internal Service Fund).

Business-type Activities -

Wastewater Fund Bonds/Loans -

Michigan Municipal Bond Authority Wastewater Loans were obtained for the purpose of separating the City's sanitary and storm sewer system. The debt and related interest is being repaid through operating revenues of the wastewater fund.

The Phase I loan in the original amount of \$2,375,181 is due October 1, 2014, plus interest of 2.0 percent \$ 30,000

The Phase II loan in the original amount of \$3,950,000 is due in annual installments ranging from \$225,000 to \$240,000 through October 1, 2017, plus interest of 2.25 percent, payable semi-annually 930,000

The Clean Water Program Loan for the purpose of eliminating discharge into the St. Clair River in the original amount of \$2,550,000 is due in annual installments ranging from \$125,000 to \$160,000 through October 1, 2024, plus interest of 2.50% payable semi-annually 1,560,000

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 - LONG-TERM DEBT - (cont'd):

State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds were issued to finance the construction and improvement to the City's sanitary sewer system, of which 40% of the bonds were forgivable under the American Recovery and Reinvestment Act of 2009. The bonds are shown net of the forgivable portion.

2009 Bonds (Series 5303-01) in the original amount of \$3,955,000 is due in annual installments ranging from \$95,000 to \$150,000 through October 1, 2030 with interest of 2.50% payable semi-annually. \$ 2,090,000

2010 Bonds (Series 5366-01) in the original amount of \$15,260,000 with interest of 2.5%. As of June 30, 2014 the City had spent \$15,123,074 of which \$6,104,000 was forgivable. Principal payments began in October 2012 with annual installments of \$375,000 to \$575,000 through October 2031. 8,293,074

On December 19, 2006, the City issued \$3,500,000, 2006 General Obligation capital improvements bonds (See detailed explanation regarding the bonds under Governmental-type Activities). The bonds are due in annual installments ranging from \$100,000 to \$250,000 and \$43,111 to \$107,777 for the water supply system) through October 2031, plus interest ranging from 3.90% to 4.05% payable semi-annually of which the Wastewater Fund is responsible for 12.8% and the Water Fund 43.1% 1,761,202

Capital Lease -

The City entered into a lease purchase agreement for grounds equipment in the amount of \$216,569. Payments are due in monthly installments of \$4,094, including interest of 5.25 percent. The assets had a net book value of \$191,631 at June 30, 2014. 173,577

\$ 14,837,853

Other Postemployment Benefits - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the Net OPEB Obligation as reported in the proprietary funds and governmental activities amounts to \$267,882. The governmental activities portion is generally liquidated by the General Fund or other governmental fund where the employee is charged. See Note 10 for additional information.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 - LONG-TERM DEBT - (cont'd):

The annual requirements to pay the debt outstanding at June 30, 2014 (excluding Net OPEB Obligation and accrued compensated absences):

Year Ending June 30,	Governmental Activities			
	Refunding Bonds		G.O. Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 150,000	\$ 60,593	\$ 44,089	\$ 54,813
2016	175,000	54,093	44,089	53,072
2017	180,000	47,218	44,089	51,308
2018	200,000	39,968	44,089	49,545
2019	200,000	32,218	66,132	47,340
2020-2024	665,000	45,233	352,711	196,581
2025-2029	-	-	462,933	115,017
2030-2032	-	-	330,666	20,089
	<u>\$ 1,570,000</u>	<u>\$ 279,323</u>	<u>\$ 1,388,798</u>	<u>\$ 587,765</u>

Year Ending June 30,	Business-type Activities							
	Municipal Bond Authority Loans		G.O. Bond		State Revolving Fund/ Clean Water Bond		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 255,000	\$ 18,694	\$ 55,911	\$ 69,512	\$ 225,000	\$ 88,373	\$ 40,991	\$ 8,136
2016	230,000	13,275	55,911	67,303	230,000	82,686	43,195	5,931
2017	235,000	8,044	55,911	65,067	235,000	76,873	45,518	3,608
2018	240,000	2,700	55,911	62,830	245,000	70,873	43,873	1,160
2019	-	-	83,868	60,035	250,000	64,686	-	-
2020-2024	-	-	447,289	249,294	1,335,000	225,866	-	-
2025-2029	-	-	587,067	145,858	835,000	81,780	-	-
2030-2032	-	-	419,334	25,475	295,000	7,438	-	-
	<u>\$ 960,000</u>	<u>\$ 42,713</u>	<u>\$ 1,761,202</u>	<u>\$ 745,374</u>	<u>\$ 3,650,000</u>	<u>\$ 698,575</u>	<u>\$ 173,577</u>	<u>\$ 18,835</u>

The above annual requirements do not include the State Revolving Fund Bonds, Series 5366-01 since all payments have not been finalized as of June 30, 2014.

COMPONENT UNITS -

	Restated Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Local Development Finance Authority - District No. 1					
Land Contracts	\$ 79,075	\$ -	\$ 44,339	\$ 34,736	\$ 34,736
Notes Payable	22,875	6,530	-	29,405	-
	<u>101,950</u>	<u>6,530</u>	<u>44,339</u>	<u>64,141</u>	<u>34,736</u>
Local Development Finance Authority - District No. 2					
Promissory Notes -					
County	321,251	-	-	321,251	-
Bank	841,705	-	841,705	-	-
Notes Payable	573,854	-	-	573,854	-
	<u>1,736,810</u>	<u>-</u>	<u>841,705</u>	<u>895,105</u>	<u>-</u>
Total Component Units	<u>\$ 1,838,760</u>	<u>\$ 6,530</u>	<u>\$ 886,044</u>	<u>\$ 959,246</u>	<u>\$ 34,736</u>

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 8 - LONG-TERM DEBT - (cont'd):

The Local Development Finance Authority - District No. 1 purchased property and issued a note for \$371,512 that will be repaid in monthly installments of \$3,940, including interest of 5% through April 4, 2015. The outstanding balance of June 30, 2014 was \$34,736.

The City issued a promissory note in amount of \$321,251. The funds borrowed from St. Clair County were borrowed by the City to advance Marysville Local Development Finance Authority - District No. 2 (LDFA), which in turn used the funds to install infrastructure for the industrial development for the Chrysler Plant. The funds are subject to and will be repaid by LDFA pursuant to a repayment agreement between the LDFA and the City. The promissory note is interest free and is scheduled to be repaid in 2016. At June 30, 2014, the outstanding balance was \$321,251.

During 2013, the City's Local Development Finance Authorities issued notes to the General Fund of the City of \$29,405 and \$573,854 for District No. 1 and District No. 2, respectively. The notes are non-interest bearing and are scheduled to be repaid in 2017 for District No. 1 and 2016 for District No. 2. The balances outstanding for District No. 1 and 2 at June 30, 2014 were \$29,405 and \$573,854, respectively.

NOTE 9 - RETIREMENT PLANS:

The City has two single employer defined benefit retirement plans covering substantially all employees as follows:

General City Employee Retirement System
Police Officers and Firefighters Retirement System

Plan Descriptions

General City Employee Retirement System -

General City Employee Retirement System - was established by City Council in 1945 for the purpose of continuing and providing retirement income to certain employees and retired employees and survivor benefits to their eligible beneficiaries. The system is administered, managed and operated by a five (5) member board of trustees, which is composed of the Mayor of the City of Marysville, one (1) council member selected by the City Council, a citizen who is not a member and two (2) members of the retirement system. The plan may be amended by the Board of Trustees as listed. The Plan is audited within the scope of the audit of the basic financial statements; separate audited financial statements are not issued.

The membership at June 30, 2013 was comprised of 34 active participants, 51 retirees and beneficiaries, and 9 other vested inactive participants.

In general, all employees are eligible for retirement on attainment of age 60 or 62 with 5 years of service or age 55 with 25 years of service. The annual normal pension payable is equal to 2.25% of final average compensation multiplied by the number of years of credited service.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - RETIREMENT PLANS - (cont'd):

Police Officers and Firefighters Retirement System

The Police Officers and Firefighters Retirement System was established by City Charter in 1965 for the purpose of providing pensions for Police Officers and Firefighters who retire on account of superannuation or total and permanent disability, and to provide survivor pensions to certain dependents. The system is administered, managed and operated by a five (5) member board of trustees, which is comprised of the Mayor or his appointee (must be a Council member) one (1) council member selected by the City Council, a citizen who is not a member, one (1) police officer member and one (1) firefighter member. The plan may be amended by the Board of Trustees as listed. The Plan is audited within the scope of the audit of the basic financial statements; separate audited financial statements are not issued.

The membership at June 30, 2013 was comprised of 24 active participants, and 28 retirees and beneficiaries.

In general all employees are eligible for normal retirement on attainment of age 55 and 5 years of service. The annual normal pension payable is equal to 2.5% of final salary multiplied by the number of years of credited service, subject to a maximum of 25 years, plus 2% of final average salary multiplied by the number of years of credited service in excess of 25 years.

Pension Plan Investments – Policy and Rate of Return

General City Employee Retirement System

Investment Policy – The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that manages risk through diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board’s adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap Equity	40 %
US Small/Mid Cap Equity	20
International Equity	15
US Core Bonds	20
Cash Equivalents	5

Rate of Return – For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.84 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - RETIREMENT PLANS - (cont'd):

Police Officers and Firefighters Retirement System

Investment Policy – The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that manages risk through diversification of the portfolio across a broad selection of distinct asset classes. The following was the board’s adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap Equity	40 %
US Small/Mid Cap Equity	15
International Equity	15
US Core Bonds	25
Cash and Cash Equivalents	5

Rate of Return – For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Summary of Significant Accounting Policies

Basis of Accounting -

The plans utilize the accrual basis of accounting and are reported within the City’s reporting entity as separate Pension Trust Funds. Contributions from employees are recognized as revenues in the period in which employees provide the services.

Method Used to Value Investments -

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Contributions and Funding Policy

Participants of the General City Employees’ Retirement System and the Police Officers’ and Firefighters’ Retirement System contribute 8% of compensation with the remaining amount contributed by the City based on actuarially determined amounts. Most administrative costs of the plan are paid with plan assets.

General City Employee Retirement System -

For fiscal 2014, the annual required contribution (actuarially determined) and actual contribution was \$402,234 (22.00% of covered payroll).

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - RETIREMENT PLANS - (cont'd):

The required contribution was determined as part of the June 30, 2013 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions include (a) a rate of return of 7.75% (b) projected salary increases of 4.00% per year, and (c) the RP2000 Combined Healthy Mortality Table. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period of 30 years with 30 years remaining.

Schedule of Employer Contribution

Fiscal Year Ending <u>June 30.</u>	Annual Pension Costs (APC)	Percentage of APC <u>Contribution</u>	Net Pension <u>Obligation</u>
2012	\$ 425,214	100 %	\$ -
2013	373,304	100	-
2014	402,234	100	-

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial Accrued Liability (AAL) Entry Age (b)	(Overfunded) Accrued Liability (UAAL) (b-a)	UAAL Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
6/30/2011	\$ 19,385,974	\$ 23,661,130	\$ 4,275,156	81.93 %	\$ 1,906,790	224.21 %
6/30/2012	18,672,826	22,895,219	4,222,393	81.56	1,864,481	226.46
6/30/2013	17,805,313	23,461,641	5,656,328	75.89	1,828,337	309.37

The required schedule of funding progress immediately following the notes presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Police Officers' and Firefighters' Retirement System

For fiscal 2014, the annual required contribution (actuarially determined) and actual contribution was \$544,898 (28.40% of covered payroll).

The required contribution was determined as part of the June 30, 2013 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions include (a) a rate of return of 7.75% (b) projected salary increases of 4.0% per year, and (c) the RP 2000 Healthy Annuitant Mortality Table. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period of 30 years with 30 years remaining.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - RETIREMENT PLANS - (cont'd):

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 528,398	100 %	\$ -
2013	571,900	100	-
2014	544,898	100	-

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Unfunded Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>(Overfunded) Accrued Liability (UAAL) (b-a)</u>	<u>UAAL Funded Ratio (AAL) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a)/(c)</u>
6/30/2011	\$ 15,657,192	\$ 20,397,994	\$ 4,740,802	76.76 %	\$ 1,876,414	252.65 %
6/30/2012	15,214,758	21,178,733	5,963,975	71.84	1,908,243	312.54
6/30/2013	14,804,132	21,729,016	6,924,884	68.13	1,918,654	360.92

The required schedule of funding progress immediately following the notes presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Net Pension Liability of the City

General City Employee Retirement System

The City reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the City will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014 and is composed of the following:

The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$ 24,638,057
Plan fiduciary net position	<u>18,718,379</u>
City's net position liability	<u>\$ 5,919,678</u>
Plan fiduciary net position as a percentage of the total pension liability	75.97 %

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - RETIREMENT PLANS - (cont'd):

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used updated procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, included in the measurement:

June 30, 2014:

Salary increases	4.00 %
Investment rate of return	7.75 %

June 30, 2013:

Salary increases	4.00 %
Investment rate of return	8.00 %

Mortality rates were based on the RP2000 combined Healthy Mortality Table.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows – Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 weighing 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 as of June 30, 2014 for each major asset class included in the pension plan’s target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
US Large Cap Equity	In total the expected rate of return is 7.75 %
US Small/Mid Cap Equity	
International Equity	
US Core Bonds	
Cash Equivalents	

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - RETIREMENT PLANS - (cont'd):

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 7.75 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1 % Increase (8.75%)
Net pension liability of the City	<u>\$ 8,688,145</u>	<u>\$ 5,919,678</u>	<u>\$ 3,582,181</u>

Police Officer’s and Firefighter’s Retirement System

The City reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the City will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014 and is composed of the following:

The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$ 22,671,817
Plan fiduciary net position	<u>15,795,224</u>
City’s net position liability	<u>\$ 6,876,593</u>
Plan fiduciary net position as a percentage of the total pension liability	69.67 %

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used updated procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions in the measurement:

June 30, 2014:

Salary increases	4.00 %
Investment rate of return	7.75 %

June 30, 2013:

Salary increases	4.00 %
Investment rate of return	8.00 %

Mortality rates were based on RP2000 Healthy Annuitant Mortality Table.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - RETIREMENT PLANS - (cont'd):

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows – Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 weighing 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 as of June 30, 2014 for each major asset class included in the pension plan’s target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
US Large Cap Equity	In total the expected rate of return is 7.75 %
US Small/Mid Cap Equity	
International Equity	
US Core Bonds	
Cash Equivalents	

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 7.75 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1 % Increase <u>(8.75%)</u>
Net pension liability of the City	<u>\$ 9,416,820</u>	<u>\$ 6,876,593</u>	<u>\$ 4,734,563</u>

NOTE 10 - POSTEMPLOYMENT BENEFITS:

Plan Description

In addition to the pension benefits described in Note 9, the City of Marysville provides postemployment benefits consisting of health, dental, vision, life, and prescription drug coverage to eligible employees. Employees hired prior to December 1, 2005 who retire directly from the City are eligible for retiree health for themselves, their spouse, and their eligible dependents. Employees hired prior to December 1, 2005 who terminate employment with 10 or more years of continuous service and defer retirement until normal retirement age are eligible at normal retirement for benefits for themselves only. Employees hired after December 1, 2005 and who retire directly, not deferred, after 20 years of continuous employment are eligible for retiree health benefits.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 - POSTEMPLOYMENT BENEFITS - (cont'd):

The Plan is a single-employer defined benefit plan, established by the City Council who has the authority to establish and amend benefit provisions. The financial statement for the Plan is included within this report as a fiduciary fund; separate financial statements are not issued.

Summary of Significant Accounting Policies

The basis of accounting and method used to value investments are the same as the Retirement Plan, outlined in Note 9.

Contribution and Funding Policy

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. During the year ended June 30, 2014, contributions of \$961,191 were made. Employer contributions were 25.65% of covered payroll. The actuarial valuation dated June 30, 2013 determined a required contribution of \$741,904 or 19.80% (7.24% for normal costs and 12.56% for the amortization of unfunded actuarial liabilities) of covered payroll using an assumed rate of increase of health care costs as follows:

2014	8.0 %
2015	7.5
2016	7.0
2017	6.5
2018	6.0
2019 and after	5.5 - 4.0

The contribution requirement of a plan member and the City are established by each Retirement Board and may be amended by the City Council. Most administrative costs of the plan are paid with plan assets.

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

The required contribution was determined as part of the June 30, 2011 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumption includes (a) 8% net investment rate of return, (b) projected salary increase of 4.0% and (c) projected health care cost increase of 8.0% reduced to 4.0% in .5% increments over 8 years. The Plans unfunded actuarial accrued liability is being amortized by level percent of payroll over an open period of 30 years.

The actuarial assumptions and determined amounts are subjected to continual revision as actual results are compared to past experience and new estimates are made about the future.

The required schedule of funding progress immediately following the notes presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 - POSTEMPLOYMENT BENEFITS - (cont'd):

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal costs each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The City's annual OPEB cost for the year, the amount actually contributed, and change in the net OPEB obligation are as follows:

Annual required contribution	\$ 741,904
Interest on net OPEB obligation	39,320
Adjustments to annual required contribution	(43,659)
Annual OPEB cost (expense)	737,565
Contributions made	(961,191)
Decrease in net OPEB obligation	(223,626)
Net OPEB obligation - beginning of year	<u>491,508</u>
Net OPEB obligation - end of year	<u><u>\$ 267,882</u></u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
6/30/2008	\$ 10,920,906	\$ 23,538,730	\$ 12,617,824	46.4%	\$ 4,059,663	310%
6/30/2011	13,297,910	21,941,437	8,643,527	60.6	3,783,203	228
6/30/2013	13,382,676	21,834,793	8,452,117	61.3	3,746,991	226

Schedule of Employer Contributions

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed
2012	\$ 979,138	103 %
2013	976,681	103
2014	737,565	130

NOTE 11 - DEFERRED COMPENSATION:

The City offers their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

A trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employer creditors nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12 - RISK MANAGEMENT:

General Liability and Property

The City's liability and property insurance plan carries \$9,000,000 of liability coverage and approximately \$37,000,000 of property insurance with a \$5,000 per claim deductible on property and \$1,000 on liability.

Workers Compensation

The City participates in the Michigan Municipal Workers' Compensation Self-Insurance Fund administered by the Michigan Municipal League. The fund provides coverage of workers compensation claims subjected to a maximum of \$500,000 per occurrence.

Health Insurance/Pharmacy Charges

Effective September 2005, the City became self-insured for health care benefits with the administered services of the program being performed on a contracted basis by a third party. The City pays claims up to \$25,000 per contract, per year. Stop loss insurance has been purchased to insure the City against losses in excess of these limits. Based on past history, the City has estimated the accrual for health care claims, including an estimate for claims incurred but not reported (IBNR) of \$31,849, which is recorded as a current liability in the various funds.

Effective November 1, 2005, the City is self-insured for Pharmacy Charges with the administrative services of the program being performed on a contractual basis by a third party. There were not significant accrued claims, including an estimate for claims incurred but not reported (IBNR) at June 30, 2014.

Changes in the balance of claim liability during the past two years are as follows:

	Health Care		Pharmacy	
	2014	2013	2014	2013
Unpaid claims, beginning of year	\$ 98,652	\$ 79,057	\$ -	\$ -
Insured claims (including IBNR's)	1,279,899	1,423,458	469,565	416,552
Claims Paid	(1,346,702)	(1,403,863)	(469,565)	(416,552)
Unpaid claims, end of year	\$ 31,849	\$ 98,652	\$ -	\$ -

NOTE 13 - MAJOR TAXPAYER:

The City is economically dependent upon ZF Marysville, LLC that has real and personal property within the City with a taxable value of \$60,298,200. This represents approximately 16.5 percent of the taxable value for the City.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 - FUND BALANCE/NET POSITION:

RESTRICTED FUND BALANCE/NET POSITION:

The fund balances and net position of the Primary Government have been restricted for the following purposes at June 30, 2014:

Governmental Funds/Activities:

General Government –	
Perpetual Care – Expendable	\$ <u>226,983</u>
Streets –	
Motor Vehicle Highway	834,799
Major Street	753,827
Local Street	<u>1,108,733</u>
	<u>2,697,359</u>
Acquisition/construction of assets –	
Public Improvement	<u>402,233</u>
Public Safety –	
Public Education/Bike Rodeo/Explorers	21,711
Drug Law Enforcement	<u>22,713</u>
	<u>44,424</u>
Recreation and Cultural – Beautification and Historical	<u>9,389</u>
Total Restricted Fund Balance – Governmental Funds	<u>3,380,388</u>
Perpetual Care – Nonexpendable	255,218
Streets – Nonspendable	<u>4,033</u>
Total Restricted Net Position – Governmental Activities	<u>\$ 3,639,639</u>

Business-Type Activities:

Waterfront improvements	\$ 6,000
Acquisition/construction of assets	<u>437,128</u>
Total Restricted Net Position – Business-Type Activities	<u>\$ 443,128</u>

COMMITTED FUND BALANCE:

At June 30, 2014, City Council had committed the following fund balances:

Industrial Development – General Fund	\$ <u>287,901</u>
Capital Projects –	
General Fund	233,850
Ambulance	605,243
Building Authority	<u>141,995</u>
	<u>981,088</u>
Fringe Benefits – General Fund	<u>425,000</u>
Tax Tribunal – General Fund	<u>4,630</u>
Recreation and Cultural –	
General Fund	19,348
Parks and Recreation	<u>170,124</u>
	<u>189,472</u>
Total Committed Fund Balance	<u>\$ 1,888,091</u>

ASSIGNED FUND BALANCE:

At June 30, 2014, City Council had assigned \$197,500 of the General Fund balance for construction of capital assets.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLES:

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standard established accounting and financial reporting standards, that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This new guidance is effective for fiscal years beginning after December 15, 2012.

The effect on the City of adopting this standard is reclassification of unavailable deferred revenue from a liability on the governmental funds balance sheets to deferred inflows of resources –unavailable revenue (a separate category) as well as deferred loss on refunding was reclassified as a deferred outflow of resources as of June 30, 2014. Also, the effect of implementing this statement decreased net position of Governmental Activities by \$69,987 as a result of reporting bond issuance costs as an outflow of resources.

In June 2012, GASB issued statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement enhances note disclosures and schedules of required supplementary information. The adoption of this statement has no effect on net position of the City.

NOTE 16 - PRIOR PERIOD ADJUSTMENTS:

For 2013, the State Revenue Sharing payment deposited in September was recorded as Due from other governmental units and deferred revenue, however, currently, the State of Michigan now pays the City its State Revenue Sharing payment electronically on the last day of the month and the August 2014 payment is considered revenue in 2014. Due to this change, the August 2013 payment is shown as a prior period adjustment of \$155,238 to reflect only one full year's Revenue Sharing payments in 2014.

During 2014, the City reevaluated how the 2006 General Obligation Bonds were recorded and which funds pay the annual debt service requirements. The proceeds of the Bond were used for improvements to the Water Supply System, the Wastewater System and General Government assets. When the 2006 G.O. Bonds were sold the official documents indicated that the Bonds would be repaid from a tax levy. However, the City has since decided that it would not levy a special debt retirement tax, but rather pay the annual debt payments from the General, Water Supply System and Wastewater Funds operations. As a result, accounting standards require that the Water Supply System and Wastewater Funds record their portion of the bonds as a liability of the fund. Approximately 44.1% of the bond proceeds were utilized on Governmental Activities, 12.8% on the Wastewater System and 43.1% on the Water Supply System. As a result, as of June 30, 2013 the net position of the 2006 Construction Fund, a non-major fund, and the Governmental Activities decreased by \$408,317 and the net position of the Water Supply System Fund, the Wastewater Fund and Business-type Activities decreased \$992,793, \$416,013 and \$1,408,796 respectively. The governmental activities had an increase in net position of \$1,817,113 as of June 30, 2013. (The effect of the restatement on 2013 would have been a decrease of net position as of July 1, 2013 by \$835,552, \$422,413, \$587,103 and \$1,009,516 in the 2006 Construction Fund, a nonmajor fund, the Wastewater Fund, Water Supply System Fund and the Business-type Activities and an increase in the Governmental Activities of \$1,865,068. The change in net position for 2013 would have decreased in the Wastewater Fund, Water Supply System Fund and Business-type Activities by \$6,400, \$41,555 and \$47,955 respectively, as well as a decrease in the Governmental Activities of \$47,955).

During 2014, in the LDFA District No.2 it was determined there was a note outstanding to St. Clair County for road work pertaining to the District. The note had been outstanding for several years and as a result, the note should have been recorded. The net position of LDFA District No. 2 was decreased by \$321,251, the amount of the note. The effect would have been the same at the beginning of 2013 with no effect on net position during the year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARYSVILLE, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL CITY EMPLOYEES RETIREMENT SYSTEM**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/04	\$ 17,172,124	\$ 18,776,905	\$ 1,604,781	91.45%	\$ 2,289,952	70.08%
06/30/05	17,857,731	19,593,933	1,736,202	91.14%	2,153,245	80.63%
06/30/06	18,783,632	20,814,117	2,030,485	90.24%	2,278,405	89.12%
06/30/07	20,043,092	21,644,008	1,600,916	92.60%	2,118,567	75.57%
06/30/08	20,291,835	23,682,028	3,390,193	85.68%	2,242,526	151.18%
06/30/09 *	19,981,016	24,475,812	4,494,796	81.64%	2,284,401	196.76%
06/30/10	19,685,258	22,872,797	3,187,539	86.06%	2,132,230	149.49%
06/30/11	19,385,974	23,661,130	4,275,156	81.93%	1,906,790	224.21%
06/30/12	18,672,826	22,895,219	4,222,393	81.56%	1,864,481	226.46%
06/30/13	17,805,313	23,461,641	5,656,328	75.89%	1,828,337	309.37%

* Certain assumptions and methods changed

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2005	\$ 366,690	100.00%
2006	402,441	100.00%
2007	431,758	100.00%
2008	340,030	100.00%
2009	443,123	100.00%
2010	497,771	100.00%
2011	407,469	100.00%
2012	425,214	100.00%
2013	373,304	100.00%
2014	402,234	100.00%

Actuarial Cost Method	Individual Entry Age
Asset Valuation Method	5-year smoothed market value
Principal Actuarial Assumptions:	
Net Investment Return	7.75%
Projected Salary Increases	4.00%

CITY OF MARYSVILLE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL CITY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2013-2005*</u>
Annual money-weighted rate of return, net of investment expenses	14.84%	0%

* GASB 67 was implemented for fiscal year ended June 30, 2014 and does not require retroactive implementation.

CITY OF MARYSVILLE, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL CITY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	2014	2013*	2012-2005*
Total Pension Liability			
Service Cost	\$ 217,247	\$ -	\$ -
Interest	1,846,179	-	-
Differences between expected and actual experience	(333,882)		
Benefit payments, including refunds	(1,609,048)	-	-
Change in total pension liability	120,496	-	-
Total pension liability, beginning of year	24,517,561	-	-
Total pension liability, end of year	\$ 24,638,057	\$ 24,517,561	\$ -
Plan Fiduciary Net Position			
Contributions - Employer	\$ 402,234	\$ -	\$ -
Contributions - Member	169,379	-	-
Net investment income	2,472,730	-	-
Benefit payments, including refunds	(1,609,048)	-	-
Administrative expenses	(17,149)	-	-
Other	(6,316)	-	-
Net change in plan fiduciary net position	1,411,830	-	-
Plan fiduciary net position, beginning of year	17,306,549	-	-
Plan fiduciary net position, end of year	\$ 18,718,379	\$ 17,306,549	\$ -
City's Net Pension Liability - Ending	\$ 5,919,678	\$ 7,211,012	\$ -
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.97%	70.59%	0.00%
Covered Employee Payroll	\$ 1,962,528	\$ 1,828,337	
City's Net Pension Liability as a Percentage of Covered Employee Payroll	301.6%	394.4%	0.00%

* GASB 67 was implemented for fiscal year ended June 30, 2014 and does not require retroactive implementation.

CITY OF MARYSVILLE, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL CITY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 402,234	\$ 373,304	\$ 425,214	\$ 407,469	\$ 497,771
Contributions in relation to the actuarially determined contribution	<u>402,234</u>	<u>373,304</u>	<u>425,214</u>	<u>407,469</u>	<u>497,771</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>				
Covered Payroll	\$ 1,828,337	\$ 1,864,481	\$ 1,906,790	\$ 2,132,230	\$ 2,284,401
Contributions as a Percentage of Covered Employee Payroll	22.00%	20.02%	22.30%	19.11%	21.79%

Valuation Date June 30 of the previous fiscal year

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market value
Salary increases	4.00%
Investment rate of return	7.75% for 2014, 8.0% for previous years
Retirement age	Earliest age participant becomes eligible for normal retirement
Mortality	RP2000 Combined Healthy Mortality Table

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 443,123	\$ 340,030	\$ 431,758	\$ 402,441	\$ 366,690
<u>443,123</u>	<u>340,030</u>	<u>431,758</u>	<u>402,441</u>	<u>366,690</u>
<u>\$ -</u>				
\$ 2,242,526	\$ 2,118,567	\$ 2,278,405	\$ 2,153,245	\$ 2,289,952
19.76%	16.05%	18.95%	18.69%	16.01%

CITY OF MARYSVILLE, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/04	\$ 14,683,776	\$ 18,025,358	\$ 3,341,582	81.46%	\$ 1,602,030	208.58%
06/30/05	15,015,228	18,728,091	3,712,863	80.18%	1,639,076	226.52%
06/30/06	15,544,392	19,612,395	4,068,003	79.27%	1,742,742	233.43%
06/30/07	16,359,155	19,810,294	3,451,139	82.58%	1,696,850	203.39%
06/30/08	16,363,541	20,074,706	3,711,165	81.51%	1,817,138	204.23%
06/30/09	16,032,814	21,133,862	5,101,048	75.86%	1,882,693	270.94%
06/30/10	15,802,957	20,894,397	5,091,440	75.63%	1,823,285	279.25%
06/30/11	15,657,192	20,397,994	4,740,802	76.76%	1,876,414	252.65%
06/30/12	15,214,758	21,178,733	5,963,975	71.84%	1,908,243	312.54%
06/30/13	14,804,132	21,729,016	6,924,884	68.13%	1,918,654	360.92%

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2005	\$ 492,784	100.00%
2006	536,961	100.00%
2007	491,802	100.00%
2008	468,500	100.00%
2009	491,172	100.00%
2010	580,811	100.00%
2011	577,252	100.00%
2012	528,398	100.00%
2013	571,900	100.00%
2014	544,898	100.00%

Actuarial Cost Method	Individual Entry Age
Asset Valuation Method	5-year smoothed market value
Principal Actuarial Assumptions:	
Net Investment Return	7.75%
Projected Salary Increases	4.00%

CITY OF MARYSVILLE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS

LAST TEN FISCAL YEARS

	2014	2013-2005*
Annual money-weighted rate of return, net of investment expenses	15.35%	0.00%

* GASB 67 was implemented for fiscal year ended June 30, 2014 and does not require retroactive implementation.

CITY OF MARYSVILLE, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	<u>2014</u>	<u>2013*</u>	<u>2012-2005*</u>
Total Pension Liability			
Service Cost	\$ 304,469	\$ -	\$ -
Interest	1,684,480	-	-
Differences between expected and actual experience	(185,876)		
Benefit payments, including refunds	<u>(1,428,491)</u>	<u>-</u>	<u>-</u>
Change in total pension liability	374,582	-	-
Total pension liability, beginning of year	<u>22,297,235</u>	<u>-</u>	<u>-</u>
Total pension liability, end of year	<u><u>\$ 22,671,817</u></u>	<u><u>\$ 22,297,235</u></u>	<u><u>\$ -</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 544,898	\$ -	\$ -
Contributions - Member	162,383	-	-
Net investment income	2,128,427	-	-
Benefit payments, including refunds	(1,428,491)	-	-
Administrative expenses	(17,670)	-	-
Other	<u>(5,900)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	1,383,647	-	-
Plan fiduciary net position, beginning of year	<u>14,411,577</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u><u>\$ 15,795,224</u></u>	<u><u>\$ 14,411,577</u></u>	<u><u>\$ -</u></u>
City's Net Pension Liability - Ending	<u><u>\$ 6,876,593</u></u>	<u><u>\$ 7,885,658</u></u>	<u><u>\$ -</u></u>
Plan Fiduciary Net Position as a % of Total Pension Liability	69.67%	64.63%	0.00%
Covered Employee Payroll	\$ 1,766,882	\$ 1,918,654	
City's Net Pension Liability as a % of Covered Employee Payroll	389.2%	411.0%	0.00%

* GASB 67 was implemented for fiscal year ended June 30, 2014 and does not require retroactive implementation.

CITY OF MARYSVILLE, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 544,898	\$ 571,900	\$ 528,398	\$ 577,252	\$ 580,811
Contributions in relation to the actuarially determined contribution	<u>544,898</u>	<u>571,900</u>	<u>528,398</u>	<u>577,252</u>	<u>580,811</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>				
Covered Payroll	\$ 1,918,654	\$ 1,908,243	\$ 1,876,414	\$ 1,823,285	\$ 1,882,693
Contributions as a Percentage of Covered Employee Payroll	28.40%	29.97%	28.16%	31.66%	30.85%

Valuation Date June 30 of the previous fiscal year

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market value
Salary increases	4.00%
Investment rate of return	7.75% for 2014, 8.0% for previous years
Retirement age	Earliest age participant becomes eligible for normal retirement
Mortality	RP Healthy Annuitant Mortality

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 491,172	\$ 468,500	\$ 491,802	\$ 536,961	\$ 492,784
<u>491,172</u>	<u>468,500</u>	<u>491,802</u>	<u>536,961</u>	<u>492,784</u>
<u>\$ -</u>				
\$ 1,817,138	\$ 1,696,850	\$ 1,742,742	\$ 1,639,076	\$ 1,602,030
27.03%	27.61%	28.22%	32.76%	30.76%

CITY OF MARYSVILLE, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFITS**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/08	\$ 10,920,906	\$ 23,538,730	\$ 12,617,824	46.40%	\$ 4,059,663	310.81%
06/30/11	13,297,910	21,941,437	8,643,527	60.61%	3,783,203	228.47%
06/30/13	13,382,676	21,834,793	8,452,117	61.29%	3,746,991	225.57%

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2009	\$ 1,275,546	95.32%
2010	1,309,301	77.39%
2011	1,242,823	83.78%
2012	984,011	102.59%
2013	981,285	102.59%
2014	741,904	129.56%

CITY OF MARYSVILLE, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 6,021,800	\$ 6,021,800	\$ 6,203,848	\$ 182,048
Licenses and permits	214,500	214,500	242,467	27,967
Intergovernmental - Federal/State	933,000	933,000	999,804	66,804
Charges for services	343,200	343,200	386,316	43,116
Fines and forfeits	15,000	15,000	14,116	(884)
Interest and rents	158,075	158,075	50,579	(107,496)
Other	86,000	86,000	277,580	191,580
Total Revenues	<u>7,771,575</u>	<u>7,771,575</u>	<u>8,174,710</u>	<u>403,135</u>
Expenditures:				
Current -				
General Government -				
Legislative	17,524	17,524	16,540	984
Elections	18,881	18,881	10,373	8,508
City Manager	162,370	162,370	131,912	30,458
City Assessor/Clerk/Treasurer	345,238	345,238	336,648	8,590
Board of review	2,839	2,839	1,433	1,406
Cemetery	128,655	128,655	126,801	1,854
Community development	78,929	78,929	48,083	30,846
General administration	349,627	349,627	260,072	89,555
	<u>1,104,063</u>	<u>1,104,063</u>	<u>931,862</u>	<u>172,201</u>
Less: Reimbursement from other funds	<u>(259,584)</u>	<u>(259,584)</u>	<u>(249,998)</u>	<u>(9,586)</u>
Total General Government	<u>844,479</u>	<u>844,479</u>	<u>681,864</u>	<u>162,615</u>
Public Safety -				
Fire department	1,246,409	1,246,409	1,269,049	(22,640)
Police department	1,599,280	1,599,280	1,516,360	82,920
Emergency management	9,440	9,440	6,291	3,149
Building inspections	97,980	97,980	81,882	16,098
	<u>2,953,109</u>	<u>2,953,109</u>	<u>2,873,582</u>	<u>79,527</u>
Public Works -				
Department of public works	737,945	737,945	702,364	35,581
Street lighting	255,000	255,000	265,520	(10,520)
Dial-A-Ride	70,000	70,000	60,516	9,484
Sanitation	608,306	608,306	603,290	5,016
	<u>1,671,251</u>	<u>1,671,251</u>	<u>1,631,690</u>	<u>39,561</u>
Less: Reimbursement from other funds	<u>(220,365)</u>	<u>(220,365)</u>	<u>(173,922)</u>	<u>(46,443)</u>
Total Public Works	<u>1,450,886</u>	<u>1,450,886</u>	<u>1,457,768</u>	<u>(6,882)</u>

Continued

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreational and Cultural-				
Parks	\$ 244,333	\$ 244,333	\$ 224,528	\$ 19,805
Beautification committee	25,975	25,975	22,083	3,892
Library	16,543	16,543	8,018	8,525
Historical commission	15,428	15,428	5,407	10,021
	<u>302,279</u>	<u>302,279</u>	<u>260,036</u>	<u>42,243</u>
Other	<u>1,763,897</u>	<u>1,763,897</u>	<u>1,696,250</u>	<u>67,647</u>
Capital Outlay	<u>12,100</u>	<u>12,100</u>	<u>7,596</u>	<u>4,504</u>
Debt Service -				
Principal	34,406	34,406	44,089	(9,683)
Interest	-	-	57,041	(57,041)
	<u>34,406</u>	<u>34,406</u>	<u>101,130</u>	<u>(66,724)</u>
Total Expenditures	<u>7,361,156</u>	<u>7,361,156</u>	<u>7,078,226</u>	<u>282,930</u>
Revenues over expenditures	<u>410,419</u>	<u>410,419</u>	<u>1,096,484</u>	<u>686,065</u>
Other Financing Sources (Uses):				
Transfers In -				
Ambulance	248,000	248,000	248,000	-
Transfers Out -				
Motor Vehicle Highway	(125,000)	(125,000)	(125,000)	-
Public Improvement	(300,000)	(300,000)	(300,000)	-
Recreation	(99,363)	(99,363)	(99,363)	-
Golf	(124,795)	(168,795)	(151,000)	17,795
	<u>(401,158)</u>	<u>(445,158)</u>	<u>(427,363)</u>	<u>17,795</u>
Net Change in Fund Balance	9,261	(34,739)	669,121	703,860
Fund Balance at beginning of year, as restated	<u>5,341,170</u>	<u>5,341,170</u>	<u>5,341,170</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 5,350,431</u>	<u>\$ 5,306,431</u>	<u>\$ 6,010,291</u>	<u>\$ 703,860</u>

Reconciliation of Budget-Basis to GAAP-Basis Reporting:

Net Change in General Fund	
Fund Balance - Budgetary-Basis	\$ 669,121
Perspective difference -	
Other Budgeted Fund Net Change allocated to the General Fund for GAAP-Basis General Fund	
Industrial Development Fund	(16,890)
Net Change in Fund Balance - GAAP-Basis	<u>\$ 652,231</u>

SUPPLEMENTARY INFORMATION

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2014**

	General Fund (Budgetary - Basis)	Industrial Development	General Fund (GAAP-Basis)
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 134	\$ -	\$ 134
Investments	3,767,569	274,504	4,042,073
Receivables, net of allowance -			
Property taxes	24,046	-	24,046
Accounts and interest	155,937	13,397	169,334
Due from other governmental units	180,140	-	180,140
Due from component units	65,057	-	65,057
Long-term notes receivable	603,259	-	603,259
Advance to other funds	1,476,925	-	1,476,925
Prepaid expenditures	100,990	-	100,990
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,374,057</u>	<u>\$ 287,901</u>	<u>\$ 6,661,958</u>
Liabilities:			
Accounts payable	\$ 133,605	\$ -	\$ 133,605
Accrued liabilities	134,102	-	134,102
Advances and deposits	13,200	-	13,200
Due to other funds	44,074	-	44,074
Unearned revenue	7,917	-	7,917
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>332,898</u>	<u>-</u>	<u>332,898</u>
Deferred Inflows of Resources:			
Unavailable revenues -			
Property taxes	23,434	-	23,434
Grants	7,434	-	7,434
	<u> </u>	<u> </u>	<u> </u>
	30,868	-	30,868
Fund Balance:			
Nonspendable -			
Prepaid expenditures	100,990	-	100,990
Long-term notes receivable	603,259	-	603,259
Advance to other funds	1,476,925	-	1,476,925
Restricted	31,100	-	31,100
Committed	682,828	287,901	970,729
Assigned	197,500	-	197,500
Unassigned	2,917,689	-	2,917,689
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>6,010,291</u>	<u>287,901</u>	<u>6,298,192</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,374,057</u>	<u>\$ 287,901</u>	<u>\$ 6,661,958</u>

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund (Budgetary - Basis)	Industrial Development	General Fund (GAAP - Basis)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 6,203,848	\$ -	\$ 6,203,848
Licenses and permits	242,467	-	242,467
Intergovernmental - Federal/State	999,804	-	999,804
Charges for services	386,316	-	386,316
Fines and forfeits	14,116	-	14,116
Interest and rents	50,579	3,028	53,607
Other	277,580	-	277,580
Total Revenues	<u>8,174,710</u>	<u>3,028</u>	<u>8,177,738</u>
Expenditures:			
Current -			
General Government	681,864	19,918	701,782
Public Safety	2,873,582	-	2,873,582
Public Works	1,457,768	-	1,457,768
Recreation and Cultural	260,036	-	260,036
Other	1,696,250	-	1,696,250
Capital outlay	7,596	-	7,596
Debt Service -			
Principal	44,089	-	44,089
Interest	57,041	-	57,041
Total Expenditures	<u>7,078,226</u>	<u>19,918</u>	<u>7,098,144</u>
Revenues over (under) expenditures	<u>1,096,484</u>	<u>(16,890)</u>	<u>1,079,594</u>
Other Financing Sources (Uses):			
Transfers in	248,000	-	248,000
Transfers out	<u>(675,363)</u>	<u>-</u>	<u>(675,363)</u>
	<u>(427,363)</u>	<u>-</u>	<u>(427,363)</u>
Net Change in Fund Balances	669,121	(16,890)	652,231
Fund Balance at beginning of year	<u>5,341,170</u>	<u>304,791</u>	<u>5,645,961</u>
Fund Balance at end of year	<u>\$ 6,010,291</u>	<u>\$ 287,901</u>	<u>\$ 6,298,192</u>

CITY OF MARYSVILLE, MICHIGAN

INDUSTRIAL DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Interest	\$ 9,000	\$ 3,028	\$(5,972)
Expenditures:			
Current -			
General Government -			
Professional fees	<u> 20,000</u>	<u> 19,918</u>	<u> 82</u>
Net Change in Fund Balance	(11,000)	(16,890)	(5,890)
Fund Balance at beginning of year	<u> 304,791</u>	<u> 304,791</u>	<u> -</u>
Fund Balance at end of year	<u><u> 293,791</u></u>	<u><u> 287,901</u></u>	<u><u> \$(5,890)</u></u>

CITY OF MARYSVILLE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

Special Revenue Funds

	<u>Major Street</u>	<u>Local Street</u>	<u>Drug Law Enforcement</u>	<u>Parks and Recreation</u>	<u>Ambulance</u>
Assets:					
Cash and cash equivalents	\$ 35,874	\$ 34,001	\$ 408	\$ 85,001	\$ 48,818
Investments	639,819	1,047,612	6,378	99,329	522,119
Accounts and interest receivable, net	4,907	4,253	15,927	257	64,028
Due from other governmental units	78,502	28,928	-	41,010	-
Prepaid expenditures	1,436	2,597	-	5,968	-
	<u>1,436</u>	<u>2,597</u>	<u>-</u>	<u>5,968</u>	<u>-</u>
Total Assets	<u>\$ 760,538</u>	<u>\$ 1,117,391</u>	<u>\$ 22,713</u>	<u>\$ 231,565</u>	<u>\$ 634,965</u>
Liabilities:					
Accounts payable	\$ 4,063	\$ 3,397	\$ -	\$ 14,438	\$ 367
Accrued liabilities	1,212	2,664	-	17,905	-
Unearned revenue	-	-	-	23,130	-
Total Liabilities	<u>5,275</u>	<u>6,061</u>	<u>-</u>	<u>55,473</u>	<u>367</u>
Deferred Inflows of Resources:					
Unavailable revenues - charges for services	-	-	-	-	29,355
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,355</u>
Fund Balance:					
Nonspendable -					
Prepaid expenditures	1,436	2,597	-	5,968	-
Perpetual Care	-	-	-	-	-
Restricted	753,827	1,108,733	22,713	-	-
Committed	-	-	-	170,124	605,243
Total Fund Balance	<u>755,263</u>	<u>1,111,330</u>	<u>22,713</u>	<u>176,092</u>	<u>605,243</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 760,538</u>	<u>\$ 1,117,391</u>	<u>\$ 22,713</u>	<u>\$ 231,565</u>	<u>\$ 634,965</u>

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
<u>Building Authority</u>	<u>Building Authority</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ 1,963	\$ 64,988	\$ 271,053
-	139,531	416,138	2,870,926
-	501	1,075	90,948
-	-	-	148,440
-	-	-	10,001
<u>\$ -</u>	<u>\$ 141,995</u>	<u>\$ 482,201</u>	<u>\$ 3,391,368</u>
\$ -	\$ -	\$ -	\$ 22,265
-	-	-	21,781
-	-	-	23,130
<u>-</u>	<u>-</u>	<u>-</u>	<u>67,176</u>
-	-	-	29,355
-	-	-	10,001
-	-	255,218	255,218
-	-	226,983	2,112,256
-	141,995	-	917,362
<u>-</u>	<u>141,995</u>	<u>482,201</u>	<u>3,294,837</u>
<u>\$ -</u>	<u>\$ 141,995</u>	<u>\$ 482,201</u>	<u>\$ 3,391,368</u>

CITY OF MARYSVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

Special Revenue Funds

	<u>Major Street</u>	<u>Local Street</u>	<u>Drug Law Enforcement</u>	<u>Parks and Recreation</u>	<u>Ambulance</u>
Revenues:					
Intergovernmental -					
Federal/State	\$ 503,801	\$ 218,181	\$ -	\$ -	\$ -
Local	-	-	-	41,010	-
Charges for services	-	-	-	-	201,942
Interest and rent	6,060	8,969	132	1,113	5,848
Other	13,275	12,740	11,411	141,654	-
Total Revenues	<u>523,136</u>	<u>239,890</u>	<u>11,543</u>	<u>183,777</u>	<u>207,790</u>
Expenditures:					
Current -					
Public Safety	-	-	3,672	-	-
Public Works	261,488	433,685	-	-	-
Recreation and Culture	-	-	-	258,707	-
Debit service -					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>261,488</u>	<u>433,685</u>	<u>3,672</u>	<u>258,707</u>	<u>-</u>
Revenues over (under) expenditures	<u>261,648</u>	<u>(193,795)</u>	<u>7,871</u>	<u>(74,930)</u>	<u>207,790</u>
Other Financing Sources (Uses):					
Transfers in	-	300,000	-	99,363	-
Transfers out	<u>(200,000)</u>	-	-	-	<u>(248,000)</u>
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>300,000</u>	<u>-</u>	<u>99,363</u>	<u>(248,000)</u>
Net Change in Fund Balances	61,648	106,205	7,871	24,433	(40,210)
Fund Balances at beginning of year	<u>693,615</u>	<u>1,005,125</u>	<u>14,842</u>	<u>151,659</u>	<u>645,453</u>
Fund Balances at end of year	<u>\$ 755,263</u>	<u>\$ 1,111,330</u>	<u>\$ 22,713</u>	<u>\$ 176,092</u>	<u>\$ 605,243</u>

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
<u>Building Authority</u>	<u>Building Authority</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 721,982
-	-	-	41,010
-	-	7,737	209,679
-	1,907	4,662	28,691
-	-	-	179,080
<u>-</u>	<u>1,907</u>	<u>12,399</u>	<u>1,180,442</u>
-	-	-	3,672
-	-	-	695,173
-	-	-	258,707
160,000	-	-	160,000
<u>67,019</u>	<u>-</u>	<u>-</u>	<u>67,019</u>
<u>227,019</u>	<u>-</u>	<u>-</u>	<u>1,184,571</u>
<u>(227,019)</u>	<u>1,907</u>	<u>12,399</u>	<u>(4,129)</u>
227,019	-	-	626,382
<u>-</u>	<u>(75,294)</u>	<u>-</u>	<u>(523,294)</u>
<u>227,019</u>	<u>(75,294)</u>	<u>-</u>	<u>103,088</u>
-	(73,387)	12,399	98,959
<u>-</u>	<u>215,382</u>	<u>469,802</u>	<u>3,195,878</u>
<u>\$ -</u>	<u>\$ 141,995</u>	<u>\$ 482,201</u>	<u>\$ 3,294,837</u>

CITY OF MARYSVILLE, MICHIGAN

**MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental - State - Act 51	\$ 435,000	\$ 503,801	\$ 68,801
Interest	17,000	6,060	(10,940)
Other	17,500	13,275	(4,225)
	<u>469,500</u>	<u>523,136</u>	<u>53,636</u>
Expenditures:			
Current -			
Public Works-			
Routine maintenance	187,668	98,827	88,841
Traffic services maintenance	17,171	16,975	196
Winter maintenance	91,622	119,498	(27,876)
Administration/engineering	13,167	13,166	1
Construction	168,000	13,022	154,978
	<u>477,628</u>	<u>261,488</u>	<u>216,140</u>
Revenues over (under) expenditures	(8,128)	261,648	269,776
Other Financing (Uses):			
Transfers out	(200,000)	(200,000)	-
Net Change in Fund Balance	(208,128)	61,648	269,776
Fund Balance at beginning of year	<u>693,615</u>	<u>693,615</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 485,487</u>	<u>\$ 755,263</u>	<u>\$ 269,776</u>

CITY OF MARYSVILLE, MICHIGAN

**LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Intergovernmental - State			
Act 51	\$ 160,000	\$ 189,071	\$ 29,071
Maintenance	28,000	29,110	1,110
Interest	25,000	8,969	(16,031)
Other	7,500	12,740	5,240
	<u>220,500</u>	<u>239,890</u>	<u>19,390</u>
Expenditures:			
Current -			
Public Works-			
Routine maintenance	316,136	179,526	136,610
Traffic services maintenance	28,679	25,863	2,816
Winter maintenance	150,150	215,130	(64,980)
Administration/engineering	13,167	13,166	1
Construction	182,000	-	182,000
	<u>690,132</u>	<u>433,685</u>	<u>256,447</u>
Revenues under expenditures	(469,632)	(193,795)	275,837
Other Financing Sources:			
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net Change in Fund Balance	(169,632)	106,205	275,837
Fund Balance at beginning of year	<u>1,005,125</u>	<u>1,005,125</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 835,493</u>	<u>\$ 1,111,330</u>	<u>\$ 275,837</u>

CITY OF MARYSVILLE, MICHIGAN

DRUG LAW ENFORCEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Interest	\$ 350	\$ 132	\$(218)
Other	4,500	11,411	6,911
Total Revenues	<u>4,850</u>	<u>11,543</u>	<u>6,693</u>
 Expenditures:			
Current -			
Public Safety-			
Supplies	<u>4,850</u>	<u>3,672</u>	<u>1,178</u>
 Net Change in Fund Balance	-	7,871	7,871
 Fund Balance at beginning of year	<u>14,842</u>	<u>14,842</u>	<u>-</u>
 Fund Balance at end of year	<u><u>\$ 14,842</u></u>	<u><u>\$ 22,713</u></u>	<u><u>\$ 7,871</u></u>

CITY OF MARYSVILLE, MICHIGAN

RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental - Local	\$ 43,000	\$ 41,010	\$(1,990)
Interest	2,500	1,113	(1,387)
Other	<u>114,975</u>	<u>141,654</u>	<u>26,679</u>
 Total Revenues	 <u>160,475</u>	 <u>183,777</u>	 <u>23,302</u>
 Expenditures:			
Current -			
Recreation and culture-			
Salaries and wages	61,600	62,624	(1,024)
Fringe benefits	49,152	49,972	(820)
Materials and supplies	12,005	11,141	864
Program expense	113,915	116,431	(2,516)
Travel	2,000	2,325	(325)
Insurance	6,100	6,638	(538)
Contracted services	4,071	3,767	304
Maintenance	8,500	3,929	4,571
Miscellaneous	<u>2,495</u>	<u>1,880</u>	<u>615</u>
 Total Expenditures	 <u>259,838</u>	 <u>258,707</u>	 <u>1,131</u>
 Revenues under expenditures	 (99,363)	 (74,930)	 24,433
 Other Financing Sources:			
Transfers in	<u>99,363</u>	<u>99,363</u>	<u>-</u>
 Net Change in Fund Balance	 -	 24,433	 24,433
 Fund Balance at beginning of year	 <u>151,659</u>	 <u>151,659</u>	 <u>-</u>
 Fund Balance at end of year	 <u><u>\$ 151,659</u></u>	 <u><u>\$ 176,092</u></u>	 <u><u>\$ 24,433</u></u>

CITY OF MARYSVILLE, MICHIGAN

AMBULANCE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges for services	\$ 240,000	\$ 201,942	\$(38,058)
Interest	<u>20,000</u>	<u>5,848</u>	<u>(14,152)</u>
Total Revenues	260,000	207,790	(52,210)
Expenditures:			
Capital Outlay	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Revenues over expenditures	248,000	207,790	(40,210)
Other Financing Uses:			
Transfers out	<u>(248,000)</u>	<u>(248,000)</u>	<u>-</u>
Net Change in Fund Balance	-	(40,210)	(40,210)
Fund Balance at beginning of year	<u>645,453</u>	<u>645,453</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 645,453</u></u>	<u><u>\$ 605,243</u></u>	<u><u>\$(40,210)</u></u>

INTERNAL SERVICE FUNDS

CITY OF MARYSVILLE, MICHIGAN
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	<u>Equipment Rental</u>	<u>Employee Vacation and Sick</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 2,502	\$ 34,621	\$ 37,123
Investments	379,754	356,474	736,228
Accounts and interest receivable	3,400	921	4,321
Inventories	6,686	-	6,686
Prepaid expenses	2,656	-	2,656
	<u>394,998</u>	<u>392,016</u>	<u>787,014</u>
Total Current Assets	<u>394,998</u>	<u>392,016</u>	<u>787,014</u>
Property, Plant and Equipment, net	492,566	-	492,566
Net OPEB asset	32,834	-	32,834
	<u>525,400</u>	<u>-</u>	<u>525,400</u>
Total Non-Current Assets	<u>525,400</u>	<u>-</u>	<u>525,400</u>
Total Assets	<u>920,398</u>	<u>392,016</u>	<u>1,312,414</u>
Liabilities:			
Current Liabilities:			
Accounts payable	12,457	-	12,457
Accrued expenses	2,153	-	2,153
Total Current Liabilities	<u>14,610</u>	<u>-</u>	<u>14,610</u>
Long-Term Liabilities (net of current portion):			
Accrued vacation and sick	-	392,016	392,016
	<u>14,610</u>	<u>392,016</u>	<u>406,626</u>
Total Liabilities	<u>14,610</u>	<u>392,016</u>	<u>406,626</u>
Net Position:			
Net investment in capital assets	492,566	-	492,566
Unrestricted	413,222	-	413,222
Total Net Position	<u>\$ 905,788</u>	<u>\$ -</u>	<u>\$ 905,788</u>

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Equipment Rental	Employee Vacation and Sick	Total
Operating Revenues:			
Charges for services -			
Service fees	\$ -	\$ 31,766	\$ 31,766
Rent income	476,052	-	476,052
Other	6,507	-	6,507
Total Operating Revenues	482,559	31,766	514,325
Operating Expenses:			
Personnel services	188,059	35,771	223,830
Supplies	97,418	-	97,418
Other services	146,859	-	146,859
Depreciation	94,025	-	94,025
Total Operating Expenses	526,361	35,771	562,132
Operating Income (Loss)	(43,802)	(4,005)	(47,807)
Non-Operating Revenues (Expenses):			
Gain on sale of assets	19,644	-	19,644
Investment income (loss)	6,464	4,005	10,469
Total Non-Operating Revenues (Expenses)	26,108	4,005	30,113
Net Income (Loss) Before Transfers	(17,694)	-	(17,694)
Transfers:			
Transfers to other funds	(50,575)	-	(50,575)
Change in Net Position	(68,269)	-	(68,269)
Net Position at beginning of year	974,057	-	974,057
Net Position end of year	\$ 905,788	\$ -	\$ 905,788

CITY OF MARYSVILLE, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Equipment Rental	Employee Vacation and Sick	Total
Cash Flows From Operating Activities:			
Cash receipts from interfund services	\$ 481,329	\$ 34,744	\$ 516,073
Cash payments to suppliers	(235,268)	-	(235,268)
Cash payments to employees	(196,621)	(60,648)	(257,269)
Net Cash Provided by (Used for) Operating Activities	<u>49,440</u>	<u>(25,904)</u>	<u>23,536</u>
Cash Flows From Noncapital Financing Activities:			
Transfers to other funds	(50,575)	-	(50,575)
Cash Flows From Capital and Related Financing Activities:			
Proceeds from sale of assets	19,644	-	19,644
Acquisition and construction of capital assets	(305,038)	-	(305,038)
Net Cash Used for Capital and Related Financing Activities	<u>(285,394)</u>	<u>-</u>	<u>(285,394)</u>
Cash Flows From Investing Activities:			
Sale (purchase) of investments	<u>285,448</u>	<u>40,603</u>	<u>326,051</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	(1,081)	14,699	13,618
Cash and Cash Equivalents at Beginning of Year	<u>3,583</u>	<u>19,922</u>	<u>23,505</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,502</u>	<u>\$ 34,621</u>	<u>\$ 37,123</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss) for the year	\$(43,802)	\$(4,005)	\$(47,807)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities -			
Depreciation	94,025	-	94,025
Change in assets and liabilities -			
Receivables	(1,508)	-	(1,508)
Due from other funds	278	2,978	3,256
Prepaid expenses	(1,274)	-	(1,274)
Inventories	5,401	-	5,401
Net OPEB asset	(7,243)	-	(7,243)
Accounts payable/accrued expenses	3,563	(24,877)	(21,314)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 49,440</u>	<u>\$(25,904)</u>	<u>\$ 23,536</u>

COMPONENT UNITS

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET POSITION
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
JUNE 30, 2014**

	<u>General</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Position</u>
Liabilities:			
Non-current liabilities -			
Due within one year	\$ -	\$ 34,736	\$ 34,736
Due in more than one year	-	29,405	29,405
	<hr/>	<hr/>	<hr/>
Total Liabilities	-	64,141	64,141
Fund Balance:			
Unassigned	-	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ -</u>		
Net Position:			
Unrestricted (deficit)		<u>(64,141)</u>	<u>(64,141)</u>
		<hr/>	<hr/>
Total Net Position		<u><u>\$ (64,141)</u></u>	<u><u>\$ (64,141)</u></u>

**RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
JUNE 30, 2014**

Fund Balance - Local Development Finance Authority - District No. 1	\$ -
Long - term liabilities, including installments payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	<u>(64,141)</u>
Net Position of Local Development Finance Authority - District No. 1 activities	<u><u>\$ (64,141)</u></u>

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE/STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Taxes	\$ 43,616	\$ -	\$ 43,616
Expenditures/Expenses:			
Current -			
Community and Economic Development	2,860	-	2,860
Debt Service-			
Principal	44,339	(44,339)	-
Interest and fiscal charges	2,947	-	2,947
	<u>50,146</u>	<u>(44,339)</u>	<u>5,807</u>
Revenues over (under) expenditures	(6,530)	44,339	37,809
Other Financing Sources:			
Loan proceeds	6,530	(6,530)	-
Net Change in Fund Balance/Net Position	-	37,809	37,809
Fund Balance/Net Position at beginning of year	-	(101,950)	(101,950)
Fund Balance/Net Position at end of year	<u>\$ -</u>	<u>\$(64,141)</u>	<u>\$(64,141)</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balance - Local Development Finance Authority - District No. 1	\$ -
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.</p>	
Issuance of long-term debt	(6,530)
Principal payments on long term liabilities	<u>44,339</u>
Change in net position of Local Development Finance Authority - District No. 1 activities	<u>\$ 37,809</u>

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET POSITION
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
JUNE 30, 2014**

	<u>General</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents	\$ 65,082	\$ -	\$ 65,082
Liabilities:			
Non-current liabilities -			
Note payable - more than one year	\$ -	895,105	895,105
Fund Balance:			
Unassigned	65,082	(65,082)	-
Total Liabilities and Fund Balance	<u>\$ 65,082</u>		
Net Position:			
Unrestricted (deficit)		(830,023)	(830,023)
Total Net Position		<u>\$(830,023)</u>	<u>\$(830,023)</u>

**RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
LOCAL DEVELOPMENT FINANCE AUTHORITY -DISTRICT NO. 2
JUNE 30, 2014**

Fund Balance - Local Development Finance Authority - District No. 2	\$ 65,082
Long - term liabilities, including installments payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	(895,105)
Net Position of Local Development Finance Authority - District No. 2 activities	<u>\$(830,023)</u>

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE/STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Taxes	\$ 814,857	\$ -	\$ 814,857
Expenditures/Expenses:			
Current -			
Community and Economic Development	2,830	-	2,830
Debt Service -			
Principal	841,705	(841,705)	-
Interest and fiscal charges	<u>16,441</u>	<u>(2,280)</u>	<u>14,161</u>
	<u>860,976</u>	<u>(843,985)</u>	<u>16,991</u>
Net Change in Fund Balance/Net Position	(46,119)	843,985	797,866
Fund Balance/Net Position at beginning of year, as restated	<u>111,201</u>	<u>(1,739,090)</u>	<u>(1,627,889)</u>
Fund Balance/Net Position at end of year	<u><u>\$ 65,082</u></u>	<u><u>\$ (895,105)</u></u>	<u><u>\$ (830,023)</u></u>

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balance - Local Development Finance Authority - District No. 2 \$ (46,119)

The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.

Principal payments on long-term liability	841,705
Decrease in accrued interest	<u>2,280</u>

Change in net position of Local Development Finance Authority - District No. 2 activities \$ 797,866