

**CITY OF MARYSVILLE, MICHIGAN**

**ANNUAL FINANCIAL REPORT  
with Supplementary Information**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***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 99 percent, 99 percent, and 100 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the retirement systems and retiree health benefits schedules 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.

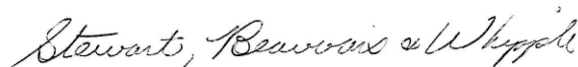
### ***Supplementary Information***

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 and individual fund statements and schedules (supplementary information) 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 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 November 28, 2016 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

November 28, 2016

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Marysville, Michigan's (the "City") 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, 2016. 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, Healthcare Fund, and an Employee Vacation and Sick 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 \$43,729,598. This is an increase of \$685,649 over 2015. Governmental activities comprise \$16,558,653, and business-type activities make up \$27,170,945 of the total net position. In a condensed format, the table below shows net position at of the June 30, 2016 and 2015.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>				
Current and other assets	\$ 12,248,021	\$ 12,915,156	\$ 3,287,909	\$ 2,294,691
Capital assets	<u>23,227,046</u>	<u>20,680,683</u>	<u>38,708,245</u>	<u>39,994,294</u>
Total Assets	<u>35,475,067</u>	<u>33,595,839</u>	<u>41,996,154</u>	<u>42,288,985</u>
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding	140,947	31,213	59,663	-
Related to pensions	<u>6,011,135</u>	<u>4,166,784</u>	<u>805,943</u>	<u>569,264</u>
Total Deferred Outflows of Resources	<u>6,152,082</u>	<u>4,197,997</u>	<u>865,606</u>	<u>569,264</u>
<b>Liabilities</b>				
Current liabilities	660,636	1,023,739	253,456	357,699
Non-current liabilities	<u>23,583,556</u>	<u>20,084,787</u>	<u>15,296,816</u>	<u>15,721,695</u>
Total Liabilities	<u>24,244,192</u>	<u>21,108,526</u>	<u>15,550,272</u>	<u>16,079,394</u>
<b>Deferred Inflows of Resources</b>				
Related to Pensions	<u>824,304</u>	<u>323,871</u>	<u>140,543</u>	<u>96,345</u>
<b>Net Position</b>				
Net investment in capital assets	20,736,198	17,982,888	25,761,324	26,108,342
Restricted	2,970,595	3,737,240	545,128	494,128
Unrestricted (Deficit)	( <u>7,148,140</u> )	( <u>5,358,689</u> )	<u>864,493</u>	<u>80,040</u>
Total Net Position	<u>\$ 16,558,653</u>	<u>\$ 16,361,439</u>	<u>\$ 27,170,945</u>	<u>\$ 26,682,510</u>

The City's governmental activities experienced an increase in net position of \$197,214 due to increased property taxes collected. The business-type activities experienced a change in net position of \$488,435: \$(71,002) in the Water Supply System Fund, \$340,286 in the Wastewater Fund, and \$219,151 in the Golf Course Fund.

The following table shows the changes in net position for 2016 and 2015:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenue</b>				
Program Revenue				
Charges for services	\$ 829,068	\$ 1,110,862	\$ 5,138,094	\$ 4,932,202
Operating grants and contributions	904,154	985,226	-	-
Capital grants and contributions	1,177,144	1,654,581	241,036	-
General Revenue				
Property taxes	6,982,078	6,257,422	-	-
Franchise fees	160,642	155,046	-	-
Grants and contributions not restricted to specific programs	964,079	964,808	-	-
Unrestricted investment income	544,403	171,650	161,925	145,408
Gain on sale of assets	60,631	-	-	-
<b>Total Revenue</b>	<u>11,622,199</u>	<u>11,299,595</u>	<u>5,541,055</u>	<u>5,077,610</u>
<b>Program Expenses</b>				
General government	1,311,751	1,204,473	-	-
Public safety	5,377,160	4,912,051	-	-
Public works	4,020,314	3,429,909	-	-
Recreation and culture	582,768	540,890	-	-
Interest on long-term debt	105,348	116,311	-	-
Water supply system	-	-	1,971,372	1,930,100
Wastewater	-	-	2,422,084	2,398,278
Golf Course	-	-	686,808	610,763
<b>Total Program Expenses</b>	<u>11,397,341</u>	<u>10,203,634</u>	<u>5,080,264</u>	<u>4,939,141</u>
Increase (Decrease) in net position before transfers	224,858	1,095,961	460,791	138,469
Transfers	(27,644)	(4,961)	27,644	4,961
<b>Changes in Net Position</b>	<u>\$ 197,214</u>	<u>\$ 1,091,000</u>	<u>\$ 488,435</u>	<u>\$ 143,430</u>

### ***Governmental Activities***

Revenues for governmental activities totaled \$11.6 million in 2016, of which approximately \$7.0 million or 60% of total revenue was received from taxes, followed by operating and capital grants and contributions of \$2.1 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 change in net position of \$(71,002), \$340,286, and \$219,151, respectively. The Water Supply and Wastewater changes are due to rate changes, and the Golf Course increase is due primarily to a grant received for capital improvements on the course.



## **FINANCIAL ANALYSIS OF MAJOR FUNDS**

The General Fund ended 2016 with a fund balance of \$7,350,357, of which \$1,356,583 was nonspendable, \$33,834 was restricted, \$949,045 was committed, and \$447,489 was assigned, with the remaining amount of \$4,563,406 classified as unassigned. This is an increase of \$619,243 from the prior year.

The City's other major governmental funds, the Local Street Fund and the Public Improvement Fund, ended 2016 with fund balances of \$813,641 and \$411,822, respectively. This is a decrease of \$505,595 for the Local Street Fund due to many road improvements completed in 2016 and an increase of \$305,147 in the Public Improvement Fund due to increased transfers from other funds for future projects.

The major proprietary 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 monitor the budget and, if necessary, amend the budget to take into account unanticipated events that occur during the year. The General Fund budgeted revenues increased by \$200,000 or 2.4% for tax revenues coming in higher than originally anticipated. General Fund budgeted expenditures increased by \$130,200 or 1.8%.

The General Fund revenues for the year were over budget by \$253,652 or 3.0% due primarily to interest and return on investments coming in over budget by \$185,931. The General Fund expenditures for the year were under budget by \$208,403 or 2.8%.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City had \$61.9 million invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2016. 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 \$3,940,905 of capital assets in governmental activities and \$317,159 in business-type activities before taking into account depreciation. Depreciation for the year was \$1,386,732 for governmental activities and \$1,603,208 for business-type activities.

The City's major additions were land improvements for Cuttle Creek of \$921,610, Chrysler Beach Restoration of \$515,532, street improvements of \$1,698,737, and a dump truck for \$146,690 in governmental activities and golf course irrigation improvements of \$241,036 in business-type activities.

Additional information on the capital assets of the City can be found in Note 5 to the financial statements.

### **Long-term Debt**

At June 30, 2016, the City had \$16,007,887 in long-term debt, compared to \$16,998,135 at June 30, 2015. The City refunded two bonds during 2016, with other reductions in debt due to scheduled payments.

Additional information on the long-term debt of the City can be found in Note 8 to the financial statements.

## **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:

2016	78.2 %
2015	75.7
2014	75.9
2013	79.8
2012	75.9
2011	81.4
2010	79.9
2009	76.6
2008	75.9
2007	74.5

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 along with City Council will closely analyze all aspects of the budget process to continue providing the services that benefit the community.

The City's elected and appointed officials considered many factors when setting the 2016-2017 fiscal year budget, along with the tax rates and fees that will be charged for the City's activities. Revenues and transfers for the budgeted 2016-2017 year increased by 7.4% or \$652,552, and expenditures and transfers budgeted for the 2016-2017 year in the General Fund increased by 2.9% or \$239,932 from the 2015-2016 actual amounts. The City Council is anticipating using \$272,489 of the General Fund fund balance in the 2016-2017 fiscal year.

## **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](mailto: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, 2016**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>Assets:</b>				
Cash and cash equivalents	\$ 776,062	\$ 280,576	\$ 1,056,638	\$ 190,935
Investments	9,102,943	3,455,976	12,558,919	300,000
Receivables (net of allowance)	847,938	850,916	1,698,854	1,848
Prepaid expenses	180,473	22,210	202,683	-
Internal balances	1,339,456	( 1,339,456)	-	-
Inventory	1,149	17,687	18,836	1,073
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	982,050	631,870	1,613,920	214,200
Assets being depreciated	22,244,996	38,076,375	60,321,371	2,002,030
Total Assets	<u>35,475,067</u>	<u>41,996,154</u>	<u>77,471,221</u>	<u>2,710,086</u>
<b>Deferred Outflows of Resources:</b>				
Deferred charges on refunding	140,947	59,663	200,610	-
Related to pensions	6,011,135	805,943	6,817,078	-
Total Deferred Outflows of Resources	<u>6,152,082</u>	<u>865,606</u>	<u>7,017,688</u>	<u>-</u>
<b>Liabilities:</b>				
Payables and accrued liabilities	605,409	167,186	772,595	93,180
Accrued interest	23,167	86,270	109,437	-
Advances and deposits	-	-	-	34,648
Unearned revenue	32,060	-	32,060	1,744
Non-current liabilities -				
Net OPEB obligation	409,261	( 141,349)	267,912	-
Net pension liability	20,172,992	2,431,581	22,604,573	-
Due within one year	241,432	974,670	1,216,102	-
Due in more than one year	2,759,871	12,031,914	14,791,785	-
Total Liabilities	<u>24,244,192</u>	<u>15,550,272</u>	<u>39,794,464</u>	<u>129,572</u>
<b>Deferred Inflows of Resources:</b>				
Related to pensions	824,304	140,543	964,847	-
<b>Net Position:</b>				
Net investment in capital assets	20,736,198	25,761,324	46,497,522	2,216,230
Restricted -				
Nonexpendable	272,332	-	272,332	-
Expendable				
General Government	262,998	-	262,998	-
Streets	1,916,938	-	1,916,938	-
Debt service	1,017	-	1,017	-
Acquisition/construction of assets	411,822	545,128	956,950	-
Public Safety	85,971	-	85,971	-
Recreation and Cultural	19,517	-	19,517	-
Unrestricted (deficit)	( 7,148,140)	864,493	( 6,283,647)	364,284
Total Net Position	<u>\$ 16,558,653</u>	<u>\$ 27,170,945</u>	<u>\$ 43,729,598</u>	<u>\$ 2,580,514</u>

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

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 1,311,751	\$ 94,549	\$ 3,330	\$ -
Public Safety	5,377,160	442,164	16,387	-
Public Works	4,020,314	185,202	841,786	1,177,144
Recreation and Culture	582,768	107,153	42,651	-
Interest on Long Term Debt	105,348	-	-	-
Total governmental activities	<u>11,397,341</u>	<u>829,068</u>	<u>904,154</u>	<u>1,177,144</u>
Business type activities:				
Water Supply System	1,971,372	1,924,910	-	-
Wastewater	2,422,084	2,677,851	-	-
Golf Course	686,808	535,333	-	241,036
Total business type activities	<u>5,080,264</u>	<u>5,138,094</u>	<u>-</u>	<u>241,036</u>
Total Primary Government	<u>\$ 16,477,605</u>	<u>\$ 5,967,162</u>	<u>\$ 904,154</u>	<u>\$ 1,418,180</u>
<b>Component Units</b>				
Housing Commission	\$ 888,798	\$ 415,369	\$ 225,843	\$ 88,532
Local Development Finance Authority District No. 1	-	-	-	-
Total Component Units	<u>\$ 888,798</u>	<u>\$ 415,369</u>	<u>\$ 225,843</u>	<u>\$ 88,532</u>

General revenues:  
 Property taxes  
 Franchise fees  
 Grants and contribution not restricted to specific programs  
 Unrestricted investment income  
 Gain on sale of assets  
 Transfers  
 Total general revenues and transfers

Change in net position  
 Net position at beginning of year  
 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
\$( 1,213,872)	\$ -	\$( 1,213,872)	\$ -
( 4,918,609)	-	( 4,918,609)	-
( 1,816,182)	-	( 1,816,182)	-
( 432,964)	-	( 432,964)	-
( 105,348)	-	( 105,348)	-
<u>( 8,486,975)</u>	<u>-</u>	<u>( 8,486,975)</u>	<u>-</u>
-	( 46,462)	( 46,462)	-
-	255,767	255,767	-
-	89,561	89,561	-
<u>-</u>	<u>298,866</u>	<u>298,866</u>	<u>-</u>
<u>( 8,486,975)</u>	<u>298,866</u>	<u>( 8,188,109)</u>	<u>-</u>
-	-	-	( 159,054)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 159,054)</u>
6,982,078	-	6,982,078	-
160,642	-	160,642	-
964,079	-	964,079	-
544,403	161,925	706,328	2,172
60,631	-	60,631	-
( 27,644)	27,644	-	-
<u>8,684,189</u>	<u>189,569</u>	<u>8,873,758</u>	<u>2,172</u>
197,214	488,435	685,649	( 156,882)
<u>16,361,439</u>	<u>26,682,510</u>	<u>43,043,949</u>	<u>2,737,396</u>
<u>\$ 16,558,653</u>	<u>\$ 27,170,945</u>	<u>\$ 43,729,598</u>	<u>\$ 2,580,514</u>

**CITY OF MARYSVILLE, MICHIGAN**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>General</u>	<u>Special Revenue Fund Local Street</u>	<u>Capital Projects Fund Public Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 170,717	\$ 79,560	\$ 198,682	\$ 270,531	\$ 719,490
Investments	5,782,590	640,917	227,465	1,901,780	8,552,752
Receivables, net of allowance -					
Property taxes	12,119	-	-	-	12,119
Interest and accounts	93,531	8,611	13	68,428	170,583
Due from other governmental units	170,163	92,292	186,937	84,365	533,757
Due from other funds	67,862	-	130,500	-	198,362
Prepaid expenditures	84,883	5,647	-	7,204	97,734
Advance to other funds	1,271,700	-	-	-	1,271,700
<b>Total Assets</b>	<b>\$ 7,653,565</b>	<b>\$ 827,027</b>	<b>\$ 743,597</b>	<b>\$ 2,332,308</b>	<b>\$ 11,556,497</b>
<b>Liabilities:</b>					
Accounts payable	\$ 232,043	\$ 9,190	\$ 207,230	\$ 42,079	\$ 490,542
Accrued liabilities	43,412	4,196	-	8,193	55,801
Unearned revenue	11,850	-	-	20,210	32,060
<b>Total Liabilities</b>	<b>287,305</b>	<b>13,386</b>	<b>207,230</b>	<b>70,482</b>	<b>578,403</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenues -					
Property taxes	12,119	-	-	-	12,119
Grants	3,784	-	124,545	-	128,329
Charges for services	-	-	-	32,134	32,134
<b>Total Deferred Inflows of Resources</b>	<b>15,903</b>	<b>-</b>	<b>124,545</b>	<b>32,134</b>	<b>172,582</b>
<b>Fund Balances:</b>					
Nonspendable -					
Prepaid expenditures	84,883	5,647	-	7,204	97,734
Advance to other funds	1,271,700	-	-	-	1,271,700
Perpetual Care	-	-	-	272,332	272,332
Restricted	33,834	807,994	411,822	1,435,833	2,689,483
Committed	949,045	-	-	514,323	1,463,368
Assigned	447,489	-	-	-	447,489
Unassigned	4,563,406	-	-	-	4,563,406
<b>Total Fund Balances</b>	<b>7,350,357</b>	<b>813,641</b>	<b>411,822</b>	<b>2,229,692</b>	<b>10,805,512</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,653,565</b>	<b>\$ 827,027</b>	<b>\$ 743,597</b>	<b>\$ 2,332,308</b>	<b>\$ 11,556,497</b>

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, 2016**

Fund Balances - total governmental funds		\$	10,805,512
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>			
Capital assets			65,322,986
Accumulated depreciation		(	42,715,492)
<p>Certain changes in pension plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position.</p>			
Deferred outflows of resources			5,854,385
Deferred inflows of resources		(	797,058)
<p>Other long - term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.</p>			
Delinquent personal property taxes	\$	12,119	
Grants		128,329	
Charges for services		<u>32,134</u>	172,582
<p>Internal Service Fund used by management to charge cost of the City's motor pool activities, healthcare, 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.</p>			
			578,662
<p>Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>			
Bonds payable	(	2,462,747)	
Postemployment benefits	(	440,261)	
Net pension liability	(	19,708,648)	
Accrued interest	(	<u>23,167)</u>	( 22,634,823)
<p>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).</p>			
		(	169,048)
<p>Losses on refunding are not reported in the governmental funds, where they are capitalized and amortized from net position</p>			
			<u>140,947</u>
Net Position of governmental activities		\$	<u><u>16,558,653</u></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, 2016**

	<u>General</u>	<u>Special Revenue Fund Local Street</u>	<u>Capital Projects Fund Public Improvement</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 6,890,341	\$ -	\$ -	\$ 104,478	\$ 6,994,819
Licenses and permits	284,605	-	-	-	284,605
Intergovernmental -					
Federal/State	991,099	328,778	1,177,144	513,008	3,010,029
Local	-	-	-	42,651	42,651
Charges for services	229,382	-	-	210,025	439,407
Fines and forfeits	10,134	-	1,033	-	11,167
Interest and rent	328,846	69,618	-	153,739	552,203
Other	76,210	10,096	-	178,130	264,436
Total Revenues	<u>8,810,617</u>	<u>408,492</u>	<u>1,178,177</u>	<u>1,202,031</u>	<u>11,599,317</u>
<b>Expenditures:</b>					
Current -					
General Government	906,156	-	-	-	906,156
Public Safety	2,864,456	-	-	25,751	2,890,207
Public Works	1,336,531	1,314,087	-	548,978	3,199,596
Recreation and Cultural	298,145	-	-	189,163	487,308
Other Activities	1,595,254	-	-	-	1,595,254
Capital outlay	116,822	-	1,598,040	714,565	2,429,427
Debt service -					
Principal	44,090	-	-	175,000	219,090
Interest	58,349	-	-	62,410	120,759
Total Expenditures	<u>7,219,803</u>	<u>1,314,087</u>	<u>1,598,040</u>	<u>1,715,867</u>	<u>11,847,797</u>
Revenues over (under) expenditures	<u>1,590,814</u>	<u>( 905,595)</u>	<u>( 419,863)</u>	<u>( 513,836)</u>	<u>( 248,480)</u>
<b>Other Financing Sources (Uses):</b>					
Issuance of refunding bonds	1,203,657	-	-	1,215,000	2,418,657
Premium on refunding bonds	103,988	-	-	65,060	169,048
Payment to refunded bond escrow agent	( 1,303,594)	-	-	( 1,271,968)	( 2,575,562)
Transfers in	-	400,000	725,010	400,115	1,525,125
Transfers out	( 975,622)	-	-	( 526,174)	( 1,501,796)
Total Other Financing Sources (Uses)	<u>( 971,571)</u>	<u>400,000</u>	<u>725,010</u>	<u>( 117,967)</u>	<u>35,472</u>
Net Change in Fund Balances	619,243	( 505,595)	305,147	( 631,803)	( 213,008)
Fund Balances at beginning of year	<u>6,731,114</u>	<u>1,319,236</u>	<u>106,675</u>	<u>2,861,495</u>	<u>11,018,520</u>
Fund Balances at end of year	<u>\$ 7,350,357</u>	<u>\$ 813,641</u>	<u>\$ 411,822</u>	<u>\$ 2,229,692</u>	<u>\$ 10,805,512</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, 2016**

Net change in fund balances - total governmental funds \$( 213,008)

Governmental funds report capital outlay 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		3,627,281
Depreciation expense	(	1,284,428)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. ( 37,749)

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	\$	219,090	
Payments to refunding bond escrow agent		2,575,562	
Bond proceeds	(	2,418,657)	
Bond premium	(	169,048)	
Decrease in accrued interest		15,411	222,358

Internal service funds used by management to charge costs of the City's motor pool, healthcare, and vacation and sick activities. The net revenues (expenses) attributable to those funds is reported with governmental activities. 112,644

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		11,094
Increase in net pension liability	(	3,549,138)
Change in pension expense related to deferred items related to the pension plans		1,308,160

Change in net position of governmental activities \$ 197,214

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

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016**

	Business Type Activities-Enterprise Funds				Governmental
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
<b>Assets:</b>					
Current Assets:					
Cash and cash equivalents	\$ 66,604	\$ 131,244	\$ 82,728	\$ 280,576	\$ 56,572
Investments	730,178	2,725,798	-	3,455,976	550,191
Accounts and interest receivable	365,424	484,624	868	850,916	979
Due from other funds	60	82	106	248	-
Inventories	-	-	17,687	17,687	1,149
Prepaid expenses	13,982	4,919	3,309	22,210	82,739
Total Current Assets	<u>1,176,248</u>	<u>3,346,667</u>	<u>104,698</u>	<u>4,627,613</u>	<u>691,630</u>
Non-Current Assets:					
Property, plant, and equipment	19,891,630	35,315,606	2,475,024	57,682,260	2,180,315
Less - accumulated depreciation	( 8,741,218)	( 9,241,193)	( 991,604)	( 18,974,015)	( 1,560,763)
Property, Plant, and Equipment, net	11,150,412	26,074,413	1,483,420	38,708,245	619,552
Net OPEB asset	<u>76,731</u>	<u>84,681</u>	<u>-</u>	<u>161,412</u>	<u>31,000</u>
Total Non-Current Assets	<u>11,227,143</u>	<u>26,159,094</u>	<u>1,483,420</u>	<u>38,869,657</u>	<u>650,552</u>
Total Assets	<u>12,403,391</u>	<u>29,505,761</u>	<u>1,588,118</u>	<u>43,497,270</u>	<u>1,342,182</u>
<b>Deferred Outflows of Resources:</b>					
Related to pension plan	373,820	280,769	151,354	805,943	156,750
Deferred charge on refunding	46,019	13,644	-	59,663	-
	<u>419,839</u>	<u>294,413</u>	<u>151,354</u>	<u>865,606</u>	<u>156,750</u>

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
<b>Liabilities:</b>					
Current Liabilities:					
Accounts payable	\$ 30,771	\$ 84,557	\$ 26,904	\$ 142,232	\$ 52,904
Accrued expenses	12,169	5,533	7,252	24,954	6,162
Accrued interest	12,758	73,512	-	86,270	-
Due to other funds	65,532	-	2,472	68,004	106
Capital lease payable (current portion)	-	-	45,518	45,518	-
Bonds payable (current portion)	49,465	879,687	-	929,152	-
Total Current Liabilities	<u>170,695</u>	<u>1,043,289</u>	<u>82,146</u>	<u>1,296,130</u>	<u>59,172</u>
Long-Term Liabilities (net of current portion):					
Advance from other funds	1,271,700	-	-	1,271,700	-
Net OPEB obligation	-	-	20,063	20,063	-
Net pension liability	1,125,701	832,736	473,144	2,431,581	464,344
Capital lease payable	-	-	43,873	43,873	-
Accrued vacation and sick	-	-	-	-	369,508
Bonds payable	1,272,225	10,715,816	-	11,988,041	-
Total Long-Term Liabilities	<u>3,669,626</u>	<u>11,548,552</u>	<u>537,080</u>	<u>15,755,258</u>	<u>833,852</u>
Total Liabilities	<u>3,840,321</u>	<u>12,591,841</u>	<u>619,226</u>	<u>17,051,388</u>	<u>893,024</u>
<b>Deferred Inflows of Resources:</b>					
Related to pension plan	<u>65,166</u>	<u>48,815</u>	<u>26,562</u>	<u>140,543</u>	<u>27,246</u>
<b>Net Position:</b>					
Net investment in capital assets	9,874,741	14,492,554	1,394,029	25,761,324	619,552
Restricted	6,000	539,128	-	545,128	-
Unrestricted (deficit)	( 962,998)	2,127,836	( 300,345)	864,493	( 40,890)
Total Net Position	<u>\$ 8,917,743</u>	<u>\$ 17,159,518</u>	<u>\$ 1,093,684</u>	<u>\$ 27,170,945</u>	<u>\$ 578,662</u>

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
<b>Operating Revenues:</b>					
Charges for services	\$ 1,895,513	\$ 2,677,561	\$ 370,909	\$ 4,943,983	\$ 855,201
Rent income	-	-	162,365	162,365	466,921
Other	29,397	290	2,059	31,746	-
Total Operating Revenues	<u>1,924,910</u>	<u>2,677,851</u>	<u>535,333</u>	<u>5,138,094</u>	<u>1,322,122</u>
<b>Operating Expenses:</b>					
Personnel services	784,991	520,819	407,651	1,713,461	961,382
Supplies	126,637	103,986	78,387	309,010	46,986
Other services	439,032	488,928	136,590	1,064,550	135,050
Depreciation	537,087	1,007,872	58,249	1,603,208	102,304
Total Operating Expenses	<u>1,887,747</u>	<u>2,121,605</u>	<u>680,877</u>	<u>4,690,229</u>	<u>1,245,722</u>
Operating Income (Loss)	<u>37,163</u>	<u>556,246</u>	<u>( 145,544)</u>	<u>447,865</u>	<u>76,400</u>
<b>Non-Operating Revenues (Expenses):</b>					
Gain on sale of assets	-	-	-	-	50,190
Investment income	26,433	135,492	-	161,925	37,027
Interest expenses	( 83,625)	( 300,479)	( 5,931)	( 390,035)	-
Total Non-Operating Revenues (Expenses)	<u>( 57,192)</u>	<u>( 164,987)</u>	<u>( 5,931)</u>	<u>( 228,110)</u>	<u>87,217</u>
Net Income (Loss) Before Transfers and Capital Contribution	<u>( 20,029)</u>	<u>391,259</u>	<u>( 151,475)</u>	<u>219,755</u>	<u>163,617</u>
<b>Transfers:</b>					
Transfers in	-	-	129,590	129,590	-
Transfers out	( 50,973)	( 50,973)	-	( 101,946)	( 50,973)
	<u>( 50,973)</u>	<u>( 50,973)</u>	<u>129,590</u>	<u>27,644</u>	<u>( 50,973)</u>
Net Income (Loss) Before Capital Contribution	<u>( 71,002)</u>	<u>340,286</u>	<u>( 21,885)</u>	<u>247,399</u>	<u>112,644</u>
<b>Capital Contribution</b>	<u>-</u>	<u>-</u>	<u>241,036</u>	<u>241,036</u>	<u>-</u>
Change in Net Position	<u>( 71,002)</u>	<u>340,286</u>	<u>219,151</u>	<u>488,435</u>	<u>112,644</u>
Net Position at beginning of year	<u>8,988,745</u>	<u>16,819,232</u>	<u>874,533</u>	<u>26,682,510</u>	<u>466,018</u>
Net Position end of year	<u>\$ 8,917,743</u>	<u>\$ 17,159,518</u>	<u>\$ 1,093,684</u>	<u>\$ 27,170,945</u>	<u>\$ 578,662</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, 2016**

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
<b>Cash Flows From Operating Activities:</b>					
Cash receipts from customers	\$ 1,916,641	\$ 2,657,398	\$ 535,714	\$ 5,109,753	\$ -
Cash receipts from interfund services	-	-	-	-	1,322,421
Cash payments to suppliers	( 583,161)	( 536,118)	( 207,088)	( 1,326,367)	( 914,244)
Cash payments for interfund services	( 74,115)	( 62,393)	-	( 136,508)	-
Cash payments to employees	( 668,380)	( 460,123)	( 345,048)	( 1,473,551)	( 242,889)
Net Cash Provided by (Used for)					
Operating Activities	590,985	1,598,764	( 16,422)	2,173,327	165,288
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers from/to other funds	( 50,973)	( 50,973)	129,590	27,644	( 50,973)
Due from/to other funds	33,812	( 56,094)	822	( 21,460)	18,852
Net Cash Provided by (Used for) Noncapital Financing Activities	( 17,161)	( 107,067)	130,412	6,184	( 32,121)
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Interest paid	( 84,056)	( 305,744)	( 5,931)	( 395,731)	-
Bond proceeds	1,278,580	379,629	-	1,658,209	-
Bond payments	( 43,110)	( 857,800)	-	( 900,910)	-
Payments to bond escrow	( 1,274,678)	( 378,457)	-	( 1,653,135)	-
Capital grants	-	-	241,036	241,036	-
Capital lease payments	-	-	( 43,195)	( 43,195)	-
Repayment of advances from other funds	( 141,300)	-	-	( 141,300)	-
Proceeds from sale of assets	-	-	-	-	58,000
Acquisition and construction of capital assets	( 20,307)	( 45,682)	( 251,170)	( 317,159)	( 313,624)
Net Cash Used for Capital and Related Financing Activities	( 284,871)	( 1,208,054)	( 59,260)	( 1,552,185)	( 255,624)
<b>Cash Flows From Investing Activities:</b>					
Net (purchases) sales of investments	( 232,204)	( 152,479)	-	( 384,683)	156,361
Net Increase in Cash and Cash Equivalents for the year	56,749	131,164	54,730	242,643	33,904
Cash and Cash Equivalents at Beginning of Year	9,855	80	27,998	37,933	22,668
Cash and Cash Equivalents at End of Year	\$ 66,604	\$ 131,244	\$ 82,728	\$ 280,576	\$ 56,572

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
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>					
Operating income (loss) for the year	\$ 37,163	\$ 556,246	\$( 145,544)	\$ 447,865	\$ 76,400
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities -					
Depreciation	537,087	1,007,872	58,249	1,603,208	102,304
Change in assets and liabilities -					
Receivables	( 8,269)	( 20,453)	381	( 28,341)	299
Prepays and deposits	( 10,137)	( 1,968)	( 321)	( 12,426)	( 80,987)
Inventories	-	-	( 440)	( 440)	1,078
Net OPEB asset	6,900	4,385	-	11,285	1,544
Net pension liability	201,277	127,360	113,907	442,544	70,061
Deferred outflows/inflows related to pension plan	( 88,860)	( 64,242)	( 39,379)	( 192,481)	( 35,758)
Accounts payable/accrued expenses	( 84,176)	( 10,436)	( 3,275)	( 97,887)	30,347
Net Cash Provided by (Used for) Operating Activities	<u>\$ 590,985</u>	<u>\$ 1,598,764</u>	<u>\$( 16,422)</u>	<u>\$ 2,173,327</u>	<u>\$ 165,288</u>

Concluded

**CITY OF MARYSVILLE, MICHIGAN**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016**

	<u>Employee Retirement Systems</u>		<u>Retiree's</u>		<u>Tax</u>
	<u>Police and</u>	<u>Other City</u>	<u>Health</u>	<u>Total</u>	<u>Agency</u>
	<u>Firefighters</u>	<u>Employees</u>	<u>Care</u>		<u>Fund</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 7,874	\$ 4,897	\$ 54,008	\$ 66,779	\$ 11,215
Investments, at fair value					
U.S. government securities	-	1,196,175	1,020,577	2,216,752	-
Cash/money market funds	5,039,981	597,896	326,940	5,964,817	-
Asset backed securities	-	719,956	591,778	1,311,734	-
Corporate bonds	-	1,747,581	1,774,776	3,522,357	-
Mutual funds	5,699,355	338,605	350,881	6,388,841	-
Stocks	1,255,825	10,087,203	9,072,285	20,415,313	-
Total Investments	<u>11,995,161</u>	<u>14,687,416</u>	<u>13,137,237</u>	<u>39,819,814</u>	<u>-</u>
Receivables -					
Taxes	-	-	-	-	70,243
Employer	575,476	436,383	-	1,011,859	-
Members	18,320	28,368	-	46,688	-
Interest and dividends	1,983	23,433	21,822	47,238	-
	<u>595,779</u>	<u>488,184</u>	<u>21,822</u>	<u>1,105,785</u>	<u>70,243</u>
Prepayments	-	-	87,239	87,239	-
Total Assets	<u>12,598,814</u>	<u>15,180,497</u>	<u>13,300,306</u>	<u>41,079,617</u>	<u>\$ 81,458</u>
<b>Liabilities:</b>					
Accounts payable	13,763	23,808	56,884	94,455	\$ 2,570
Due to other governmental units	-	-	-	-	78,888
Due to other funds	-	-	130,500	130,500	-
	<u>13,763</u>	<u>23,808</u>	<u>187,384</u>	<u>224,955</u>	<u>\$ 81,458</u>
<b>Net Position:</b>					
Restricted for pension benefits	12,585,051	15,156,689	-	27,741,740	
Restricted for other postemployment benefits	-	-	13,112,922	13,112,922	
	<u>\$ 12,585,051</u>	<u>\$ 15,156,689</u>	<u>\$ 13,112,922</u>	<u>\$ 40,854,662</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, 2016**

	Employee Retirement Systems		Retiree's	
	Police and Firefighters	Other City Employees	Health Care	Total
<b>Additions:</b>				
Contributions -				
Member contributions	\$ 148,911	\$ 168,132	\$ -	\$ 317,043
Employer contributions	575,476	436,383	837,881	1,849,740
Total Contributions	724,387	604,515	837,881	2,166,783
Investment income -				
Interest/dividends	428,562	537,179	310,231	1,275,972
Net appreciation (depreciation)	( 1,350,833)	( 1,458,205)	114,286	( 2,694,752)
Total investment income (loss)	( 922,271)	( 921,026)	424,517	( 1,418,780)
Less investment expenses	( 50,642)	( 82,733)	( 75,103)	( 208,478)
Net investment income (loss)	( 972,913)	( 1,003,759)	349,414	( 1,627,258)
Total Additions	( 248,526)	( 399,244)	1,187,295	539,525
<b>Deductions:</b>				
Retirement benefit payments	1,538,400	1,626,229	-	3,164,629
Health/life insurance	-	-	931,349	931,349
Professional fees	17,555	18,980	8,900	45,435
Other	7,943	9,504	-	17,447
Total Deductions	1,563,898	1,654,713	940,249	4,158,860
Net increase (decrease)	( 1,812,424)	( 2,053,957)	247,046	( 3,619,335)
<b>Net position -</b>				
Beginning of year	14,397,475	17,210,646	12,865,876	44,473,997
End of year	\$ 12,585,051	\$ 15,156,689	\$ 13,112,922	\$ 40,854,662

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, 2016**

	Housing Commission	Local Development Finance Authority District No. 1	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 175,278	\$ 15,657	\$ 190,935
Investments	300,000	-	300,000
Receivables	1,848	-	1,848
Inventory	1,073	-	1,073
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	214,200	-	214,200
Assets being depreciated	2,002,030	-	2,002,030
Total Assets	2,694,429	15,657	2,710,086
<b>Liabilities:</b>			
Payables and accrued liabilities	93,180	-	93,180
Unearned revenue	1,744	-	1,744
Advances and deposits	34,648	-	34,648
Total Liabilities	129,572	-	129,572
<b>Net Position:</b>			
Net investment in capital assets	2,216,230	-	2,216,230
Unrestricted	348,627	15,657	364,284
Total Net Position	\$ 2,564,857	\$ 15,657	\$ 2,580,514

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, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution
<b>Housing Commission</b>				
Business-type activities:				
Low rent and capital fund program	\$ 888,798	\$ 415,369	\$ 225,843	\$ 88,532
<b>Local Development Finance Authority</b>				
District No. 1				
Governmental activities:				
Interest on Long Term Debt	-	-	-	-
Total Component Units	\$ 888,798	\$ 415,369	\$ 225,843	\$ 88,532

General Revenues:  
Unrestricted investment income

Change in net position

Net position at beginning of year

Net position at end of year

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

<u>Net (Expense) Revenue and Change in Net Position</u>		
<u>Housing Commission</u>	<u>Local Development Finance Authority District No. 1</u>	<u>Total</u>
\$( 159,054)	\$ -	\$( 159,054)
-	-	<u>-</u>
		( 159,054)
<u>2,172</u>	<u>-</u>	<u>2,172</u>
( 156,882)	-	( 156,882)
<u>2,721,739</u>	<u>15,657</u>	<u>2,737,396</u>
<u>\$ 2,564,857</u>	<u>\$ 15,657</u>	<u>\$ 2,580,514</u>

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 (the "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, 2016

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

**LOCAL DEVELOPMENT FINANCE AUTHORITY DISTRICT NO. I** - was 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 Authority's actions through representation on the Authority's Board and because of their financial relationship. The main function of the Authority at the present time is to provide aid to local businesses for economic growth. The audited financial statements of the Local Development Finance Authority are included within 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, 2016

### 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.

**Local Street Fund** - is primarily funded from State Act 51 revenues and is used to account for the cost of maintenance of certain capital improvements to the Local Streets of the City.

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

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, 2016**

**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 charges to other funds for the costs of operating and maintaining the City's motor pool, healthcare, and vested vacation and sick for qualified employees. Charges are made to other funds based on equipment used, estimated employee healthcare costs, and when vacation and sick benefits are earned. The internal service funds of the City are the Equipment Rental, Healthcare, 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.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

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.

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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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."

Advances between funds, as reported in the fund financial statements, are reported as nonspendable to indicate that they are not available for appropriation and are not expendable available financial resources.

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

#### **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.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**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.

Property, plant, and equipment are 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 financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

#### **Deferred Outflows/Inflows of Resources -**

In addition to assets, the statement of net position reports 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) until then. The City has the following items that qualify for reporting in this category: deferred charges on refunding, pension related changes in assumptions, differences between expected and actual experience, and the net difference between expected and actual plan investment earnings, which are all reported on the government-wide statements of net position. The deferred charges on refunding result from the difference in the carrying value of refunded debt and its reacquisition price; this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension related deferred outflows of resources are amortized over the expected remaining service lives of the participants, with the exception of the net difference between expected and actual plan investment earnings which are amortized over five (5) years.

In addition to liabilities, the statements of net position and balance sheet reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) so will not be recognized as an inflow of resources (revenue) until that time. The City has one item reported on the government-wide statement of net position for differences between expected and actual experience of the pension plan and another item on the governmental fund balance sheet for unavailable revenues primarily from delinquent personal property taxes, fees, and expense reimbursements grants. These amounts will be recognized as inflows of resources in the period the amounts become available. The pension related deferred inflows of resources are amortized over the expected remaining service lives of the participants.

#### **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 is not in a spendable 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 are reported as assigned.

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

*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.

#### **Upcoming Accounting Pronouncements -**

The Governmental Accounting Standards Board (GASB) issued the following statements that could have an impact on the City's financial statements when adopted. The City is currently evaluating the implications of the pronouncements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in June 2015 and will become effective for the City's June 30, 2017 fiscal year. The statement establishes accounting and financial reporting as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The statement builds upon the existing framework for financial reports of defined benefit postemployment benefit plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution plans. The statement also requires the presentation of new information about annual rates of return in the notes to financial statements and in the ten year required supplementary information.

GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefit Plan Other Than Pension Plans*, was issued in June 2015 and will become effective for the City's June 30, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued in August 2015 and will become effective for the City's June 30, 2017 fiscal year. The statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements, including the tax being abated, the authority under which abatements are provided, the gross dollar amount of taxes abated during the period, and commitments made by the government.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 with various information to prepare the budgets for their departments, which are due at the end of January. The City Manager and Finance Director assemble each of the department budgets and prepare 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 (Budgetary-basis) -			
Public Safety -			
Building Inspections	\$ 95,580	\$ 95,588	\$ 8
Public Works -			
Street Lighting	230,500	230,947	447
Dial-a-Ride	68,100	68,169	69
Recreation and Culture -			
Parks	251,450	266,657	15,207
Other	1,576,817	1,595,254	18,437
Debt Service	97,703	102,439	4,736
Payment to Refunded Bond			
Escrow Agent	-	1,303,594	1,303,594

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

**Carrying Amount -**

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Petty Cash and Cash on Hand	\$ 2,205	\$ 100	\$ -	\$ 2,305
Deposits with Financial Institutions	<u>1,054,433</u>	<u>490,835</u>	<u>77,994</u>	<u>1,623,262</u>
Investments -				
Cash with Brokers	-	-	350,218	350,218
Money Market Funds	-	-	5,614,599	5,614,599
Marketable CDs	246,470	-	-	246,470
Municipal Bonds	3,930,856	-	-	3,930,856
U.S. Government Securities	8,381,593	-	2,216,752	10,598,345
Asset Backed Securities	-	-	1,311,734	1,311,734
Stocks	-	-	20,415,313	20,415,313
Corporate Bond/Notes	-	-	3,522,357	3,522,357
Mutual Funds	-	-	<u>6,388,841</u>	<u>6,388,841</u>
Total Investments	<u>12,558,919</u>	<u>-</u>	<u>39,819,814</u>	<u>52,378,733</u>
Grand Total	<u>\$ 13,615,557</u>	<u>\$ 490,935</u>	<u>\$ 39,897,808</u>	<u>\$ 54,004,300</u>
Reconciliation to Statements of Net Position				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 2,205	\$ 100	\$ -	\$ 2,305
Deposits with Financial Institutions	<u>1,054,433</u>	<u>190,835</u>	<u>77,994</u>	<u>1,323,262</u>
Total Cash and Cash Equivalents	<u>1,056,638</u>	<u>190,935</u>	<u>77,994</u>	<u>1,325,567</u>
Reported as Investments -				
Deposits with Financial Institutions	-	300,000	-	300,000
Cash with Brokers	-	-	350,218	350,218
Money Market Funds	-	-	5,614,599	5,614,599
Marketable CDs	246,470	-	-	246,470
Municipal Bonds	3,930,856	-	-	3,930,856
U.S. Government Securities	8,381,593	-	2,216,752	10,598,345
Asset Backed Securities	-	-	1,311,734	1,311,734
Stocks	-	-	20,415,313	20,415,313
Corporate Bond/Notes	-	-	3,522,357	3,522,357
Mutual Funds	-	-	<u>6,388,841</u>	<u>6,388,841</u>
Total Investments	<u>12,558,919</u>	<u>300,000</u>	<u>39,819,814</u>	<u>52,678,733</u>
Grand Total – Statements of Net Position	<u>\$ 13,615,557</u>	<u>\$ 490,935</u>	<u>\$ 39,897,808</u>	<u>\$ 54,004,300</u>

# CITY OF MARYSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

#### **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.

***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 deposit credit risk assumed by the City, as of June 30, 2016, the book value of the City's deposits, excluding the Housing Commission, was \$1,148,084 with a corresponding bank balance of \$2,498,273, of which \$528,366 was covered by depository insurance with the remaining \$1,969,907 uninsured and uncollateralized.

The book balance and bank balance of the Housing Commission's deposits was \$475,178, which was insured.

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 367, 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 systems 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.



**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

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, 2016, the credit quality ratings of City's investments in Corporate Bonds, Municipal Bonds, and Asset Backed Securities had the following Moody's ratings:

<u>Fair Value</u>	<u>Rating</u>
\$ 813,280	A1
802,786	A2
758,783	A3
2,380,954	AA1
108,996	AA2
468,462	AA3
857,467	AAA
346,946	BAA1
<u>2,227,273</u>	Not Rated
<u>\$ 8,764,947</u>	

The City categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable, or market-corroborated inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, the fair value measurements are categorized based on the lowest level input that is significant to valuation. The City's assessment of the significance of particular inputs used requires judgement and consideration of factors specific to each asset.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

The City has the following recurring fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Municipal Bonds	\$ -	\$ 3,930,856	\$ -	\$ 3,930,856
U.S. Governmental Securities	-	10,598,345	-	10,598,345
Asset-backed Securities	-	1,311,734	-	1,311,734
Stocks	20,415,313	-	-	20,415,313
Corporate Bonds/Notes	-	3,522,357	-	3,522,357
Mutual Funds	6,388,841	-	-	6,388,841
	<u>\$ 26,804,154</u>	<u>\$ 19,363,292</u>	<u>\$ -</u>	<u>46,167,446</u>
Cash Held with Brokers				350,218
Marketable CDs				246,470
Money Market Fund Measured at Amortized Cost				5,614,599
				<u>\$ 52,378,733</u>

The fair value of municipal bonds, U.S. government securities, asset-backed securities, and corporate bonds/notes are based on inputs (pricing) of similar assets at or near June 30, 2016.

Money market funds are recorded at amortized cost, which approximates fair value and these funds are not subject to the fair value disclosures under GASB No. 72. The funds do not require notification of redemptions.

At June 30, 2016, the money market funds had the following ratings and average days to maturity:

Investment	Fair Value	Rating	Rating Agency	Average Days to Maturity
JP Morgan 100% U.S. Treasury	\$ 574,618	Aaa - mf	Moody's	44
PNC Government Money Market Fund Class I	5,039,981	N/A	N/A	49
	<u>\$ 5,614,599</u>			

The money market funds invest primarily in short-term debt securities, U.S. government supported corporate debt, federal agencies, U.S. treasuries, and repurchase agreements. The money market funds are registered with the SEC and issue audited financial statements. Each share is valued at \$1.00.

**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, 2016, \$52,378,733 of investments was held in third-party safekeeping not in the City's name, however, was evidenced by safekeeping receipts. Marketable CD's with a carrying amount of \$246,470 were federally insured.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

*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.

As of June 30, 2016, the City had investments of 5% or more of the total investments as follows:

	Primary Government	Fiduciary
Federal National Mortgage Association	8.0 %	1.5 %

*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:

Investment Type	Fair Value	<1	1-5	6-10	>10
U.S. Government Securities	\$ 10,598,345	\$ 524,831	\$ 500,130	\$ 6,259,858	\$ 3,313,526
Municipal Bonds	3,930,856	-	3,930,856	-	-
Corporate Bonds/Notes	3,522,357	245,197	2,858,349	418,811	-
Asset Backed Securities	1,311,734	-	111,758	514,693	685,283
Marketable CD's	246,470	-	246,470	-	-
Total Investments	\$ 19,609,762	\$ 770,028	\$ 7,647,563	\$ 7,193,362	\$ 3,998,809

Negotiability - Negotiable certificate of deposits are usually in bearer form, and have secondary markets that are easily transferable and highly liquid. As of June 30, 2016, the City had negotiable Certificate of Deposits in the amount of \$246,470.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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	\$ 37,119	\$ -
Interest and accounts	216,264	850,916
Due from fiduciary funds	130,500	-
Due from other governmental units	<u>533,757</u>	<u>-</u>
	917,640	850,916
Less - allowance for uncollectible	<u>( 69,702)</u>	<u>-</u>
	<u>\$ 847,938</u>	<u>\$ 850,916</u>

**NOTE 5 - CAPITAL ASSETS:**

**Primary Government**

Capital asset activity of the primary government for the year ended June 30, 2016 was as follows:

	<u>July 1, 2015 Balance</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>June 30, 2016 Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 917,470	\$ -	\$ -	\$ 917,470
Construction in progress	<u>1,492,132</u>	<u>3,289,206</u>	<u>4,716,758</u>	<u>64,580</u>
Total capital assets, not being depreciated	<u>2,409,602</u>	<u>3,289,206</u>	<u>4,716,758</u>	<u>982,050</u>
Capital assets, being depreciated:				
Buildings	6,099,980	-	-	6,099,980
Building improvements	628,710	-	-	628,710
Land improvements	7,118,162	2,935,243	-	10,053,405
Machinery and equipment	3,219,537	463,653	218,692	3,464,498
Vehicles	2,083,890	178,805	231,216	2,031,479
Bikepaths	794,584	-	-	794,584
Sidewalks	2,322,100	10,241	-	2,332,341
Streets	<u>39,335,739</u>	<u>1,780,515</u>	<u>-</u>	<u>41,116,254</u>
Total capital assets being depreciated	<u>61,602,702</u>	<u>5,368,457</u>	<u>449,908</u>	<u>66,521,251</u>
Less accumulated depreciation for:				
Buildings	2,980,930	99,949	-	3,080,879
Building improvements	544,406	14,075	-	558,481
Land improvements	2,691,783	233,691	-	2,925,474
Machinery and equipment	2,602,270	158,670	210,881	2,550,059
Vehicles	950,560	88,653	231,217	807,996
Bikepaths	303,469	29,130	-	332,599
Sidewalks	1,798,749	40,114	-	1,838,863
Streets	<u>31,459,454</u>	<u>722,450</u>	<u>-</u>	<u>32,181,904</u>
Total accumulated depreciation	<u>43,331,621</u>	<u>1,386,732</u>	<u>442,098</u>	<u>44,276,255</u>
Total capital assets being depreciated, net	<u>18,271,081</u>	<u>3,981,725</u>	<u>7,810</u>	<u>22,244,996</u>
Governmental activities capital assets, net	<u>\$ 20,680,683</u>	<u>\$ 7,270,931</u>	<u>\$ 4,724,568</u>	<u>\$ 23,227,046</u>

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

	July 1, 2015		Adjustments/	June 30, 2016
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 99,500	\$ -	\$ -	\$ 99,500
Land improvements	<u>532,370</u>	<u>-</u>	<u>-</u>	<u>532,370</u>
Total capital assets, not being depreciated	<u>631,870</u>	<u>-</u>	<u>-</u>	<u>631,870</u>
Capital assets, being depreciated:				
Buildings	33,434,284	266,111	898	33,699,497
Building improvements	774,908	-	-	774,908
Land Improvements	149,884	10,135	-	160,019
Utility systems	18,533,835	-	-	18,533,835
Machinery and equipment	<u>3,841,216</u>	<u>40,913</u>	<u>-</u>	<u>3,882,129</u>
Total capital assets being depreciated	<u>56,734,127</u>	<u>317,159</u>	<u>898</u>	<u>57,050,388</u>
Less accumulated depreciation for:				
Buildings	7,046,818	1,034,265	898	8,080,185
Building improvements	380,943	25,307	-	406,250
Land Improvements	72,294	7,108	-	79,402
Utility systems	7,418,314	365,480	-	7,783,794
Machinery and equipment	<u>2,453,334</u>	<u>171,048</u>	<u>-</u>	<u>2,624,382</u>
Total accumulated depreciation	<u>17,371,703</u>	<u>1,603,208</u>	<u>898</u>	<u>18,974,013</u>
Total capital assets being depreciated, net	<u>39,362,424</u>	<u>( 1,286,049)</u>	<u>-</u>	<u>38,076,375</u>
Total capital assets, net	<u>\$ 39,994,294</u>	<u>\$( 1,286,049)</u>	<u>\$ -</u>	<u>\$ 38,708,245</u>

The business-type capital assets include \$286,626 of capitalized interest. Interest of \$390,035 was incurred in 2016 and expensed.

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

Governmental activities:	
General Government	\$ 14,723
Public Safety	201,363
Public Works	1,000,282
Recreation and Cultural	<u>68,060</u>
Total depreciation expense-governmental activities	<u>\$ 1,284,428</u>
Business-type activities:	
Golf Course	\$ 58,249
Water Supply System Fund	537,087
Wastewater Fund	<u>1,007,872</u>
Total depreciation expense-business-type activities	<u>\$ 1,603,208</u>

In addition there was depreciation of \$102,304 in the Motor Pool Fund.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Housing Commission** - Activity for the Housing Commission for the year ended March 31, 2016 was as follows:

	April 1, 2015			March 31, 2016
	<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>236,992</u>	<u>-</u>	<u>127,045</u>	<u>109,947</u>
Total capital assets, not being depreciated	<u>341,245</u>	<u>-</u>	<u>127,045</u>	<u>214,200</u>
Capital assets, being depreciated:				
Buildings and improvements	6,533,292	119,577	-	6,652,869
Furniture and equipment	<u>167,270</u>	<u>189,299</u>	<u>70,530</u>	<u>286,039</u>
Total capital assets, being depreciated	6,700,562	308,876	70,530	6,938,908
Less accumulated depreciation	<u>4,689,021</u>	<u>252,746</u>	<u>4,889</u>	<u>4,936,878</u>
Total capital assets being depreciated, net	<u>2,011,541</u>	<u>56,130</u>	<u>65,641</u>	<u>2,002,030</u>
Housing Commission capital assets, net	<u>\$ 2,352,786</u>	<u>\$ 56,130</u>	<u>\$ 192,686</u>	<u>\$ 2,216,230</u>

Depreciation expense for the year ended March 31, 2016 was \$252,746.

**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	\$ 543,446	\$ 142,232
Accrued wages and fringe benefits	<u>61,963</u>	<u>24,954</u>
	<u>\$ 605,409</u>	<u>\$ 167,186</u>

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:**

The composition of interfund balances as of June 30, 2016 is as follows:

**Due To/From Other Funds -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	\$ 2,330 (5)
	Water Supply System Fund	65,532 (5)
Public Improvement Fund	Retirees' Healthcare	130,500 (1)
Golf Fund	Employee Vacation and Sick Fund	106 (5)
Water Supply System Fund	Golf Fund	60 (5)
Wastewater Fund	Golf Fund	<u>82 (5)</u>
		<u>\$ 198,610</u>

**Advance To/From Other Funds -**

General Fund	Water Supply System Fund	<u>\$ 1,271,700 (3)</u>
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**Transfers From/To Other Funds -**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Local Streets Fund	Major Streets Fund	\$ 200,000 (2)
	Motor Vehicle Highway Fund	200,000 (2)
Public Improvement Fund	General Fund	675,010 (2)
	Recreation Fund	50,000 (2)
Motor Vehicle Highway Fund	General Fund	125,000 (2)
Park and Recreation Fund	General Fund	46,022 (2)
Building Authority Debt Fund	Building Authority Capital Project Fund	76,174 (4)
	Wastewater Fund	50,973 (4)
	Water Supply System Fund	50,973 (4)
	Motor Pool Fund	50,973 (4)
Golf Course Fund	General Fund	<u>129,590 (2)</u>
		<u>\$ 1,654,715</u>

- (1) Cash flow
- (2) Annual appropriation
- (3) Advances for construction
- (4) Rent
- (5) Amount due for reimbursement of costs

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 - LONG-TERM DEBT:**

**PRIMARY GOVERNMENT -**

The following is a summary of changes in the long-term debt (including current portions) for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Governmental Funds -					
Building Authority Refunding					
Bonds	\$ 1,420,000	\$ -	\$ 1,420,000	\$ -	\$ -
2006 General Obligation Bond	1,344,708	-	1,300,618	44,090	44,090
2016 General Obligation					
Refunding Bonds	-	2,418,657	-	2,418,657	180,000
Bond Premium	-	169,048	-	169,048	17,342
Bond Discount	( 35,700)	-	( 35,700)	-	-
Total Governmental Funds	<u>2,729,008</u>	<u>2,587,705</u>	<u>2,684,918</u>	<u>2,631,795</u>	<u>241,432</u>
Internal Service Funds -					
Accrued Vacation and Sick	<u>383,175</u>	<u>-</u>	<u>13,667</u>	<u>369,508</u>	<u>-</u>
Total Governmental Activities	<u>3,112,183</u>	<u>2,587,705</u>	<u>2,698,585</u>	<u>3,001,303</u>	<u>241,432</u>
<u>Business-type Activities:</u>					
Enterprise Funds -					
Wastewater Fund -					
Michigan Municipal Bond					
Authority Wastewater Loan -					
Phase II 1996	705,000	-	230,000	475,000	235,000
2006 General Obligation Bond	390,413	-	377,613	12,800	12,800
2016 General Obligation					
Refunding Bond	-	349,440	-	349,440	-
Wastewater System Junior					
State Revolving Funds -					
Series 5303-01	1,990,000	-	100,000	1,890,000	105,000
Series 5366-01	7,918,074	-	385,000	7,533,074	395,000
Clean Water Program 2003	1,435,000	-	130,000	1,305,000	130,000
Bond Premium	-	30,189	-	30,189	1,887
Total Wastewater Fund	<u>12,438,487</u>	<u>379,629</u>	<u>1,222,613</u>	<u>11,595,503</u>	<u>879,687</u>
Water Fund -					
2006 General Obligation Bond	1,314,879	-	1,271,769	43,110	43,110
2016 General Obligation					
Refunding Bond	-	1,176,903	-	1,176,903	-
Bond Premium	-	101,677	-	101,677	6,355
Total Water Fund	<u>1,314,879</u>	<u>1,278,580</u>	<u>1,271,769</u>	<u>1,321,690</u>	<u>49,465</u>
Golf Fund -					
Capital Lease	<u>132,586</u>	<u>-</u>	<u>43,195</u>	<u>89,391</u>	<u>45,518</u>
Total Business-type Activities	<u>13,885,952</u>	<u>1,658,209</u>	<u>2,537,577</u>	<u>13,006,584</u>	<u>974,670</u>
Total Primary Government	<u>\$ 16,998,135</u>	<u>\$ 4,245,914</u>	<u>\$ 5,236,162</u>	<u>\$ 16,007,887</u>	<u>\$ 1,216,102</u>



**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

**Governmental Activities -**

**Bonds -**

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 were partially refunded in March 2016, with the final installment of \$100,000 due in October 2016 plus interest of 3.9%; of which the General Fund is responsible for approximately 44.1%, the Wastewater Fund for 12.8%, and the Water Supply System for 43.1% of the payments.

\$ 44,090

On March 15, 2016, the City issued \$3,945,000 General Obligation Limited Tax Refunding Bonds, Series 2016, to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for the 2005 Building Authority Refunding Bonds and the 2006 General Obligation Bonds. As a result, the portion of those bonds that was refunded has been removed from the City's financial statements. The reacquisition price was lower than the net carrying amount of the old debt by \$200,610. 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 total debt service payments and resulted in a present value benefit of \$315,542. The bonds are due in annual installments ranging from \$105,000 to \$235,000 through October 2031 plus interest ranging from 3.0% to 4.0%, payable semi-annually.

2,418,657

\$ 2,462,747

**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 \$369,508 has been recorded as a long-term liability in the accrued vacation and sick fund (Internal Service Fund).

**Business-type Activities -**

**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 II loan in the original amount of \$3,950,000 is due in annual installments ranging from \$235,000 to \$240,000 through October 1, 2017, plus interest of 2.25 percent, payable semi-annually.

\$ 475,000

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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 \$130,000 to \$160,000 through October 1, 2024, plus interest of 2.50% payable semi-annually. \$ 1,305,000

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. 1,890,000

2010 Bonds (Series 5366-01) in the original amount of \$15,260,000 with interest of 2.5%. As of June 30, 2016, 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. 7,533,074

On December 19, 2006, the City issued \$3,500,000, 2006 General Obligation capital improvements bonds (See detailed explanation regarding the bonds under governmental activities). The bonds were partially refunded in March 2016, with the final installment of \$100,000 due October 2016 plus interest of 3.9%; of which the Wastewater Fund is responsible for 12.8%, the Water Supply System Fund for 43.1%, and the General Fund for 44.1%. 55,910

On March 15, 2016, the City issued \$3,945,000 General Obligation Limited Tax Refunding Bonds, Series 2016, to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for the 2005 Building Authority Refunding Bonds and the 2006 General Obligation Bonds. As a result, the portion of those bonds that was refunded has been removed from the City's financial statements. The reacquisition price was lower than the net carrying amount of the old debt by \$200,610. 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 total debt service payments and resulted in a present value benefit of \$315,542. The bonds are due in annual installments ranging from \$105,000 to \$235,000 through October 2031 plus interest ranging from 3.0% to 4.0%, payable semi-annually. 1,526,343

**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 through May 2018. The assets had a net book value of \$159,692 at June 30, 2016. 89,391

\$ 12,874,718

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

The proceeds of the 2016 Refunding Bonds issue was placed in a special escrow account and is invested in securities of the U.S. government and its agencies. The maturities of these investments coincide with the principal and interest on the extinguished debts and are sufficient to pay all principal and interest on the 2006 and 2005 Refunding Bonds when due. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in these financial statements. At June 30, 2016, the defeased bonds outstanding were \$2,850,000 and \$1,245,000, respectively.

The annual requirements to pay the debt outstanding at June 30, 2016 (excluding accrued compensated absences) are as follows:

Year Ending June 30,	Governmental Activities			
	Refunding Bonds		G.O. Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 180,000	\$ 42,894	\$ 44,090	\$ 882
2018	246,295	40,374	-	-
2019	261,135	38,688	-	-
2020	261,135	36,704	-	-
2021	276,135	34,720	-	-
2022-2026	616,379	141,823	-	-
2027-2031	473,967	70,355	-	-
2032	103,611	2,072	-	-
	<u>\$ 2,418,657</u>	<u>\$ 407,630</u>	<u>\$ 44,090</u>	<u>\$ 882</u>

Year Ending June 30,	Business-type Activities									
	Municipal Bond Authority Loans		G.O. Bond		State Revolving Fund/ Clean Water Bond		Capital Lease		Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 235,000	\$ 8,044	\$ 55,910	\$ 1,118	\$ 235,000	\$ 76,873	\$ 45,518	\$ 3,608	\$ -	\$ 54,396
2018	240,000	2,700	-	-	245,000	70,873	43,873	1,160	58,705	51,201
2019	-	-	-	-	250,000	64,686	-	-	83,865	49,062
2020	-	-	-	-	255,000	58,373	-	-	83,865	46,546
2021	-	-	-	-	260,000	51,935	-	-	83,865	44,030
2022-2026	-	-	-	-	1,240,000	159,526	-	-	483,621	179,852
2027-2031	-	-	-	-	710,000	45,250	-	-	601,003	89,220
2032	-	-	-	-	-	-	-	-	131,389	2,628
	<u>\$ 475,000</u>	<u>\$ 10,744</u>	<u>\$ 55,910</u>	<u>\$ 1,118</u>	<u>\$ 3,195,000</u>	<u>\$ 527,516</u>	<u>\$ 89,391</u>	<u>\$ 4,748</u>	<u>\$ 1,526,313</u>	<u>\$ 516,935</u>

The above annual requirements do not include the State Revolving Fund Bonds, Series 5366-01 since payments have not been finalized as of June 30, 2016.

**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

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**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.

**General City Employee Retirement System -**

*Plan Description*

General City Employee Retirement System (GCERS) - 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, 2016 was comprised of 36 active participants, 52 retirees and beneficiaries, and 10 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.

*Pension Plan Investments - Policy and Rate of Return*

**Investment Policy** - The 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, 2016:

<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

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Rate of Return** - For the year ended June 30, 2016, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was (6.08) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Contributions and Funding Policy*

Participants 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.

For fiscal year 2016, the annual required contribution (actuarially determined) and actual contribution was \$436,383 (20.78% of valuation payroll).

*Net Pension Liability of the GCERS*

The net pension liability of the GCERS has been measured as of June 30, 2016 and is composed of the following:

	<u>Total Pension Liability</u>	<u>Plan's Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 25,885,973	\$ 17,210,646	\$ 8,675,327
Service cost	245,681	-	245,681
Interest on total pension liability	1,952,667	-	1,952,667
Net investment income	-	( 1,003,759)	1,003,759
Expected and actual differences	( 523,380)	-	( 523,380)
Contributions from employer	-	436,383	( 436,383)
Contributions from employees	-	168,132	( 168,132)
Benefit payments	( 1,626,229)	( 1,626,229)	-
Administrative costs	<u>-</u>	<u>( 28,484)</u>	<u>28,484</u>
Ending balance	<u>\$ 25,934,712</u>	<u>\$ 15,156,689</u>	<u>\$ 10,778,023</u>

Plan fiduciary net position as a percentage of the total pension liability 58.44%

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, the City recognized pension expense of \$1,676,125 for the GCERS in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the GCERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected actual experience	\$ -	\$ 618,969
Changes of assumptions	542,791	-
Net difference between projected and actual earnings on pension plan investments	<u>3,001,800</u>	<u>-</u>
	<u>\$ 3,544,591</u>	<u>\$ 618,969</u>

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

The amounts of deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

2017	\$	910,555
2018		782,986
2019		772,704
2020		<u>459,377</u>
	\$	<u>2,925,622</u>

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation as of June 30, 2016. The valuation used the following actuarial assumptions, included in the measurement:

Salary increases	4.00 %
Investment rate of return	7.75 %

Mortality rates were based on the RP 2014 Healthy Annuitant 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 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, 2016 for each asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	5.0 - 10.0 %
Global Fixed Income/Credit	2.2 - 8.0
Real Assets	4.5 - 10.0
Diversifying Strategies	4.0 - 5.5
Money Markets	1.5

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 GCERS, calculated using the discount rate of 7.75 percent, as well as what the GCERS' 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net pension liability of the GCERS	\$ <u>13,741,294</u>	\$ <u>10,778,023</u>	\$ <u>8,283,905</u>

**Police Officer's and Firefighter's Retirement System**

*Plan Description*

The Police Officers and Firefighters Retirement System (POFRS) 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, 2016 was comprised of 23 active participants and 26 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.

*Plan Investments - Policy and Rate of Return*

**Investment Policy** - The 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, 2016:

<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

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Rate of Return** - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of Plan investment expense, was (7.09) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Contributions and Funding Policy*

Participants 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.

For fiscal year 2016, the annual required contribution (actuarially determined) and actual contribution was \$575,476 (32.42% of valuation payroll).

*Net Pension Liability of the POFRS*

The net pension liability of the POFRS has been measured as of June 30, 2016 and is composed of the following:

	<u>Total Pension Liability</u>	<u>Plan's Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 24,264,978	\$ 14,397,475	\$ 9,867,503
Service cost	303,047	-	303,047
Interest on total pension liability	1,832,666	-	1,832,666
Net investment income	-	( 972,913)	972,913
Expected and actual differences	( 450,690)	-	( 450,690)
Contributions from employer	-	575,476	( 575,476)
Contributions from employees	-	148,911	( 148,911)
Benefit payments	( 1,538,400)	( 1,538,400)	-
Administrative costs	-	( 25,498)	25,498
Ending balance	<u>\$ 24,411,601</u>	<u>\$ 12,585,051</u>	<u>\$ 11,826,550</u>

Plan fiduciary net position as a percentage of the total pension liability 51.55%

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, the City recognized pension expense of \$1,861,078 for the POFRS in the government-wide financial statements of the primary government. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the POFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,837	\$ 345,878
Changes of assumptions	536,948	-
Net difference between projected and actual earnings on Plan investments	<u>2,690,702</u>	<u>-</u>
	<u>\$ 3,272,487</u>	<u>\$ 345,878</u>



**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

The amounts of deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

2017	\$	932,051
2018		932,051
2019		682,711
2020		<u>379,796</u>
		<u>\$ 2,926,609</u>

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation as of June 30, 2016. The valuation used the following actuarial assumptions in the measurement:

Salary increases		4.00%
Investment rate of return		7.75%

Mortality rates were based on the RP 2014 Healthy Annuitant 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 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 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 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 Plan investment expense and inflation) are developed for each 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, 2016 for each asset class included in the 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
Global Equity	5.0 - 10.0 %
Global Fixed Income/Credit	2.2 - 8.0
Real Assets	4.5 - 10.0
Diversifying Strategies	4.0 - 5.5
Money Markets	1.5

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 POFRS, calculated using the discount rate of 7.75 percent, as well as what the POFRS' 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%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net pension liability of the POFRS	\$ 14,648,488	\$ 11,826,550	\$ 9,457,614

**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. Administrative 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. Administrative 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. Administrative employees hired after December 1, 2005 and who retire directly, not deferred, after 20 years of continuous employment are eligible for retiree health benefits. Union employees hired on or after July 1, 2013 are not eligible for the Plan.

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 Plans, 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, 2016, actuarially determined and actual contributions of \$837,881 were made. The actuarial valuation dated June 30, 2015 determined a required contribution of 23.39% (7.76% for normal costs and 15.63% for the amortization of unfunded actuarial liabilities) of covered payroll using an assumed rate of increase of health care costs as follows:

2016	8.0 %
2017	7.5
2018	7.0
2019	6.5
2020	6.0
2021 and after	5.5 - 4.0

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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

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, 2015 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions include (a) 7.75% net investment rate of return, (b) projected salary increase of 4.0%, (c) projected health care cost increase of 8.0% reduced to 4.0% in .5% increments over 8 years, and (d) RP 2014 Healthy Annuitant Mortality Table. The Plan's unfunded actuarial accrued liability is being amortized by level percent of payroll over an open period of 30 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subjected to continual revision as actual results are compared to past expectations 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.

**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 No. 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	\$	842,730
Interest on net OPEB obligation		20,577
Adjustments to annual required contribution	(	<u>23,030</u> )
annual OPEB cost (expense)		840,277
Contributions made	(	<u>837,881</u> )
Increase in net OPEB obligation		2,396
Net OPEB obligation - beginning of year		<u>265,516</u>
Net OPEB obligation - end of year	\$	<u><u>267,912</u></u>

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
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
6/30/2015	12,893,773	26,915,815	14,022,042	47.9	3,667,257	382

**Schedule of Employer Contributions**

Year Ended June 30.	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 737,565	130 %	\$ 267,882
2015	736,058	100	265,517
2016	840,277	100	267,912

**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.

**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 subject to a maximum of \$500,000 per occurrence.

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12 - RISK MANAGEMENT - (cont'd):**

**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 \$56,004, which is recorded as a current liability in the various funds.

Effective November 1, 2005 through June 30, 2015, 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.

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

	<u>2016</u>	<u>2015</u>	
		<u>Healthcare</u>	<u>Pharmacy</u>
Unpaid claims, beginning of year	\$ 57,387	\$ 31,849	\$ -
Insured claims (including IBNR's)	1,544,086	1,542,458	516,163
Claims Paid	( 1,545,469)	( 1,516,920)	( 516,163)
Unpaid claims, end of year	<u>\$ 56,004</u>	<u>\$ 57,387</u>	<u>\$ -</u>

**NOTE 13 - SUMMARY OF INSPECTION DEPARTMENT:**

The following schedule presents the City's inspection department revenues and expenditures in accordance with Public Act 245 of 1999:

Revenues:	<u>\$ 118,993</u>
Expenditures:	
Salaries and Wages	45,119
Benefits	3,591
Contractual Services	35,121
Supplies	2,603
Utilities	4,047
Maintenance	1,718
Miscellaneous	<u>3,389</u>
	<u>95,588</u>
Revenues over expenditures	23,405
Over expenditure in prior years	( 94,040)
Remaining deficit	<u><u>\$ ( 70,635)</u></u>

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2016:

Governmental Funds/Activities:

General Government –	
Perpetual Care – Expendable	\$ <u>262,998</u>
Streets –	
Motor Vehicle Highway	441,112
Major Street	659,052
Local Street	<u>807,994</u>
	<u>1,908,158</u>
Debt Service – Building Authority	<u>1,017</u>
Acquisition/construction of assets –	
Public Improvement	<u>411,822</u>
Public Safety –	
Public Education/Bike Rodeo/Explorers	24,445
Drug Law Enforcement -	
Operations	35,616
K-9 Unit	<u>25,910</u>
	<u>85,971</u>
Recreation and Cultural –	
Beautification and Historical	9,389
ADA Playground	<u>10,128</u>
	<u>19,517</u>
Total Restricted Fund Balance – Governmental Funds	2,689,483
Perpetual Care – Nonexpendable	272,332
Streets – Prepays	<u>8,780</u>
Total Restricted Net Position – Governmental Activities	<u>\$ 2,970,595</u>

Business-Type Activities:

Waterfront improvements	\$ 6,000
Acquisition/construction of assets	<u>539,128</u>
Total Restricted Net Position – Business-Type Activities	<u>\$ 545,128</u>

**CITY OF MARYSVILLE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 14 - FUND BALANCE/NET POSITION - (cont'd):**

**COMMITTED FUND BALANCE:**

At June 30, 2016, City Council had committed the following fund balances:

Industrial Development – General Fund	\$ <u>268,759</u>
Capital Projects –	
General Fund	233,850
Ambulance	336,239
Building Authority	<u>5,390</u>
	<u>575,479</u>
Fringe Benefits – General Fund	<u>425,000</u>
Tax Tribunal – General Fund	<u>2,088</u>
Recreation and Cultural –	
General Fund	19,348
Parks and Recreation	<u>172,694</u>
	<u>192,042</u>
Total Committed Fund Balance	<u>\$ 1,463,368</u>

**ASSIGNED FUND BALANCE:**

At June 30, 2016, City Council had assigned \$447,489 in the General Fund: \$175,000 for construction of capital assets and \$272,489 for the 2016-2017 budget.

**NOTE 15 - SUBSEQUENT EVENT**

In September 2016, the City was the recipient of land and building at 1515 Busha Highway. The City is still evaluating its value at the date of donation; however, it is estimated to be over \$1,000,000 in value.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF MARYSVILLE, MICHIGAN**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 6,631,000	\$ 6,831,000	\$ 6,890,341	\$ 59,341
Licenses and permits	274,700	274,700	284,605	9,905
Intergovernmental - Federal/State	1,067,000	1,067,000	991,099	( 75,901)
Charges for services	209,350	209,350	229,382	20,032
Fines and forfeits	12,000	12,000	10,134	( 1,866)
Interest and rents	127,800	127,800	313,731	185,931
Other	20,000	20,000	76,210	56,210
Total Revenues	<u>8,341,850</u>	<u>8,541,850</u>	<u>8,795,502</u>	<u>253,652</u>
<b>Expenditures:</b>				
Current -				
General Government -				
Legislative	17,283	17,283	16,866	417
Elections	16,035	16,035	11,989	4,046
City Manager	166,380	169,380	166,730	2,650
City Assessor/Clerk/Treasurer	372,490	372,490	360,335	12,155
Board of review	1,820	1,820	1,488	332
Cemetery	135,029	135,029	122,912	12,117
Community development	39,012	39,012	38,801	211
General administration	350,160	350,160	302,275	47,885
	<u>1,098,209</u>	<u>1,101,209</u>	<u>1,021,396</u>	<u>79,813</u>
Less: Reimbursement from other funds	<u>( 126,324)</u>	<u>( 126,324)</u>	<u>( 135,158)</u>	<u>8,834</u>
Total General Government	<u>971,885</u>	<u>974,885</u>	<u>886,238</u>	<u>88,647</u>
Public Safety -				
Fire department	1,285,375	1,285,375	1,172,993	112,382
Police department	1,633,588	1,634,588	1,590,582	44,006
Emergency management	7,505	7,505	5,293	2,212
Building inspections	80,880	95,580	95,588	( 8)
	<u>3,007,348</u>	<u>3,023,048</u>	<u>2,864,456</u>	<u>158,592</u>
Public Works -				
Department of public works	725,598	725,598	634,150	91,448
Street lighting	230,500	230,500	230,947	( 447)
Dial-A-Ride	61,600	68,100	68,169	( 69)
Sanitation	600,000	600,000	551,703	48,297
	<u>1,617,698</u>	<u>1,624,198</u>	<u>1,484,969</u>	<u>139,229</u>
Less: Reimbursement from other funds	<u>( 295,069)</u>	<u>( 295,069)</u>	<u>( 148,438)</u>	<u>( 146,631)</u>
Total Public Works	<u>1,322,629</u>	<u>1,329,129</u>	<u>1,336,531</u>	<u>( 7,402)</u>

Continued

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreational and Cultural-				
Parks	\$ 231,450	\$ 251,450	\$ 266,657	\$( 15,207)
Beautification committee	16,130	16,130	14,638	1,492
Library	14,451	14,451	11,897	2,554
Historical commission	6,675	6,675	4,953	1,722
	<u>268,706</u>	<u>288,706</u>	<u>298,145</u>	<u>( 9,439)</u>
Other	<u>1,561,817</u>	<u>1,576,817</u>	<u>1,595,254</u>	<u>( 18,437)</u>
Capital Outlay	<u>48,000</u>	<u>118,000</u>	<u>116,822</u>	<u>1,178</u>
Debt Service -				
Principal	44,090	44,090	44,090	-
Interest	53,613	53,613	58,349	( 4,736)
	<u>97,703</u>	<u>97,703</u>	<u>102,439</u>	<u>( 4,736)</u>
Total Expenditures	<u>7,278,088</u>	<u>7,408,288</u>	<u>7,199,885</u>	<u>208,403</u>
Revenues over expenditures	<u>1,063,762</u>	<u>1,133,562</u>	<u>1,595,617</u>	<u>462,055</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of refunding bonds	-	-	1,203,657	1,203,657
Premium on refunding bonds	-	-	103,988	103,988
Payment to refunded bond escrow agent	-	-	( 1,303,594)	( 1,303,594)
Transfers Out -				
Motor Vehicle Highway	( 125,000)	( 125,000)	( 125,000)	-
Public Improvement	( 675,010)	( 675,010)	( 675,010)	-
Parks and Recreation	( 46,022)	( 46,022)	( 46,022)	-
Golf Course	( 96,242)	( 129,590)	( 129,590)	-
	<u>( 942,274)</u>	<u>( 975,622)</u>	<u>( 971,571)</u>	<u>4,051</u>
Net Change in Fund Balance	121,488	157,940	624,046	466,106
Fund Balance at beginning of year	<u>6,457,552</u>	<u>6,457,552</u>	<u>6,457,552</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 6,579,040</u>	<u>\$ 6,615,492</u>	<u>\$ 7,081,598</u>	<u>\$ 466,106</u>
<b>Reconciliation of Budget-Basis to GAAP-Basis Reporting:</b>				
Net Change in General Fund				
Fund Balance - Budgetary-Basis			\$ 624,046	
Perspective difference -				
Other Budgeted Fund Net Change allocated to the General Fund for GAAP-Basis General Fund				
Industrial Development Fund			( 4,803)	
Net Change in Fund Balance - GAAP-Basis			<u>\$ 619,243</u>	

Concluded

**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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental	\$ 217,000	\$ 217,000	\$ 328,778	\$ 111,778
Interest	22,000	22,000	69,618	47,618
Other	<u>12,000</u>	<u>12,000</u>	<u>10,096</u>	<u>( 1,904)</u>
Total Revenues	<u>251,000</u>	<u>251,000</u>	<u>408,492</u>	<u>157,492</u>
<b>Expenditures:</b>				
Current -				
Public Works-				
Routine maintenance	303,342	303,342	232,668	70,674
Traffic services maintenance	41,283	41,283	23,207	18,076
Winter maintenance	201,786	201,786	158,937	42,849
Administration/engineering	9,471	9,471	9,247	224
Construction	<u>840,000</u>	<u>890,000</u>	<u>890,028</u>	<u>( 28)</u>
Total Expenditures	<u>1,395,882</u>	<u>1,445,882</u>	<u>1,314,087</u>	<u>131,795</u>
Revenues under expenditures	( 1,144,882)	( 1,194,882)	( 905,595)	289,287
<b>Other Financing Sources:</b>				
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net Change in Fund Balance	( 744,882)	( 794,882)	( 505,595)	289,287
Fund Balance at beginning of year	<u>1,319,236</u>	<u>1,319,236</u>	<u>1,319,236</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 574,354</u>	<u>\$ 524,354</u>	<u>\$ 813,641</u>	<u>\$ 289,287</u>

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

	2016	2015	2014	2013-2007*
Annual money-weighted rate of return, net of investment expenses	-6.08%	-2.99%	14.84%	0%

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

**CITY OF MARYSVILLE, MICHIGAN**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013*</u>	<u>2012-2007*</u>
<b>Total Pension Liability</b>					
Service Cost	\$ 245,681	\$ 245,629	\$ 217,247	\$ -	\$ -
Interest	1,952,667	1,857,804	1,846,179	-	-
Differences between expected and actual experience	( 523,380)	( 595,306)	( 333,882)	-	-
Change in assumptions	-	1,318,205	-	-	-
Benefit payments, including refunds	<u>( 1,626,229)</u>	<u>( 1,578,416)</u>	<u>( 1,609,048)</u>	-	-
 Change in total pension liability	48,739	1,247,916	120,496	-	-
 Total pension liability, beginning of year	<u>25,885,973</u>	<u>24,638,057</u>	<u>24,517,561</u>	-	-
 Total pension liability, end of year	<u><u>\$ 25,934,712</u></u>	<u><u>\$ 25,885,973</u></u>	<u><u>\$ 24,638,057</u></u>	<u><u>\$ 24,517,561</u></u>	<u><u>\$ -</u></u>
 <b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 436,383	\$ 460,017	\$ 402,234	\$ -	\$ -
Contributions - Member	168,132	160,854	169,379	-	-
Net investment income	( 1,003,759)	( 527,782)	2,472,730	-	-
Benefit payments, including refunds	( 1,626,229)	( 1,578,416)	( 1,609,048)	-	-
Administrative expenses	( 18,980)	( 15,535)	( 17,149)	-	-
Other	<u>( 9,504)</u>	<u>( 6,871)</u>	<u>( 6,316)</u>	-	-
 Net change in plan fiduciary net position	( 2,053,957)	( 1,507,733)	1,411,830	-	-
 Plan fiduciary net position, beginning of year	<u>17,210,646</u>	<u>18,718,379</u>	<u>17,306,549</u>	-	-
 Plan fiduciary net position, end of year	<u><u>\$ 15,156,689</u></u>	<u><u>\$ 17,210,646</u></u>	<u><u>\$ 18,718,379</u></u>	<u><u>\$ 17,306,549</u></u>	<u><u>\$ -</u></u>
 <b>City's Net Pension Liability - Ending</b>	<u><u>\$ 10,778,023</u></u>	<u><u>\$ 8,675,327</u></u>	<u><u>\$ 5,919,678</u></u>	<u><u>\$ 7,211,012</u></u>	<u><u>\$ -</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	58.44%	66.49%	75.97%	70.59%	0.00%
 <b>Covered Employee Payroll</b>	\$ 2,079,266	\$ 2,100,013	\$ 1,962,528	\$ 1,828,337	
 <b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	518.4%	413.1%	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**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contributions	\$ 436,383	\$ 460,017	\$ 402,234	\$ 373,304	\$ 425,214
Contributions in relation to the actuarially determined contribution	<u>436,383</u>	<u>460,017</u>	<u>402,234</u>	<u>373,304</u>	<u>425,214</u>
<b>Contribution Deficiency (Excess)</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Covered Payroll</b>	\$ 2,079,266	\$ 2,100,013	\$ 1,828,337	\$ 1,864,481	\$ 1,906,790
<b>Contributions as a Percentage of Covered Employee Payroll</b>	20.99%	21.91%	22.00%	20.02%	22.30%

**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, closed
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market value
Salary increases	4.00%
Investment rate of return	7.75% for 2014 and thereafter, 8.0% for previous years
Retirement age	Earliest age participant becomes eligible for normal retirement
Mortality	RP2000 Combined Healthy Mortality Table

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 407,469	\$ 497,771	\$ 443,123	\$ 340,030	\$ 431,758
<u>407,469</u>	<u>497,771</u>	<u>443,123</u>	<u>340,030</u>	<u>431,758</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,132,230	\$ 2,284,401	\$ 2,242,526	\$ 2,118,567	\$ 2,278,405
19.11%	21.79%	19.76%	16.05%	18.95%

**CITY OF MARYSVILLE, MICHIGAN**

**POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM  
SCHEDULE OF INVESTMENT RETURNS  
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013-2007*</u>
Annual money-weighted rate of return, net of investment expenses	-7.09%	-3.68%	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**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013*</u>	<u>2012-2007*</u>
<b>Total Pension Liability</b>					
Service Cost	\$ 303,047	\$ 300,240	\$ 304,469	\$ -	\$ -
Interest	1,832,666	1,708,579	1,684,480	-	-
Differences between expected and actual experience	( 450,690)	87,539	( 185,876)	-	-
Changes in assumptions	-	1,048,328	-	-	-
Benefit payments, including refunds	<u>( 1,538,400)</u>	<u>( 1,551,525)</u>	<u>( 1,428,491)</u>	<u>-</u>	<u>-</u>
 Change in total pension liability	146,623	1,593,161	374,582	-	-
 Total pension liability, beginning of year	<u>24,264,978</u>	<u>22,671,817</u>	<u>22,297,235</u>	<u>-</u>	<u>-</u>
 Total pension liability, end of year	<u><u>\$ 24,411,601</u></u>	<u><u>\$ 24,264,978</u></u>	<u><u>\$ 22,671,817</u></u>	<u><u>\$ 22,297,235</u></u>	<u><u>\$ -</u></u>
 <b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 575,476	\$ 583,248	\$ 544,898	\$ -	\$ -
Contributions - Member	148,911	143,863	162,383	-	-
Net investment income	( 972,913)	( 551,584)	2,128,427	-	-
Benefit payments, including refunds	( 1,538,400)	( 1,551,525)	( 1,428,491)	-	-
Administrative expenses	( 17,555)	( 15,320)	( 17,670)	-	-
Other	<u>( 7,943)</u>	<u>( 6,431)</u>	<u>( 5,900)</u>	<u>-</u>	<u>-</u>
 Net change in plan fiduciary net position	( 1,812,424)	( 1,397,749)	1,383,647	-	-
 Plan fiduciary net position, beginning of year	<u>14,397,475</u>	<u>15,795,224</u>	<u>14,411,577</u>	<u>-</u>	<u>-</u>
 Plan fiduciary net position, end of year	<u><u>\$ 12,585,051</u></u>	<u><u>\$ 14,397,475</u></u>	<u><u>\$ 15,795,224</u></u>	<u><u>\$ 14,411,577</u></u>	<u><u>\$ -</u></u>
 <b>City's Net Pension Liability - Ending</b>	<u><u>\$ 11,826,550</u></u>	<u><u>\$ 9,867,503</u></u>	<u><u>\$ 6,876,593</u></u>	<u><u>\$ 7,885,658</u></u>	<u><u>\$ -</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	51.55%	59.33%	69.67%	64.63%	0.00%
 <b>Covered Employee Payroll</b>	\$ 1,863,138	\$ 1,775,066	\$ 1,766,882	\$ 1,918,654	\$ -
 <b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	634.8%	555.9%	389.2%	411.0%	0.0%

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

**CITY OF MARYSVILLE, MICHIGAN**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contributions	\$ 575,476	\$ 583,248	\$ 544,898	\$ 571,900	\$ 528,398
Contributions in relation to the actuarially determined contribution	<u>575,476</u>	<u>583,248</u>	<u>544,898</u>	<u>571,900</u>	<u>528,398</u>
<b>Contribution Deficiency (Excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Covered Payroll</b>	1,863,138	1,775,066	\$ 1,918,654	\$ 1,908,243	\$ 1,876,414
<b>Contributions as a Percentage of Covered Employee Payroll</b>	30.89%	32.86%	28.40%	29.97%	28.16%

**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, closed
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market value
Salary increases	4.00%
Investment rate of return	7.75% for 2014 and thereafter, 8.0% for previous years
Retirement age	Earliest age participant becomes eligible for normal retirement
Mortality	RP 2000 Combined Healthy Mortality Table in 2015 RP 2000 Healthy Annuitant Mortality for previous years

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 577,252	\$ 580,811	\$ 491,172	\$ 468,500	\$ 491,802
<u>577,252</u>	<u>580,811</u>	<u>491,172</u>	<u>468,500</u>	<u>491,802</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,823,285	\$ 1,882,693	\$ 1,817,138	\$ 1,696,850	\$ 1,742,742
31.66%	30.85%	27.03%	27.61%	28.22%

**CITY OF MARYSVILLE, MICHIGAN**

**RETIREE HEALTH BENEFITS**

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</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%
06/30/15	12,893,773	26,915,815	14,022,042	47.90%	3,667,257	382.36%

**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%
2015	738,423	100.00%
2016	842,730	99.42%

## **SUPPLEMENTARY INFORMATION**

**CITY OF MARYSVILLE, MICHIGAN**

**GENERAL FUND  
COMBINING BALANCE SHEET  
JUNE 30, 2016**

	General Fund (Budgetary - Basis)	Industrial Development	General Fund (GAAP-Basis)
<b>Assets:</b>			
Cash and cash equivalents	\$ 160,928	\$ 9,789	\$ 170,717
Investments	5,524,018	258,572	5,782,590
Receivables, net of allowance -			
Property taxes	12,119	-	12,119
Accounts and interest	93,133	398	93,531
Due from other governmental units	170,163	-	170,163
Due from other funds	67,862	-	67,862
Advance to other funds	1,271,700	-	1,271,700
Prepaid expenditures	84,883	-	84,883
	<u>7,384,806</u>	<u>268,759</u>	<u>7,653,565</u>
Total Assets	\$ 7,384,806	\$ 268,759	\$ 7,653,565
<b>Liabilities:</b>			
Accounts payable	\$ 232,043	\$ -	\$ 232,043
Accrued liabilities	43,412	-	43,412
Unearned revenue	11,850	-	11,850
Total Liabilities	<u>287,305</u>	<u>-</u>	<u>287,305</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues -			
Property taxes	12,119	-	12,119
Other	3,784	-	3,784
Total Deferred Inflows of Resources	<u>15,903</u>	<u>-</u>	<u>15,903</u>
<b>Fund Balance:</b>			
Nonspendable -			
Prepaid expenditures	84,883	-	84,883
Advance to other funds	1,271,700	-	1,271,700
Restricted	33,834	-	33,834
Committed	680,286	268,759	949,045
Assigned	447,489	-	447,489
Unassigned	4,563,406	-	4,563,406
Total Fund Balance	<u>7,081,598</u>	<u>268,759</u>	<u>7,350,357</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,384,806	\$ 268,759	\$ 7,653,565

**CITY OF MARYSVILLE, MICHIGAN**

**GENERAL FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund (Budgetary - Basis)	Industrial Development	General Fund (GAAP - Basis)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenues:</b>			
Taxes	\$ 6,890,341	\$ -	\$ 6,890,341
Licenses and permits	284,605	-	284,605
Intergovernmental - Federal/State	991,099	-	991,099
Charges for services	229,382	-	229,382
Fines and forfeits	10,134	-	10,134
Interest and rents	313,731	15,115	328,846
Other	76,210	-	76,210
Total Revenues	<u>8,795,502</u>	<u>15,115</u>	<u>8,810,617</u>
<b>Expenditures:</b>			
Current -			
General Government	886,238	19,918	906,156
Public Safety	2,864,456	-	2,864,456
Public Works	1,336,531	-	1,336,531
Recreation and Cultural	298,145	-	298,145
Other	1,595,254	-	1,595,254
Capital outlay	116,822	-	116,822
Debt Service -			
Principal	44,090	-	44,090
Interest	58,349	-	58,349
Total Expenditures	<u>7,199,885</u>	<u>19,918</u>	<u>7,219,803</u>
Revenues over (under) expenditures	<u>1,595,617</u>	<u>( 4,803)</u>	<u>1,590,814</u>
<b>Other Financing Sources (Uses):</b>			
Issuance of refunding bonds	1,203,657	-	1,203,657
Premium on refunding bonds	103,988	-	103,988
Payment to refunded bond escrow agent	( 1,303,594)	-	( 1,303,594)
Transfers out	( 975,622)	-	( 975,622)
	<u>( 971,571)</u>	<u>-</u>	<u>( 971,571)</u>
Net Change in Fund Balances	624,046	( 4,803)	619,243
Fund Balance at beginning of year	<u>6,457,552</u>	<u>273,562</u>	<u>6,731,114</u>
Fund Balance at end of year	<u>\$ 7,081,598</u>	<u>\$ 268,759</u>	<u>\$ 7,350,357</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, 2016**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Interest	\$      9,000	\$     15,115	\$      6,115
<b>Expenditures:</b>			
Current -			
General Government -			
Professional fees	<u>         20,000</u>	<u>         19,918</u>	<u>          82</u>
Net Change in Fund Balance	(     11,000)	(      4,803)	6,197
Fund Balance at beginning of year	<u>         273,562</u>	<u>         273,562</u>	<u>          -</u>
Fund Balance at end of year	<u><u>      \$  262,562</u></u>	<u><u>      \$  268,759</u></u>	<u><u>      \$    6,197</u></u>



**CITY OF MARYSVILLE, MICHIGAN**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016**

	Special Revenue Funds				Debt Service Fund
	Major Street	Drug Law Enforcement	Parks and Recreation	Ambulance	Building Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 47,271	\$ 38,733	\$ 7,618	\$ 85,332	\$ 1,017
Investments	545,241	20,776	209,445	237,226	-
Accounts and interest receivable, net	2,924	2,076	1,433	59,815	-
Due from other governmental units	84,365	-	-	-	-
Prepaid expenditures	3,133	-	4,071	-	-
<b>Total Assets</b>	<b>\$ 682,934</b>	<b>\$ 61,585</b>	<b>\$ 222,567</b>	<b>\$ 382,373</b>	<b>\$ 1,017</b>
<b>Liabilities:</b>					
Accounts payable	\$ 18,169	\$ 59	\$ 9,851	\$ 14,000	\$ -
Accrued liabilities	2,580	-	5,613	-	-
Unearned revenue	-	-	20,210	-	-
<b>Total Liabilities</b>	<b>20,749</b>	<b>59</b>	<b>35,674</b>	<b>14,000</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenues - charges for services	-	-	-	32,134	-
<b>Fund Balance:</b>					
Nonspendable -					
Prepaid expenditures	3,133	-	4,071	-	-
Perpetual Care	-	-	-	-	-
Restricted	659,052	61,526	10,128	-	1,017
Committed	-	-	172,694	336,239	-
<b>Total Fund Balance</b>	<b>662,185</b>	<b>61,526</b>	<b>186,893</b>	<b>336,239</b>	<b>1,017</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 682,934</b>	<b>\$ 61,585</b>	<b>\$ 222,567</b>	<b>\$ 382,373</b>	<b>\$ 1,017</b>

<u>Capital Projects Funds</u>		<u>Permanent Fund</u>	
<u>Motor Vehicle Highway</u>	<u>Building Authority</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
\$ 24,508	\$ 1,830	\$ 64,222	\$ 270,531
415,259	3,450	470,383	1,901,780
1,345	110	725	68,428
-	-	-	84,365
-	-	-	7,204
<u>\$ 441,112</u>	<u>\$ 5,390</u>	<u>\$ 535,330</u>	<u>\$ 2,332,308</u>
\$ -	\$ -	\$ -	\$ 42,079
-	-	-	8,193
-	-	-	20,210
<u>-</u>	<u>-</u>	<u>-</u>	<u>70,482</u>
-	-	-	32,134
-	-	-	7,204
-	-	272,332	272,332
441,112	-	262,998	1,435,833
-	5,390	-	514,323
<u>441,112</u>	<u>5,390</u>	<u>535,330</u>	<u>2,229,692</u>
<u>\$ 441,112</u>	<u>\$ 5,390</u>	<u>\$ 535,330</u>	<u>\$ 2,332,308</u>

**CITY OF MARYSVILLE, MICHIGAN**

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds				Debt Service Fund
	Major Street	Drug Law Enforcement	Parks and Recreation	Ambulance	Building Authority
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental -					
Federal/State	513,008	-	-	-	-
Local	-	-	42,651	-	-
Charges for services	-	-	-	200,331	-
Interest and rent	42,429	1,194	13,796	14,220	-
Other	13,789	56,459	106,640	-	1,242
Total Revenues	<u>569,226</u>	<u>57,653</u>	<u>163,087</u>	<u>214,551</u>	<u>1,242</u>
<b>Expenditures:</b>					
Current -					
Public Safety	-	25,751	-	-	-
Public Works	548,978	-	-	-	-
Recreation and Culture	-	-	189,163	-	-
Capital outlay	-	-	-	165,250	-
Debit service -					
Principal	-	-	-	-	175,000
Interest and charges	-	-	-	-	62,410
Total Expenditures	<u>548,978</u>	<u>25,751</u>	<u>189,163</u>	<u>165,250</u>	<u>237,410</u>
Revenues over (under) expenditures	<u>20,248</u>	<u>31,902</u>	<u>( 26,076)</u>	<u>49,301</u>	<u>( 236,168)</u>
<b>Other Financing Sources (Uses):</b>					
Refunding bond proceeds	-	-	-	-	1,215,000
Bond premium	-	-	-	-	65,060
Payment to refunding bond escrow agent	-	-	-	-	( 1,271,968)
Transfers in	-	-	46,022	-	229,093
Transfers out	( 200,000)	-	( 50,000)	-	-
Total Other Financing Sources (Uses)	<u>( 200,000)</u>	<u>-</u>	<u>( 3,978)</u>	<u>-</u>	<u>237,185</u>
Net Change in Fund Balances	( 179,752)	31,902	( 30,054)	49,301	1,017
Fund Balances at beginning of year	<u>841,937</u>	<u>29,624</u>	<u>216,947</u>	<u>286,938</u>	<u>-</u>
Fund Balances at end of year	<u>\$ 662,185</u>	<u>\$ 61,526</u>	<u>\$ 186,893</u>	<u>\$ 336,239</u>	<u>\$ 1,017</u>

Capital Projects Funds		Permanent Fund	
Motor Vehicle Highway	Building Authority	Cemetery Perpetual Care	Total
\$ 104,478	\$ -	\$ -	\$ 104,478
-	-	-	513,008
-	-	-	42,651
-	-	9,694	210,025
50,531	4,183	27,386	153,739
-	-	-	178,130
<u>155,009</u>	<u>4,183</u>	<u>37,080</u>	<u>1,202,031</u>
-	-	-	25,751
-	-	-	548,978
-	-	-	189,163
549,315	-	-	714,565
-	-	-	175,000
-	-	-	62,410
<u>549,315</u>	<u>-</u>	<u>-</u>	<u>1,715,867</u>
<u>( 394,306)</u>	<u>4,183</u>	<u>37,080</u>	<u>( 513,836)</u>
-	-	-	1,215,000
-	-	-	65,060
-	-	-	( 1,271,968)
125,000	-	-	400,115
<u>( 200,000)</u>	<u>( 76,174)</u>	<u>-</u>	<u>( 526,174)</u>
<u>( 75,000)</u>	<u>( 76,174)</u>	<u>-</u>	<u>( 117,967)</u>
( 469,306)	( 71,991)	37,080	( 631,803)
<u>910,418</u>	<u>77,381</u>	<u>498,250</u>	<u>2,861,495</u>
<u>\$ 441,112</u>	<u>\$ 5,390</u>	<u>\$ 535,330</u>	<u>\$ 2,229,692</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, 2016**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 478,000	\$ 513,008	\$ 35,008
Interest	15,000	42,429	27,429
Other	15,000	13,789	( 1,211)
	<u>508,000</u>	<u>569,226</u>	<u>61,226</u>
<b>Expenditures:</b>			
Current -			
Public Works-			
Routine maintenance	143,998	128,193	15,805
Traffic services maintenance	19,680	14,527	5,153
Winter maintenance	115,543	87,801	27,742
Administration/engineering	13,570	9,246	4,324
Construction	708,000	309,211	398,789
	<u>1,000,791</u>	<u>548,978</u>	<u>451,813</u>
Total Expenditures			
Revenues over (under) expenditures	( 492,791)	20,248	513,039
<b>Other Financing Uses:</b>			
Transfers out	( 200,000)	( 200,000)	-
Net Change in Fund Balance	( 692,791)	( 179,752)	513,039
Fund Balance at beginning of year	841,937	841,937	-
Fund Balance at end of year	<u>\$ 149,146</u>	<u>\$ 662,185</u>	<u>\$ 513,039</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Interest	\$ 350	\$ 350	\$ 1,194	\$ 844
Other	<u>4,500</u>	<u>53,500</u>	<u>56,459</u>	<u>2,959</u>
Total Revenues	4,850	53,850	57,653	3,803
<b>Expenditures:</b>				
Current - Public Safety- Supplies	<u>3,880</u>	<u>28,880</u>	<u>25,751</u>	<u>3,129</u>
Net Change in Fund Balance	970	24,970	31,902	6,932
Fund Balance at beginning of year	<u>29,624</u>	<u>29,624</u>	<u>29,624</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 30,594</u></u>	<u><u>\$ 54,594</u></u>	<u><u>\$ 61,526</u></u>	<u><u>\$ 6,932</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, 2016**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Intergovernmental - Local	\$ 49,000	\$ 42,651	\$( 6,349)
Interest	1,000	13,796	12,796
Other	<u>135,925</u>	<u>106,640</u>	<u>( 29,285)</u>
Total Revenues	<u>185,925</u>	<u>163,087</u>	<u>( 22,838)</u>
<b>Expenditures:</b>			
Current -			
Recreation and culture-			
Salaries and wages	45,300	43,747	1,553
Fringe benefits	36,372	31,539	4,833
Materials and supplies	11,190	8,332	2,858
Program expense	119,310	75,792	43,518
Travel	2,500	-	2,500
Insurance	6,925	6,932	( 7)
Contracted services	51,650	18,289	33,361
Maintenance	6,500	1,938	4,562
Miscellaneous	<u>2,200</u>	<u>2,594</u>	<u>( 394)</u>
Total Expenditures	<u>281,947</u>	<u>189,163</u>	<u>92,784</u>
Revenues under expenditures	<u>( 96,022)</u>	<u>( 26,076)</u>	<u>69,946</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	46,022	46,022	-
Transfers out	<u>( 50,000)</u>	<u>( 50,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>( 3,978)</u>	<u>( 3,978)</u>	<u>-</u>
Net Change in Fund Balance	( 100,000)	( 30,054)	69,946
Fund Balance at beginning of year	<u>216,947</u>	<u>216,947</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 116,947</u></u>	<u><u>\$ 186,893</u></u>	<u><u>\$ 69,946</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, 2016**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Charges for services	\$ 280,000	\$ 200,331	\$( 79,669)
Interest	<u>10,000</u>	<u>14,220</u>	<u>4,220</u>
Total Revenues	290,000	214,551	( 75,449)
<b>Expenditures:</b>			
Capital Outlay	<u>169,000</u>	<u>165,250</u>	<u>3,750</u>
Net Change in Fund Balance	121,000	49,301	( 71,699)
Fund Balance at beginning of year	<u>286,938</u>	<u>286,938</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 407,938</u></u>	<u><u>\$ 336,239</u></u>	<u><u>\$( 71,699)</u></u>



## **INTERNAL SERVICE FUNDS**

**CITY OF MARYSVILLE, MICHIGAN**

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2016**

	<u>Equipment Rental</u>	<u>Healthcare</u>	<u>Employee Vacation and Sick</u>	<u>Total</u>
<b>Assets:</b>				
Current Assets:				
Cash and cash equivalents	\$ 455	\$ 23,172	\$ 32,945	\$ 56,572
Investments	114,165	99,875	336,151	550,191
Accounts and interest receivable	461	-	518	979
Inventories	1,149	-	-	1,149
Prepaid expenses	8,701	74,038	-	82,739
	<u>124,931</u>	<u>197,085</u>	<u>369,614</u>	<u>691,630</u>
Non-Current Assets:				
Property, plant and equipment	2,180,315	-	-	2,180,315
Less - accumulated depreciation	( 1,560,763)	-	-	( 1,560,763)
Property, Plant and Equipment, net	619,552	-	-	619,552
Net OPEB asset	31,000	-	-	31,000
	<u>650,552</u>	<u>-</u>	<u>-</u>	<u>650,552</u>
Total Assets	<u>775,483</u>	<u>197,085</u>	<u>369,614</u>	<u>1,342,182</u>
<b>Deferred Outflows of Resources:</b>				
Related to pension plan	156,750	-	-	156,750
	<u>156,750</u>	<u>-</u>	<u>-</u>	<u>156,750</u>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts payable	16,425	36,479	-	52,904
Accrued expenses	6,162	-	-	6,162
Due to other funds	-	-	106	106
Total Current Liabilities	22,587	36,479	106	59,172
	<u>22,587</u>	<u>36,479</u>	<u>106</u>	<u>59,172</u>
Long-Term Liabilities (net of current portion):				
Net pension liability	464,344	-	-	464,344
Accrued vacation and sick	-	-	369,508	369,508
Total Long-Term Liabilities	464,344	-	369,508	833,852
	<u>464,344</u>	<u>-</u>	<u>369,508</u>	<u>833,852</u>
Total Liabilities	<u>486,931</u>	<u>36,479</u>	<u>369,614</u>	<u>893,024</u>
<b>Deferred Inflows of Resources:</b>				
Related to pension plan	27,246	-	-	27,246
	<u>27,246</u>	<u>-</u>	<u>-</u>	<u>27,246</u>
<b>Net Position:</b>				
Net investment in capital assets	619,552	-	-	619,552
Unrestricted (deficit)	( 201,496)	160,606	-	( 40,890)
	<u>619,552</u>	<u>160,606</u>	<u>-</u>	<u>619,552</u>
Total Net Position	<u>\$ 418,056</u>	<u>\$ 160,606</u>	<u>\$ -</u>	<u>\$ 578,662</u>

**CITY OF MARYSVILLE, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Equipment Rental	Healthcare	Employee Vacation and Sick	Total
<b>Operating Revenues:</b>				
Charges for services	\$ -	\$ 855,201	\$ -	\$ 855,201
Rent income	466,921	-	-	466,921
Total Operating Revenues	466,921	855,201	-	1,322,122
<b>Operating Expenses:</b>				
Personnel services	247,138	694,595	19,649	961,382
Supplies	46,986	-	-	46,986
Other services	135,050	-	-	135,050
Depreciation	102,304	-	-	102,304
Total Operating Expenses	531,478	694,595	19,649	1,245,722
Operating Income (Loss)	( 64,557)	160,606	( 19,649)	76,400
<b>Non-Operating Revenues (Expenses):</b>				
Gain on disposal of assets	50,190	-	-	50,190
Investment income	17,378	-	19,649	37,027
Total Non-Operating Revenues (Expenses)	67,568	-	19,649	87,217
Net Income Before Transfers	3,011	160,606	-	163,617
<b>Transfers:</b>				
Transfers out	( 50,973)	-	-	( 50,973)
Change in Net Position	( 47,962)	160,606	-	112,644
Net Position at beginning of year	466,018	-	-	466,018
Net Position end of year	\$ 418,056	\$ 160,606	\$ -	\$ 578,662

**CITY OF MARYSVILLE, MICHIGAN**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Equipment Rental	Healthcare	Employee Vacation and Sick	Total
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from interfund services	\$ 467,220	\$ 855,201	\$ -	\$ 1,322,421
Cash payments to suppliers	( 182,090)	( 732,154)	-	( 914,244)
Cash payments to employees	( 209,573)	-	( 33,316)	( 242,889)
Net Cash Provided by (Used for) Operating Activities	<u>75,557</u>	<u>123,047</u>	<u>( 33,316)</u>	<u>165,288</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers to other funds	( 50,973)	-	-	( 50,973)
Due from/to other funds	-	-	18,852	18,852
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>( 50,973)</u>	<u>-</u>	<u>18,852</u>	<u>( 32,121)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from sale of assets	58,000	-	-	58,000
Acquisition and construction of capital assets	( 313,624)	-	-	( 313,624)
Net Cash Used for Capital and Related Financing Activities	<u>( 255,624)</u>	<u>-</u>	<u>-</u>	<u>( 255,624)</u>
<b>Cash Flows From Investing Activities:</b>				
Net (purchases) sale of investments	219,229	( 99,875)	37,007	156,361
Net Increase (Decrease) in Cash and Cash Equivalents for the year	( 11,811)	23,172	22,543	33,904
Cash and Cash Equivalents at Beginning of Year	12,266	-	10,402	22,668
Cash and Cash Equivalents at End of Year	<u>\$ 455</u>	<u>\$ 23,172</u>	<u>\$ 32,945</u>	<u>\$ 56,572</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating income (loss) for the year	\$( 64,557)	\$ 160,606	\$( 19,649)	\$ 76,400
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities -				
Depreciation	102,304	-	-	102,304
Change in assets and liabilities -				
Receivables	299	-	-	299
Prepaid expenses	( 6,949)	( 74,038)	-	( 80,987)
Inventories	1,078	-	-	1,078
Net OPEB asset	1,544	-	-	1,544
Net pension liability	70,061	-	-	70,061
Deferred outflows/inflows related to the pension plan	( 35,758)	-	-	( 35,758)
Accounts payable/accrued expenses	7,535	36,479	( 13,667)	30,347
Net Cash Provided by (Used for) Operating Activities	<u>\$ 75,557</u>	<u>\$ 123,047</u>	<u>\$( 33,316)</u>	<u>\$ 165,288</u>