

CITY OF MARYSVILLE
St. Clair County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2017



CITY OF MARYSVILLE
St. Clair County, Michigan

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St. Clair County, 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, 2017 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 the City of Marysville, Michigan, as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the City adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As a result, note disclosures were enhanced and required supplementary information is being reported in anticipation of GASB Statement No. 75. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 December 27, 2017 on our consideration of the City of Marysville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marysville's internal control over financial reporting and compliance.



Certified Public Accountants

December 27, 2017

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, 2017. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information, which present combining statements for the General Fund, nonmajor governmental funds, and internal service funds. 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 \$43,102,724. This is a decrease of \$626,874 over 2016. Governmental activities comprise \$15,754,146 and business-type activities make up \$27,348,578 of the total net position. In a condensed format, the table below shows net position at of the June 30, 2017 and 2016.

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|---------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Assets | | | | |
| Current and other assets | \$ 12,708,717 | \$ 12,248,021 | \$ 4,034,631 | \$ 3,287,909 |
| Capital assets | <u>23,916,072</u> | <u>23,227,046</u> | <u>37,750,085</u> | <u>38,708,245</u> |
| Total Assets | <u>36,624,789</u> | <u>35,475,067</u> | <u>41,784,716</u> | <u>41,996,154</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charges on refunding | 122,358 | 140,947 | 55,933 | 59,663 |
| Related to pensions | <u>3,924,120</u> | <u>6,011,135</u> | <u>502,535</u> | <u>805,943</u> |
| Total Deferred Outflows of Resources | <u>4,046,478</u> | <u>6,152,082</u> | <u>558,468</u> | <u>865,606</u> |
| Liabilities | | | | |
| Current liabilities | 565,804 | 660,636 | 338,797 | 253,456 |
| Non-current liabilities | <u>23,616,057</u> | <u>23,586,556</u> | <u>14,546,072</u> | <u>15,296,816</u> |
| Total Liabilities | <u>24,181,861</u> | <u>24,244,192</u> | <u>14,884,869</u> | <u>15,550,272</u> |
| Deferred Inflows of Resources | | | | |
| Related to Pensions | <u>735,260</u> | <u>824,304</u> | <u>109,737</u> | <u>140,543</u> |
| Net Position | | | | |
| Net investment in capital assets | 21,648,067 | 20,736,198 | 25,637,179 | 25,761,324 |
| Restricted | 2,867,589 | 2,970,595 | 596,128 | 545,128 |
| Unrestricted (Deficit) | (<u>8,761,510</u>) | (<u>7,148,140</u>) | <u>1,115,271</u> | <u>864,493</u> |
| Total Net Position | <u>\$ 15,754,146</u> | <u>\$ 16,558,653</u> | <u>\$ 27,348,578</u> | <u>\$ 27,170,945</u> |

The City's governmental activities experienced a decrease in net position of \$804,507. The business-type activities experienced an increase in net position of \$177,633.

The following table shows the changes in net position for 2017 and 2016:

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revenue | | | | |
| Program Revenue | | | | |
| Charges for services | \$ 821,721 | \$ 829,068 | \$ 5,264,762 | \$ 5,138,094 |
| Operating grants and contributions | 973,575 | 904,154 | 519,835 | - |
| Capital grants and contributions | 702,006 | 1,177,144 | - | 241,036 |
| General Revenue | | | | |
| Property taxes | 6,678,659 | 6,983,078 | - | - |
| Franchise fees | 166,906 | 160,642 | - | - |
| Grants and contributions not restricted to specific programs | 1,808,636 | 964,079 | - | - |
| Unrestricted investment income | (13,558) | 544,403 | (14,241) | 161,925 |
| Gain on sale of assets | - | 60,631 | - | - |
| Total Revenue | <u>11,137,945</u> | <u>11,622,199</u> | <u>5,770,356</u> | <u>5,541,055</u> |
| Program Expenses | | | | |
| General government | 1,330,492 | 1,311,751 | - | - |
| Public safety | 5,780,436 | 5,377,160 | - | - |
| Public works | 4,041,945 | 4,020,314 | - | - |
| Recreation and culture | 699,145 | 582,768 | - | - |
| Interest on long-term debt | 82,037 | 105,348 | - | - |
| Water supply system | - | - | 2,168,941 | 1,971,372 |
| Wastewater | - | - | 2,755,000 | 2,422,084 |
| Golf Course | - | - | 677,179 | 686,808 |
| Total Program Expenses | <u>11,934,055</u> | <u>11,397,341</u> | <u>5,601,120</u> | <u>5,080,264</u> |
| Increase (Decrease) in net position before transfers | (796,110) | 224,858 | 169,236 | 460,791 |
| Transfers | (8,397) | (27,644) | 8,397 | 27,644 |
| Changes in Net Position | <u>\$(804,507)</u> | <u>\$ 197,214</u> | <u>\$ 177,633</u> | <u>\$ 488,435</u> |

Governmental Activities

Revenues for governmental activities totaled \$11.1 million in 2017, of which approximately \$6.7 million or 60.0% of total revenue was received from taxes, followed by grants and contributions not restricted to specific programs of \$1.8 million or 16.2% 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 \$(137,164), \$361,904, and \$(47,107), respectively.

FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund ended 2017 with a fund balance of \$7,795,075, of which \$1,223,180 was nonspendable, \$33,575 was restricted, \$927,977 was committed, and \$1,573,090 was assigned, with the remaining amount of \$4,037,253 classified as unassigned. This is an increase of \$444,718 from the prior year.

The City's other major governmental funds, the Local Street Fund and the Public Improvement Fund, ended 2017 with fund balances of \$447,613 and \$711,905, respectively. This is a decrease of \$366,028 for the Local Street Fund due to many road improvements completed in 2017 and an increase of \$300,083 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 \$758,000 or 9.3% for intergovernmental revenues coming in higher than originally anticipated. General Fund budgeted expenditures and transfers out increased by \$301,600 or 3.6%.

The General Fund revenues for the year were over budget by \$132,654 or 1.5%. The General Fund expenditures for the year were under budget by \$153,424 or 2.0%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had \$61.7 million invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2017. 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 \$2,189,536 of capital assets in governmental activities and \$648,901 in business-type activities before taking into account depreciation. Depreciation for the year was \$1,494,171 for governmental activities and \$1,607,061 for business-type activities.

The City's major additions were a building and several road projects in governmental activities and a watermain project and screen bypass channel additions 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, 2017, the City had \$14,944,244 in long-term debt, compared to \$16,007,887 at June 30, 2016. The reductions in debt are primarily 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 YEAR’S BUDGETS AND RATES

The City of Marysville, population of 9,959 per the 2010 Census (9,939 per the 2016 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 9,912 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 \$55,674 in 2010 dollars and the median house value of owner occupied units is \$143,000 in 2010 dollars.

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:

| | |
|------|--------|
| 2017 | 72.8 % |
| 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 |

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 2017-2018 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 2017-2018 year decreased by 6.6% or \$594,346 and expenditures and transfers budgeted for the 2017-2018 year in the General Fund increased by 14.8% or \$1,269,540 from the 2016-2017 actual amounts. The City Council is anticipating using \$1,398,090 of the General Fund fund balance in the 2017-2018 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.

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, 2017**

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business Type Activities | Total | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 804,643 | \$ 426,868 | \$ 1,231,511 | \$ 244,167 |
| Investments | 9,957,079 | 3,732,088 | 13,689,167 | 301,737 |
| Receivables (net of allowance) | 629,682 | 954,398 | 1,584,080 | 53,160 |
| Prepaid expenses | 189,234 | 24,414 | 213,648 | 46,915 |
| Internal balances | 1,126,413 | (1,126,413) | - | - |
| Inventory | 1,666 | 23,276 | 24,942 | - |
| Capital assets (net of accumulated depreciation) | | | | |
| Assets not being depreciated | 2,098,558 | 1,006,564 | 3,105,122 | 392,509 |
| Assets being depreciated | 21,817,514 | 36,743,521 | 58,561,035 | 1,765,465 |
| Total Assets | 36,624,789 | 41,784,716 | 78,409,505 | 2,803,953 |
| Deferred Outflows of Resources: | | | | |
| Deferred charges on refunding | 122,358 | 55,933 | 178,291 | - |
| Related to pensions | 3,924,120 | 502,535 | 4,426,655 | - |
| Total Deferred Outflows of Resources | 4,046,478 | 558,468 | 4,604,946 | - |
| Liabilities: | | | | |
| Payables and accrued liabilities | 511,854 | 260,763 | 772,617 | 84,811 |
| Accrued interest | 23,310 | 77,484 | 100,794 | - |
| Advances and deposits | - | - | - | 36,449 |
| Unearned revenue | 30,640 | 550 | 31,190 | 1,931 |
| Non-current liabilities - | | | | |
| Net OPEB obligation | 405,478 | (140,043) | 265,435 | - |
| Net pension liability | 20,435,174 | 2,517,276 | 22,952,450 | - |
| Due within one year | 263,637 | 1,000,819 | 1,264,456 | - |
| Due in more than one year | 2,511,768 | 11,168,020 | 13,679,788 | - |
| Total Liabilities | 24,181,861 | 14,884,869 | 39,066,730 | 123,191 |
| Deferred Inflows of Resources: | | | | |
| Related to pensions | 735,260 | 109,737 | 844,997 | - |
| Net Position: | | | | |
| Net investment in capital assets | 21,648,067 | 25,637,179 | 47,285,246 | 2,157,974 |
| Restricted - | | | | |
| Nonexpendable | 272,332 | - | 272,332 | - |
| Expendable | | | | |
| Cemetery | 260,906 | - | 260,906 | - |
| Streets | 1,507,333 | - | 1,507,333 | - |
| Debt service | 17 | - | 17 | - |
| Acquisition/construction of assets | 711,905 | 596,128 | 1,308,033 | - |
| Public Safety | 105,707 | - | 105,707 | - |
| Recreation and Cultural | 9,389 | - | 9,389 | - |
| Unrestricted (deficit) | (8,761,510) | 1,115,271 | (7,646,239) | 522,788 |
| Total Net Position | \$ 15,754,146 | \$ 27,348,578 | \$ 43,102,724 | \$ 2,680,762 |

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| Functions/Programs | Expenses | Program Revenues | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities: | | | | |
| General Government | \$ 1,330,492 | \$ 119,190 | \$ 6,928 | \$ 500,000 |
| Public Safety | 5,780,436 | 419,685 | 54,768 | - |
| Public Works | 4,041,945 | 179,218 | 840,715 | 202,006 |
| Recreation and Culture | 699,145 | 103,628 | 71,164 | - |
| Interest on Long Term Debt | 82,037 | - | - | - |
| Total governmental activities | <u>11,934,055</u> | <u>821,721</u> | <u>973,575</u> | <u>702,006</u> |
| Business type activities: | | | | |
| Water Supply System | 2,168,941 | 2,082,478 | - | - |
| Wastewater | 2,755,000 | 2,656,449 | 519,835 | - |
| Golf Course | 677,179 | 525,835 | - | - |
| Total business type activities | <u>5,601,120</u> | <u>5,264,762</u> | <u>519,835</u> | <u>-</u> |
| Total Primary Government | <u>\$ 17,535,175</u> | <u>\$ 6,086,483</u> | <u>\$ 1,493,410</u> | <u>\$ 702,006</u> |
| Component Units | | | | |
| Housing Commission | \$ 1,070,688 | \$ 558,579 | \$ 331,014 | \$ 278,211 |
| Local Development Finance Authority District No. 1 | - | - | - | - |
| Total Component Units | <u>\$ 1,070,688</u> | <u>\$ 558,579</u> | <u>\$ 331,014</u> | <u>\$ 278,211</u> |

General revenues:
Property taxes
Grants and contributions not
restricted to specific programs
Unrestricted investment income
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 |
| \$(704,374) | \$ - | \$(704,374) | \$ - |
| (5,305,983) | - | (5,305,983) | - |
| (2,820,006) | - | (2,820,006) | - |
| (524,353) | - | (524,353) | - |
| (82,037) | - | (82,037) | - |
| (9,436,753) | - | (9,436,753) | - |
| - | (86,463) | (86,463) | - |
| - | 421,284 | 421,284 | - |
| - | (151,344) | (151,344) | - |
| - | 183,477 | 183,477 | - |
| (9,436,753) | 183,477 | (9,253,276) | - |
| - | - | - | 97,116 |
| - | - | - | - |
| - | - | - | 97,116 |
| 6,678,659 | - | 6,678,659 | - |
| 1,975,542 | - | 1,975,542 | - |
| (13,558) | (14,241) | (27,799) | 3,132 |
| (8,397) | 8,397 | - | - |
| 8,632,246 | (5,844) | 8,626,402 | 3,132 |
| (804,507) | 177,633 | (626,874) | 100,248 |
| 16,558,653 | 27,170,945 | 43,729,598 | 2,580,514 |
| \$ 15,754,146 | \$ 27,348,578 | \$ 43,102,724 | \$ 2,680,762 |

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

| | <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> |
|---|---------------------|--|---|---|---|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 368,829 | \$ 19,387 | \$ 78,262 | \$ 276,785 | \$ 743,263 |
| Investments | 6,094,282 | 619,181 | 614,752 | 1,979,276 | 9,307,491 |
| Receivables, net of allowance - | | | | | |
| Property taxes | 13,023 | - | - | - | 13,023 |
| Interest and accounts | 122,265 | 3,373 | 641 | 85,120 | 211,399 |
| Due from other governmental units | 177,517 | 41,912 | 27,551 | 156,724 | 403,704 |
| Due from other funds | 2,881 | - | - | - | 2,881 |
| Prepaid expenditures | 92,780 | 6,057 | - | 8,285 | 107,122 |
| Advance to other funds | 1,130,400 | - | - | - | 1,130,400 |
| | <u>\$ 8,001,977</u> | <u>\$ 689,910</u> | <u>\$ 721,206</u> | <u>\$ 2,506,190</u> | <u>\$ 11,919,283</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 130,901 | \$ 240,670 | \$ 8,864 | \$ 77,465 | \$ 457,900 |
| Accrued liabilities | 27,652 | 575 | 437 | 6,714 | 35,378 |
| Due to other funds | 7,785 | - | - | - | 7,785 |
| Unearned revenue | 6,506 | - | - | 24,134 | 30,640 |
| | <u>172,844</u> | <u>241,245</u> | <u>9,301</u> | <u>108,313</u> | <u>531,703</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenues - | | | | | |
| Property taxes | 13,091 | - | - | - | 13,091 |
| Grants | 20,967 | - | - | - | 20,967 |
| Charges for services | - | 1,052 | - | 54,135 | 55,187 |
| | <u>34,058</u> | <u>1,052</u> | <u>-</u> | <u>54,135</u> | <u>89,245</u> |
| Fund Balances: | | | | | |
| Nonspendable - | | | | | |
| Prepaid expenditures | 92,780 | 6,057 | - | 8,285 | 107,122 |
| Advance to other funds | 1,130,400 | - | - | - | 1,130,400 |
| Perpetual Care | - | - | - | 272,332 | 272,332 |
| Restricted | 33,575 | 441,556 | 711,905 | 1,398,795 | 2,585,831 |
| Committed | 927,977 | - | - | 664,330 | 1,592,307 |
| Assigned | 1,573,090 | - | - | - | 1,573,090 |
| Unassigned | 4,037,253 | - | - | - | 4,037,253 |
| | <u>7,795,075</u> | <u>447,613</u> | <u>711,905</u> | <u>2,343,742</u> | <u>11,298,335</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 8,001,977</u> | <u>\$ 689,910</u> | <u>\$ 721,206</u> | <u>\$ 2,506,190</u> | <u>\$ 11,919,283</u> |

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, 2017**

| | | |
|--|----|-------------|
| Fund Balances - total governmental funds | \$ | 11,298,335 |
| <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</p> | | |
| Capital assets | | 67,447,684 |
| Accumulated depreciation | (| 44,095,074) |
| <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 | | 3,832,742 |
| Deferred inflows of resources | (| 715,306) |
| <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 | \$ | 13,091 |
| Grants | | 20,967 |
| Charges for services | | 55,187 |
| | | 89,245 |
| <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> | | |
| | | 601,474 |
| <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 | (| 2,238,657) |
| Postemployment benefits | (| 436,192) |
| Net pension liability | (| 19,977,447) |
| Accrued interest | (| 23,310) |
| | | 22,675,606) |
| <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> | | |
| | (| 151,706) |
| <p>Losses on refunding are not reported in the governmental funds, where they are capitalized and amortized from net position</p> | | |
| | | 122,358 |
| Net Position of governmental activities | \$ | 15,754,146 |

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, 2017**

| | General | Special Revenue Fund Local Street | Capital Projects Fund Public Improvement | Other Governmental Fund | Total Governmental Funds |
|---|---------------------|---|---|-------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 6,580,663 | \$ - | \$ - | \$ 97,024 | \$ 6,677,687 |
| Licenses and permits | 306,241 | - | - | - | 306,241 |
| Intergovernmental - | | | | | |
| Federal/State | 1,837,955 | 250,800 | 354,102 | 589,915 | 3,032,772 |
| Local | - | - | - | 42,613 | 42,613 |
| Charges for services | 223,055 | - | - | 211,802 | 434,857 |
| Fines and forfeits | 9,076 | - | - | - | 9,076 |
| Interest and rent | 8,225 | (3,678) | (722) | (9,583) | (5,758) |
| Other | 67,239 | 2,116 | 5,901 | 148,538 | 223,794 |
| Total Revenues | <u>9,032,454</u> | <u>249,238</u> | <u>359,281</u> | <u>1,080,309</u> | <u>10,721,282</u> |
| Expenditures: | | | | | |
| Current - | | | | | |
| General Government | 970,692 | - | - | - | 970,692 |
| Public Safety | 3,040,382 | - | - | 13,387 | 3,053,769 |
| Public Works | 1,252,842 | 1,165,266 | - | 278,620 | 2,696,728 |
| Recreation and Cultural | 297,142 | - | - | 288,612 | 585,754 |
| Other Activities | 1,667,831 | - | - | - | 1,667,831 |
| Capital outlay | 46,327 | - | 759,198 | 182,946 | 988,471 |
| Debt service - | | | | | |
| Principal | 44,090 | - | - | 180,000 | 224,090 |
| Interest | 44,277 | - | - | 36,370 | 80,647 |
| Total Expenditures | <u>7,363,583</u> | <u>1,165,266</u> | <u>759,198</u> | <u>979,935</u> | <u>10,267,982</u> |
| Revenues over (under) expenditures | <u>1,668,871</u> | <u>(916,028)</u> | <u>(399,917)</u> | <u>100,374</u> | <u>453,300</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | - | 550,000 | 700,000 | 635,286 | 1,885,286 |
| Transfers out | (1,224,153) | - | - | (621,610) | (1,845,763) |
| Total Other Financing Sources (Uses) | <u>(1,224,153)</u> | <u>550,000</u> | <u>700,000</u> | <u>13,676</u> | <u>39,523</u> |
| Net Change in Fund Balances | 444,718 | (366,028) | 300,083 | 114,050 | 492,823 |
| Fund Balances at beginning 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> |
| Fund Balances at end of year | <u>\$ 7,795,075</u> | <u>\$ 447,613</u> | <u>\$ 711,905</u> | <u>\$ 2,343,742</u> | <u>\$ 11,298,335</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, 2017**

| | | |
|---|-----|-----------------|
| Net change in fund balances - total governmental funds | \$ | 492,823 |
| <p>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.</p> | | |
| Capital outlay | | 2,124,698 |
| Depreciation expense | (| 1,379,582) |
| <p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| | (| 83,337) |
| <p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.</p> | | |
| Principal payment on bonds | | 224,090 |
| <p>Accrued interest expense on bonds and the amortization of bond premiums and deferred charges are not recorded by governmental funds, but are reported under interest and fiscal charges for the purpose of net position.</p> | | |
| Amortization of bond premium | \$ | 17,342 |
| Amortization of deferred charge on refunding | (| 18,589) |
| Increase in accrued interest | (| 143) |
| | (| 1,390) |
| <p>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.</p> | | |
| | | 22,812 |
| <p>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.</p> | | |
| Decrease in postemployment benefits payable | | 4,069 |
| Increase in net pension liability | (| 268,799) |
| Change in pension expense related to deferred items related to the pension plans | (| 1,939,891) |
| Change in net position of governmental activities | \$(| <u>804,507)</u> |

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|--|---|-------------------|------------------|-------------------|------------------------------|
| | Water Supply System | Wastewater | Golf Course | Total | Internal Service Funds |
| Assets: | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 14,510 | \$ 365,932 | \$ 46,426 | \$ 426,868 | \$ 61,380 |
| Investments | 835,450 | 2,896,638 | - | 3,732,088 | 649,588 |
| Accounts and interest receivable | 394,629 | 484,120 | 645 | 879,394 | 1,556 |
| Due from other governmental units | - | 75,004 | - | 75,004 | - |
| Due from other funds | - | 34 | 7,785 | 7,819 | 917 |
| Inventories | - | - | 23,276 | 23,276 | 1,666 |
| Prepaid expenses | 15,419 | 5,722 | 3,273 | 24,414 | 82,112 |
| Total Current Assets | <u>1,260,008</u> | <u>3,827,450</u> | <u>81,405</u> | <u>5,168,863</u> | <u>797,219</u> |
| Non-Current Assets: | | | | | |
| Property, plant, and equipment | 20,192,505 | 35,621,726 | 2,516,930 | 58,331,161 | 2,175,786 |
| Less - accumulated depreciation | (9,278,329) | (10,248,702) | (1,054,045) | (20,581,076) | (1,612,324) |
| Property, Plant, and Equipment, net | 10,914,176 | 25,373,024 | 1,462,885 | 37,750,085 | 563,462 |
| Net OPEB asset | <u>76,022</u> | <u>83,899</u> | <u>-</u> | <u>159,921</u> | <u>30,714</u> |
| Total Non-Current Assets | <u>10,990,198</u> | <u>25,456,923</u> | <u>1,462,885</u> | <u>37,910,006</u> | <u>594,176</u> |
| Total Assets | <u>12,250,206</u> | <u>29,284,373</u> | <u>1,544,290</u> | <u>43,078,869</u> | <u>1,391,395</u> |
| Deferred Outflows of Resources: | | | | | |
| Related to pension plan | 233,159 | 177,477 | 91,899 | 502,535 | 91,378 |
| Deferred charge on refunding | 43,143 | 12,790 | - | 55,933 | - |
| | <u>276,302</u> | <u>190,267</u> | <u>91,899</u> | <u>558,468</u> | <u>91,378</u> |

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

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|---|---|----------------------|---------------------|----------------------|-------------------|
| | Water | Wastewater | Golf | Total | Internal |
| | Supply System | | Course | | Service Funds |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 105,579 | \$ 102,601 | \$ 31,383 | \$ 239,563 | \$ 17,533 |
| Accrued expenses | 8,841 | 2,667 | 9,692 | 21,200 | 1,043 |
| Accrued interest | 10,039 | 67,445 | - | 77,484 | - |
| Due to other funds | - | - | 3,832 | 3,832 | - |
| Capital lease payable (current portion) | - | - | 43,872 | 43,872 | - |
| Bonds payable (current portion) | 51,620 | 905,327 | - | 956,947 | - |
| Unearned revenue | - | - | 550 | 550 | - |
| Total Current Liabilities | <u>176,079</u> | <u>1,078,040</u> | <u>89,329</u> | <u>1,343,448</u> | <u>18,576</u> |
| Long-Term Liabilities (net of current portion): | | | | | |
| Advance from other funds | 1,130,400 | - | - | 1,130,400 | - |
| Net OPEB obligation | - | - | 19,878 | 19,878 | - |
| Net pension liability | 1,167,931 | 889,008 | 460,337 | 2,517,276 | 457,727 |
| Accrued vacation and sick | - | - | - | - | 385,042 |
| Bonds payable | 1,220,605 | 9,947,415 | - | 11,168,020 | - |
| Total Long-Term Liabilities | <u>3,518,936</u> | <u>10,836,423</u> | <u>480,215</u> | <u>14,835,574</u> | <u>842,769</u> |
| Total Liabilities | <u>3,695,015</u> | <u>11,914,463</u> | <u>569,544</u> | <u>16,179,022</u> | <u>861,345</u> |
| Deferred Inflows of Resources: | | | | | |
| Related to pension plan | <u>50,914</u> | <u>38,755</u> | <u>20,068</u> | <u>109,737</u> | <u>19,954</u> |
| Net Position: | | | | | |
| Net investment in capital assets | 9,685,094 | 14,533,072 | 1,419,013 | 25,637,179 | 563,462 |
| Restricted | 6,000 | 590,128 | - | 596,128 | - |
| Unrestricted (deficit) | <u>(910,515)</u> | <u>2,398,222</u> | <u>(372,436)</u> | <u>1,115,271</u> | <u>38,012</u> |
| Total Net Position | <u>\$ 8,780,579</u> | <u>\$ 17,521,422</u> | <u>\$ 1,046,577</u> | <u>\$ 27,348,578</u> | <u>\$ 601,474</u> |

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|---|---|----------------------|---------------------|----------------------|------------------------------|
| | Water Supply System | Wastewater | Golf Course | Total | Internal Service Funds |
| Operating Revenues: | | | | | |
| Charges for services | \$ 2,049,575 | \$ 2,652,937 | \$ 359,476 | \$ 5,061,988 | \$ 958,132 |
| Rent income | - | - | 163,787 | 163,787 | 543,233 |
| Intergovernmental | - | 519,835 | - | 519,835 | - |
| Other | 32,903 | 3,512 | 2,572 | 38,987 | - |
| Total Operating Revenues | <u>2,082,478</u> | <u>3,176,284</u> | <u>525,835</u> | <u>5,784,597</u> | <u>1,501,365</u> |
| Operating Expenses: | | | | | |
| Personnel services | 958,145 | 709,883 | 392,896 | 2,060,924 | 1,153,421 |
| Supplies | 141,179 | 381,768 | 95,485 | 618,432 | 34,608 |
| Other services | 470,467 | 364,457 | 122,749 | 957,673 | 127,063 |
| Depreciation | 537,111 | 1,007,509 | 62,441 | 1,607,061 | 114,589 |
| Total Operating Expenses | <u>2,106,902</u> | <u>2,463,617</u> | <u>673,571</u> | <u>5,244,090</u> | <u>1,429,681</u> |
| Operating Income (Loss) | <u>(24,424)</u> | <u>712,667</u> | <u>(147,736)</u> | <u>540,507</u> | <u>71,684</u> |
| Non-Operating Revenues (Expenses): | | | | | |
| Gain on sale of assets | - | - | - | - | 1,753 |
| Investment income | (2,781) | (11,460) | - | (14,241) | (2,705) |
| Interest expenses | (62,039) | (291,383) | (3,608) | (357,030) | - |
| Total Non-Operating Revenues (Expenses) | <u>(64,820)</u> | <u>(302,843)</u> | <u>(3,608)</u> | <u>(371,271)</u> | <u>(952)</u> |
| Net Income (Loss) Before Transfers | <u>(89,244)</u> | <u>409,824</u> | <u>(151,344)</u> | <u>169,236</u> | <u>70,732</u> |
| Transfers: | | | | | |
| Transfers in | - | - | 104,237 | 104,237 | - |
| Transfers out | (47,920) | (47,920) | - | (95,840) | (47,920) |
| | <u>(47,920)</u> | <u>(47,920)</u> | <u>104,237</u> | <u>8,397</u> | <u>(47,920)</u> |
| Change in Net Position | <u>(137,164)</u> | <u>361,904</u> | <u>(47,107)</u> | <u>177,633</u> | <u>22,812</u> |
| Net Position at beginning 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> |
| Net Position end of year | <u>\$ 8,780,579</u> | <u>\$ 17,521,422</u> | <u>\$ 1,046,577</u> | <u>\$ 27,348,578</u> | <u>\$ 601,474</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, 2017**

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|---|---|---------------------|------------------|---------------------|------------------------------|
| | Water Supply System | Wastewater | Golf Course | Total | Internal Service Funds |
| Cash Flows From Operating Activities: | | | | | |
| Cash receipts from customers | \$ 2,053,273 | \$ 3,101,784 | \$ 526,608 | \$ 5,681,665 | \$ - |
| Cash receipts from interfund services | - | - | - | - | 1,501,223 |
| Cash payments to suppliers | (421,982) | (639,575) | (219,151) | (1,280,708) | (1,058,346) |
| Cash payments for interfund services | (116,294) | (89,407) | - | (205,701) | - |
| Cash payments to employees | (792,125) | (562,464) | (350,644) | (1,705,233) | (229,843) |
| Net Cash Provided by (Used for) | | | | | |
| Operating Activities | <u>722,872</u> | <u>1,810,338</u> | <u>(43,187)</u> | <u>2,490,023</u> | <u>213,034</u> |
| Cash Flows From Noncapital Financing Activities: | | | | | |
| Transfers from/to other funds | (47,920) | (47,920) | 104,237 | 8,397 | (47,920) |
| Due from/to other funds | (65,472) | 48 | (6,319) | (71,743) | (1,023) |
| Net Cash Provided by (Used for) Noncapital | | | | | |
| Financing Activities | <u>(113,392)</u> | <u>(47,872)</u> | <u>97,918</u> | <u>(63,346)</u> | <u>(48,943)</u> |
| Cash Flows From Capital and Related | | | | | |
| Financing Activities: | | | | | |
| Interest paid | (61,881) | (296,597) | (3,608) | (362,086) | - |
| Bond proceeds | - | 136,926 | - | 136,926 | - |
| Bond payments | (49,465) | (879,687) | - | (929,152) | - |
| Capital lease payments | - | - | (45,519) | (45,519) | - |
| Repayment of advances from other funds | (141,300) | - | - | (141,300) | - |
| Proceeds from sale of assets | - | - | - | - | 8,092 |
| Acquisition and construction of capital assets | (300,875) | (306,120) | (41,906) | (648,901) | (64,838) |
| Net Cash Used for Capital and Related | | | | | |
| Financing Activities | <u>(553,521)</u> | <u>(1,345,478)</u> | <u>(91,033)</u> | <u>(1,990,032)</u> | <u>(56,746)</u> |
| Cash Flows From Investing Activities: | | | | | |
| Net purchases of investments | (108,053) | (182,300) | - | (290,353) | (102,537) |
| Net Increase in Cash and Cash | | | | | |
| Equivalents for the year | (52,094) | 234,688 | (36,302) | 146,292 | 4,808 |
| Cash and Cash Equivalents at | | | | | |
| Beginning of Year | <u>66,604</u> | <u>131,244</u> | <u>82,728</u> | <u>280,576</u> | <u>56,572</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 14,510</u> | <u>\$ 365,932</u> | <u>\$ 46,426</u> | <u>\$ 426,868</u> | <u>\$ 61,380</u> |

Continued

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

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|--|---|---------------------|--------------------|---------------------|------------------------------|
| | Water Supply System | Wastewater | Golf Course | Total | Internal Service Funds |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | | |
| Operating income (loss) for the year | \$(24,424) | \$ 712,667 | \$(147,736) | \$ 540,507 | \$ 71,684 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities - | | | | | |
| Depreciation | 537,111 | 1,007,509 | 62,441 | 1,607,061 | 114,589 |
| Change in assets and liabilities - | | | | | |
| Receivables | (29,205) | (74,500) | 223 | (103,482) | (142) |
| Prepays and deposits | (1,437) | (803) | 36 | (2,204) | 627 |
| Inventories | - | - | (5,589) | (5,589) | (517) |
| Net OPEB asset | 709 | 782 | - | 1,491 | 286 |
| Net pension liability | 42,230 | 56,272 | (12,807) | 85,695 | (6,617) |
| Deferred outflows/inflows related to pension plan | 126,409 | 93,232 | 52,961 | 272,602 | 58,080 |
| Accounts payable/accrued expenses | 71,479 | 15,179 | 6,734 | 93,392 | (24,956) |
| Unearned revenue | - | - | 550 | 550 | - |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 722,872</u> | <u>\$ 1,810,338</u> | <u>\$(43,187)</u> | <u>\$ 2,490,023</u> | <u>\$ 213,034</u> |

Concluded

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

| | <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> |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 8,874 | \$ 4,976 | \$ 83,391 | \$ 97,241 | \$ 15,541 |
| Investments, at fair value | | | | | |
| U.S. government securities | - | 1,277,388 | 1,080,910 | 2,358,298 | - |
| Cash/money market funds | 749,851 | 1,112,201 | 344,072 | 2,206,124 | - |
| Asset backed securities | - | 644,613 | 606,257 | 1,250,870 | - |
| Corporate bonds | - | 2,016,563 | 1,833,155 | 3,849,718 | - |
| Partnerships | 1,236,719 | - | - | 1,236,719 | - |
| Mutual funds | 5,025,177 | 966,179 | 365,393 | 6,356,749 | - |
| Stocks | 5,728,028 | 9,459,907 | 9,713,633 | 24,901,568 | - |
| Total Investments | <u>12,739,775</u> | <u>15,476,851</u> | <u>13,943,420</u> | <u>42,160,046</u> | <u>-</u> |
| Receivables - | | | | | |
| Taxes | - | - | - | - | 85,124 |
| Members | 17,858 | 20,479 | - | 38,337 | - |
| Interest and dividends | 23,243 | 23,882 | 20,624 | 67,749 | - |
| | <u>41,101</u> | <u>44,361</u> | <u>20,624</u> | <u>106,086</u> | <u>85,124</u> |
| Prepayments | - | - | 89,448 | 89,448 | - |
| Total Assets | <u>12,789,750</u> | <u>15,526,188</u> | <u>14,136,883</u> | <u>42,452,821</u> | <u>\$ 100,665</u> |
| Liabilities: | | | | | |
| Accounts payable | 18,733 | 25,074 | 37,330 | 81,137 | \$ 12,963 |
| Due to other governmental units | - | - | - | - | 87,702 |
| | <u>18,733</u> | <u>25,074</u> | <u>37,330</u> | <u>81,137</u> | <u>\$ 100,665</u> |
| Net Position: | | | | | |
| Restricted for pension benefits | 12,771,017 | 15,501,114 | - | 28,272,131 | |
| Restricted for other postemployment benefits | - | - | 14,099,553 | 14,099,553 | |
| | <u>\$ 12,771,017</u> | <u>\$ 15,501,114</u> | <u>\$ 14,099,553</u> | <u>\$ 42,371,684</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, 2017**

| | <u>Employee Retirement Systems</u> | | <u>Retiree's</u> | |
|------------------------------|------------------------------------|----------------------|----------------------|----------------------|
| | <u>Police and</u> | <u>Other City</u> | <u>Health</u> | |
| | <u>Firefighters</u> | <u>Employees</u> | <u>Care</u> | <u>Total</u> |
| Additions: | | | | |
| Contributions - | | | | |
| Member contributions | \$ 151,391 | \$ 175,201 | \$ - | \$ 326,592 |
| Employer contributions | 635,516 | 480,103 | 810,015 | 1,925,634 |
| Total Contributions | <u>786,907</u> | <u>655,304</u> | <u>810,015</u> | <u>2,252,226</u> |
| Investment income - | | | | |
| Interest/dividends | 293,150 | 341,781 | 319,575 | 954,506 |
| Net appreciation | <u>759,612</u> | <u>1,081,022</u> | <u>963,747</u> | <u>2,804,381</u> |
| Total investment income | 1,052,762 | 1,422,803 | 1,283,322 | 3,758,887 |
| Less investment expenses | <u>(47,377)</u> | <u>(91,394)</u> | <u>(9,645)</u> | <u>(148,416)</u> |
| Net investment income | <u>1,005,385</u> | <u>1,331,409</u> | <u>1,273,677</u> | <u>3,610,471</u> |
| Total Additions | <u>1,792,292</u> | <u>1,986,713</u> | <u>2,083,692</u> | <u>5,862,697</u> |
| Deductions: | | | | |
| Retirement benefit payments | 1,577,427 | 1,613,209 | - | 3,190,636 |
| Health/life insurance | - | - | 1,027,323 | 1,027,323 |
| Administration | <u>28,899</u> | <u>29,079</u> | <u>69,738</u> | <u>127,716</u> |
| Total Deductions | <u>1,606,326</u> | <u>1,642,288</u> | <u>1,097,061</u> | <u>4,345,675</u> |
| Net increase in net position | 185,966 | 344,425 | 986,631 | 1,517,022 |
| Net position - | | | | |
| Beginning of year | <u>12,585,051</u> | <u>15,156,689</u> | <u>13,112,922</u> | <u>40,854,662</u> |
| End of year | <u>\$ 12,771,017</u> | <u>\$ 15,501,114</u> | <u>\$ 14,099,553</u> | <u>\$ 42,371,684</u> |

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, 2017**

| | <u>Housing Commission</u> | <u>Local Development Finance Authority District No. 1</u> | <u>Total</u> |
|--|-------------------------------|---|------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 228,510 | \$ 15,657 | \$ 244,167 |
| Investments | 301,737 | - | 301,737 |
| Receivables | 53,160 | - | 53,160 |
| Prepays and deposits | 46,915 | - | 46,915 |
| Capital assets (net of accumulated depreciation) | | | |
| Assets not being depreciated | 392,509 | - | 392,509 |
| Assets being depreciated | 1,765,465 | - | 1,765,465 |
| | <u>2,788,296</u> | <u>15,657</u> | <u>2,803,953</u> |
| Total Assets | | | |
| Liabilities: | | | |
| Payables and accrued liabilities | 84,811 | - | 84,811 |
| Unearned revenue | 1,931 | - | 1,931 |
| Advances and deposits | 36,449 | - | 36,449 |
| | <u>123,191</u> | <u>-</u> | <u>123,191</u> |
| Total Liabilities | | | |
| Net Position: | | | |
| Net investment in capital assets | 2,157,974 | - | 2,157,974 |
| Unrestricted | 507,131 | 15,657 | 522,788 |
| | <u>2,665,105</u> | <u>15,657</u> | <u>2,680,762</u> |
| Total Net Position | | | |

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 AND FIFTEEN MONTHS ENDED JUNE 30, 2017**

| Functions/Programs | Expenses | Program Revenues | | |
|--|--------------|-------------------------|--|---------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contribution |
| Housing Commission * | | | | |
| Business-type activities: | | | | |
| Low rent and capital fund program | \$ 1,070,688 | \$ 558,579 | \$ 331,014 | \$ 278,211 |
| Local Development Finance Authority | | | | |
| District No. 1 | | | | |
| Governmental activities: | | | | |
| Interest on Long Term Debt | - | - | - | - |
| Total Component Units | \$ 1,070,688 | \$ 558,579 | \$ 331,014 | \$ 278,211 |

General Revenues:

Unrestricted investment income

Change in net position

Net position at beginning of year

Net position at end of year

* Activity is for the period of April 1, 2016 through June 30, 2017.

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

| <u>Net (Expense) Revenue and Change in Net Position</u> | | |
|---|-------------------|---------------------|
| | Local | |
| Housing | Development | |
| <u>Commission</u> | Finance Authority | <u>Total</u> |
| | District No. 1 | |
| \$ 97,116 | \$ - | \$ 97,116 |
| - | - | - |
| | | 97,116 |
| <u>3,132</u> | <u>-</u> | <u>3,132</u> |
| 100,248 | - | 100,248 |
| <u>2,564,857</u> | <u>15,657</u> | <u>2,580,514</u> |
| <u>\$ 2,665,105</u> | <u>\$ 15,657</u> | <u>\$ 2,680,762</u> |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 City of Marysville Building Authority (the "Authority") at the present time is to pay off building bonds and maintain buildings. 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
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. The Marysville Housing Commission, up until this current report, operated on a March 31 year-end; therefore, the statement of activities reported the activity for fifteen (15) months (April 1, 2016 - June 30, 2017).

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
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 judgements, 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
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

Permanent Fund - is used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the perpetual care of the City's cemetery.

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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

Deposits and Investments -

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

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

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 to other funds, as reported in the fund financial statements, are reported as nonspendable in governmental funds 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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Property Tax Calendar -

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

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

| | Primary Government | Component Units |
|----------------------------|-----------------------|--------------------|
| 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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

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 Pronouncement -

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

GASB Statement No. 75, *Accounting and 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, 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 upon retirement, retirees, and their beneficiaries.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

GASB Statement No. 87, *Leases*, was issued in June 2017 and will become effective for the City's June 30, 2021 fiscal year. The objective of the statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use of an underlying asset. Under this statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

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.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level. The Michigan Department of Treasury requires the reporting of any significant overages at the legal level of budgetary control (any overages at the legal level of budgetary control greater than 10% of total expenditures and the overage itself is larger than 10%). For the fiscal year ended June 30, 2017, the City had an overage that exceeded this threshold as follows:

| <u>Fund/Function/Activity</u> | <u>Appropriations</u> | <u>Expended</u> | <u>Variance</u> |
|--|-----------------------|-----------------|-----------------|
| Drug Law Enforcement Fund - Public Safety | \$ 4,500 | \$ 13,387 | \$ 8,887 |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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>1,229,306</u> | <u>545,804</u> | <u>112,782</u> | <u>1,887,892</u> |
| Investments - | | | | |
| Cash with Brokers | - | - | 531,129 | 531,129 |
| Money Market Funds | - | - | 1,674,995 | 1,674,995 |
| Marketable CDs | 245,136 | - | - | 245,136 |
| Municipal Bonds | 6,115,526 | - | - | 6,115,526 |
| U.S. Government Securities | 7,328,505 | - | 2,358,298 | 9,686,803 |
| Asset Backed Securities | - | - | 1,250,870 | 1,250,870 |
| Stocks | - | - | 24,901,568 | 24,901,568 |
| Corporate Bond/Notes | - | - | 3,849,718 | 3,849,718 |
| Mutual Funds | - | - | 6,356,749 | 6,356,749 |
| Partnerships | - | - | 1,236,719 | 1,236,719 |
| Total Investments | <u>13,689,167</u> | <u>-</u> | <u>42,160,046</u> | <u>55,849,213</u> |
| Grand Total | <u>\$ 14,920,678</u> | <u>\$ 545,904</u> | <u>\$ 42,272,828</u> | <u>\$ 57,739,410</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>1,229,306</u> | <u>244,067</u> | <u>112,782</u> | <u>1,586,155</u> |
| Total Cash and Cash Equivalents | <u>1,231,511</u> | <u>244,167</u> | <u>112,782</u> | <u>1,588,460</u> |
| Reported as Investments - | | | | |
| Deposits with Financial Institutions | - | 301,737 | - | 301,737 |
| Cash with Brokers | - | - | 531,129 | 531,129 |
| Money Market Funds | - | - | 1,674,995 | 1,674,995 |
| Marketable CDs | 245,136 | - | - | 245,136 |
| Municipal Bonds | 6,115,526 | - | - | 6,115,526 |
| U.S. Government Securities | 7,328,505 | - | 2,358,298 | 9,686,803 |
| Asset Backed Securities | - | - | 1,250,870 | 1,250,870 |
| Stocks | - | - | 24,901,568 | 24,901,568 |
| Corporate Bond/Notes | - | - | 3,849,718 | 3,849,718 |
| Mutual Funds | - | - | 6,356,749 | 6,356,749 |
| Partnerships | - | - | 1,236,719 | 1,236,719 |
| Total Investments | <u>13,689,167</u> | <u>301,737</u> | <u>42,160,046</u> | <u>56,150,950</u> |
| Grand Total – Statements of Net Position | <u>\$ 14,920,678</u> | <u>\$ 545,904</u> | <u>\$ 42,272,828</u> | <u>\$ 57,739,410</u> |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, the book value of the City's deposits, excluding the Housing Commission, was \$1,357,745 with a corresponding bank balance of \$2,101,325, of which \$601,447 was covered by depository insurance with the remaining \$1,499,878 uninsured and uncollateralized.

The book balance and bank balance of the Housing Commission's deposits was \$530,147, 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).

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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, 2017, the credit quality ratings of City's investments in Corporate Bonds, Municipal Bonds, and Asset Backed Securities had the following Moody's ratings:

| Fair Value | Rating |
|---------------|-----------|
| \$ 1,070,132 | A1 |
| 906,821 | A2 |
| 891,634 | A3 |
| 4,117,439 | AA1 |
| 51,391 | AA2 |
| 331,095 | AA3 |
| 728,027 | AAA |
| 363,794 | BAA1 |
| 114,665 | BAA3 |
| 2,641,116 | Not Rated |
| \$ 11,216,114 | |

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
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The City has the following recurring fair value measurements as of June 30, 2017:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------|----------------------|
| Municipal Bonds | \$ - | \$ 6,115,526 | \$ - | \$ 6,115,526 |
| U.S. Governmental Securities | - | 9,686,803 | - | 9,686,803 |
| Asset-backed Securities | - | 1,250,870 | - | 1,250,870 |
| Stocks | 24,901,568 | - | - | 24,901,568 |
| Corporate Bonds/Notes | - | 3,849,718 | - | 3,849,718 |
| Mutual Funds | <u>6,356,749</u> | <u>-</u> | <u>-</u> | <u>6,356,749</u> |
| | <u>\$ 31,258,317</u> | <u>\$ 20,902,917</u> | <u>\$ -</u> | 52,161,234 |
| Cash Held with Brokers | | | | 531,129 |
| Marketable CDs | | | | 245,136 |
| Money Market Fund Measured at Amortized Cost | | | | 1,674,995 |
| Partnerships Valued at NAV | | | | <u>1,236,719</u> |
| | | | | <u>\$ 55,849,213</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, 2017.

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 Statement No. 72. The funds do not require notification of redemptions.

At year-end, the fair value, unfunded commitments, and redemption rules of the partnership investments are as follows:

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|-------------|-------------------|-----------------------------|-----------------------------|---------------------------------|
| Partnership | \$ 1,236,719 | \$ - | Anytime | (1) |

(1) Redemptions will be effective as of the last day of the quarter following the quarter during which the fund receives the notice. Redemption requests will be accommodated as liquid assets permit.

At June 30, 2017, the money market funds had the following ratings and average days to maturity:

| <u>Investment</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Rating Agency</u> | <u>Average Days to Maturity</u> |
|--|---------------------|---------------|----------------------|---------------------------------|
| JP Morgan 100% U.S. Treasury | \$ 925,144 | Aaa - mf | Moody's | 44 |
| PNC Government Money Market Fund Class I | <u>749,851</u> | AAAm | S & P | 26 |
| | <u>\$ 1,674,995</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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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, 2017, \$54,612,494 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 \$245,136 were federally insured.

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

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

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

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

As of June 30, 2017, the City had investments of 5% or more of the total investments as follows:

| | Primary Government | Fiduciary |
|---|-----------------------|-----------|
| Federal National Mortgage Association | 5.5 % | 0.8 % |
| Loomis Sayles Intermediate Duration Bond Fund | 0.0 | 5.5 |

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 | \$ 9,686,803 | \$ 1,147,735 | \$ 2,903,105 | \$ 4,015,203 | \$ 1,620,760 |
| Municipal Bonds | 6,115,526 | 1,002,460 | 5,113,066 | - | - |
| Corporate Bonds/Notes | 3,849,718 | 254,151 | 3,146,070 | 449,497 | - |
| Asset Backed Securities | 1,250,870 | - | 213,969 | 135,432 | 901,469 |
| Marketable CD's | 245,136 | 245,136 | - | - | - |
| Total Investments | \$ 21,148,053 | \$ 2,649,482 | \$11,376,210 | \$ 4,600,132 | \$ 2,522,229 |

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, 2017, the City had negotiable Certificate of Deposits in the amount of \$245,136.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - RECEIVABLES:

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

| | Governmental Activities | Business-type Activities |
|------------------------------------|----------------------------|-----------------------------|
| Property taxes | \$ 38,023 | \$ - |
| Interest and accounts | 261,275 | 879,394 |
| Due from other governmental units | 403,704 | 75,004 |
| | 703,002 | 954,398 |
| Less - allowance for uncollectible | (73,320) | - |
| | \$ 629,682 | \$ 954,398 |

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2017 was as follows:

| | July 1, 2016 Balance | Additions | Adjustments/ Deletions | June 30, 2017 Balance |
|---|-------------------------|------------|---------------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 917,470 | \$ - | \$ - | \$ 917,470 |
| Construction in progress | 64,580 | 1,260,195 | 143,687 | 1,181,088 |
| Total capital assets, not being depreciated | 982,050 | 1,260,195 | 143,687 | 2,098,558 |
| Capital assets, being depreciated: | | | | |
| Buildings | 6,099,980 | 500,000 | - | 6,599,980 |
| Building improvements | 628,710 | - | - | 628,710 |
| Land improvements | 10,053,405 | 345,693 | - | 10,399,098 |
| Machinery and equipment | 3,464,498 | 146,949 | 69,367 | 3,542,080 |
| Vehicles | 2,031,479 | 32,862 | - | 2,064,341 |
| Bikepaths | 794,584 | - | - | 794,584 |
| Sidewalks | 2,332,341 | 7,644 | - | 2,339,985 |
| Streets | 41,116,254 | 39,880 | - | 41,156,134 |
| Total capital assets being depreciated | 66,521,251 | 1,073,028 | 69,367 | 67,524,912 |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,080,879 | 107,449 | - | 3,188,328 |
| Building improvements | 558,481 | 14,076 | - | 572,557 |
| Land improvements | 2,925,474 | 277,744 | - | 3,203,218 |
| Machinery and equipment | 2,550,059 | 177,139 | 63,028 | 2,664,170 |
| Vehicles | 807,996 | 105,237 | - | 913,233 |
| Bikepaths | 332,599 | 29,130 | - | 361,729 |
| Sidewalks | 1,838,863 | 39,437 | - | 1,878,300 |
| Streets | 32,181,904 | 743,959 | - | 32,925,863 |
| Total accumulated depreciation | 44,276,255 | 1,494,171 | 63,028 | 45,707,398 |
| Total capital assets being depreciated, net | 22,244,996 | (421,143) | 6,339 | 21,817,514 |
| Governmental activities capital assets, net | \$ 23,227,046 | \$ 839,052 | \$ 150,026 | \$ 23,916,072 |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

| | July 1, 2016 <u>Balance</u> | Additions | Adjustments/ Deletions | June 30, 2017 <u>Balance</u> |
|---|--------------------------------|---------------------|---------------------------|---------------------------------|
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 99,500 | \$ - | \$ - | \$ 99,500 |
| Land improvements | 532,370 | - | - | 532,370 |
| Construction in progress | <u>-</u> | <u>374,694</u> | <u>-</u> | <u>374,694</u> |
| Total capital assets, not being depreciated | <u>631,870</u> | <u>374,694</u> | <u>-</u> | <u>1,006,564</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 33,699,498 | - | - | 33,699,498 |
| Building improvements | 774,909 | - | - | 774,909 |
| Land Improvements | 160,019 | 23,062 | - | 183,081 |
| Utility systems | 18,533,835 | - | - | 18,533,835 |
| Machinery and equipment | <u>3,882,129</u> | <u>251,145</u> | <u>-</u> | <u>4,133,274</u> |
| Total capital assets being depreciated | <u>57,050,390</u> | <u>274,207</u> | <u>-</u> | <u>57,324,597</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 8,080,186 | 1,038,169 | - | 9,118,355 |
| Building improvements | 406,250 | 25,038 | - | 431,288 |
| Land Improvements | 79,402 | 7,857 | - | 87,259 |
| Utility systems | 7,783,795 | 364,779 | - | 8,148,574 |
| Machinery and equipment | <u>2,624,382</u> | <u>171,218</u> | <u>-</u> | <u>2,795,600</u> |
| Total accumulated depreciation | <u>18,974,015</u> | <u>1,607,061</u> | <u>-</u> | <u>20,581,076</u> |
| Total capital assets being depreciated, net | <u>38,076,375</u> | <u>(1,332,854)</u> | <u>-</u> | <u>36,743,521</u> |
| Total capital assets, net | <u>\$ 38,708,245</u> | <u>\$(958,160)</u> | <u>\$ -</u> | <u>\$ 37,750,085</u> |

The business-type capital assets include \$286,626 of capitalized interest. Interest of \$357,030 was incurred in 2017 and expensed.

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

| | |
|---|---------------------|
| Governmental activities: | |
| General Government | \$ 22,223 |
| Public Safety | 219,232 |
| Public Works | 1,046,933 |
| Recreation and Cultural | <u>91,194</u> |
| Total depreciation expense-governmental activities | <u>\$ 1,379,582</u> |
| Business-type activities: | |
| Golf Course | \$ 62,441 |
| Water Supply System Fund | 537,111 |
| Wastewater Fund | <u>1,007,509</u> |
| Total depreciation expense-business-type activities | <u>\$ 1,607,061</u> |

In addition, there was depreciation of \$114,589 in the Motor Pool Fund.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Housing Commission - Activity for the Housing Commission for the fifteen (15) months ended June 30, 2017 was as follows:

| | April 1, 2016 | | | June 30, 2017 |
|---|---------------------|--------------------|------------------|---------------------|
| | <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>109,947</u> | <u>178,309</u> | - | <u>288,256</u> |
| Total capital assets, not being depreciated | <u>214,200</u> | <u>178,309</u> | - | <u>392,509</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 6,652,869 | 99,903 | - | 6,752,772 |
| Furniture and equipment | <u>286,039</u> | <u>4,142</u> | <u>22,165</u> | <u>268,016</u> |
| Total capital assets, being depreciated | 6,938,908 | 104,045 | 22,165 | 7,020,788 |
| Less accumulated depreciation | <u>4,936,878</u> | <u>340,610</u> | <u>22,165</u> | <u>5,255,323</u> |
| Total capital assets being depreciated, net | <u>2,002,030</u> | <u>(236,565)</u> | - | <u>1,765,465</u> |
| Housing Commission capital assets, net | <u>\$ 2,216,230</u> | <u>\$(58,256)</u> | <u>\$ -</u> | <u>\$ 2,157,974</u> |

Depreciation expense for the fifteen months ended June 30, 2017 was \$340,610.

NOTE 6 - PAYABLES:

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

| | <u>Governmental</u> | <u>Business-type</u> |
|--------------------------------------|---------------------|----------------------|
| | <u>Activities</u> | <u>Activities</u> |
| Accounts payable/accrued liabilities | \$ 475,433 | \$ 239,563 |
| Accrued wages and fringe benefits | <u>36,421</u> | <u>21,200</u> |
| | <u>\$ 511,854</u> | <u>\$ 260,763</u> |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:

The composition of interfund balances as of June 30, 2017 is as follows:

Due To/From Other Funds -

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------------|---------------------|------------------|
| General Fund | Golf Fund | \$ 2,881 (5) |
| Golf Fund | General Fund | 7,785 (5) |
| Employee Vacation and Sick Fund | Golf Fund | 917 (5) |
| Wastewater Fund | Golf Fund | <u>34 (5)</u> |
| | | <u>\$ 11,617</u> |

Advance To/From Other Funds -

| | | |
|--------------|--------------------------|-------------------------|
| General Fund | Water Supply System Fund | <u>\$ 1,130,400 (3)</u> |
|--------------|--------------------------|-------------------------|

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 | 350,000 (2) |
| Public Improvement Fund | General Fund | 700,000 (2) |
| Motor Vehicle Highway Fund | General Fund | 275,000 (2) |
| Park and Recreation Fund | General Fund | 78,549 (2) |
| Building Authority Debt Fund | Building Authority Capital Project Fund | 71,610 (4) |
| | Wastewater Fund | 47,920 (4) |
| | Water Supply System Fund | 47,920 (4) |
| | Motor Pool Fund | 47,920 (4) |
| Building Authority Capital Projects Fund | General Fund | 66,367 (1) |
| Golf Course Fund | General Fund | <u>104,237 (2)</u> |
| | | <u>\$ 1,989,523</u> |

- (1) To cover rent payment
- (2) Annual appropriation
- (3) Advances for construction
- (4) Rent
- (5) Amount due for reimbursement of costs

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Due Within One Year |
|--|----------------------------|-------------------|---------------------|-----------------------------|------------------------|
| Governmental Activities: | | | | | |
| Governmental Funds - | | | | | |
| 2006 General Obligation Bond | \$ 44,090 | \$ - | \$ 44,090 | \$ - | \$ - |
| 2016 General Obligation Refunding Bonds | 2,418,657 | - | 180,000 | 2,238,657 | 246,295 |
| Bond Premium | 169,048 | - | 17,342 | 151,706 | 17,342 |
| Total Governmental Funds | <u>2,631,795</u> | - | <u>241,432</u> | <u>2,390,363</u> | <u>263,637</u> |
| Internal Service Funds - | | | | | |
| Accrued Vacation and Sick | 369,508 | 15,534 | - | 385,042 | - |
| Total Governmental Activities | <u>3,001,303</u> | <u>15,534</u> | <u>241,432</u> | <u>2,775,405</u> | <u>263,637</u> |
| Business-type Activities: | | | | | |
| Enterprise Funds - | | | | | |
| Wastewater Fund - | | | | | |
| Michigan Municipal Bond | | | | | |
| Authority Wastewater Loan - Phase II 1996 | 475,000 | - | 235,000 | 240,000 | 240,000 |
| 2006 General Obligation Bond | 12,800 | - | 12,800 | - | - |
| 2016 General Obligation Refunding Bond | 349,440 | - | - | 349,440 | 13,440 |
| Wastewater System Junior | | | | | |
| State Revolving Funds - | | | | | |
| Series 5303-01 | 1,890,000 | - | 105,000 | 1,785,000 | 110,000 |
| Series 5366-01 | 7,533,074 | 136,926 | 395,000 | 7,275,000 | 405,000 |
| Clean Water Program 2003 | 1,305,000 | - | 130,000 | 1,175,000 | 135,000 |
| Bond Premium | 30,189 | - | 1,887 | 28,302 | 1,887 |
| Total Wastewater Fund | <u>11,595,503</u> | <u>136,926</u> | <u>879,687</u> | <u>10,852,742</u> | <u>905,327</u> |
| Water Fund - | | | | | |
| 2006 General Obligation Bond | 43,110 | - | 43,110 | - | - |
| 2016 General Obligation Refunding Bond | 1,176,903 | - | - | 1,176,903 | 45,265 |
| Bond Premium | 101,677 | - | 6,355 | 95,322 | 6,355 |
| Total Water Fund | <u>1,321,690</u> | - | <u>49,465</u> | <u>1,272,225</u> | <u>51,620</u> |
| Golf Fund - | | | | | |
| Capital Lease | 89,391 | - | 45,519 | 43,872 | 43,872 |
| Total Business-type Activities | <u>13,006,584</u> | <u>136,926</u> | <u>974,671</u> | <u>12,168,839</u> | <u>1,000,819</u> |
| Total Primary Government | <u>\$ 16,007,887</u> | <u>\$ 152,460</u> | <u>\$ 1,216,103</u> | <u>\$ 14,944,244</u> | <u>\$ 1,264,456</u> |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

Governmental Activities -

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 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.

\$ 2,238,657

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 \$385,042 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 a final installment of \$240,000 at October 1, 2017 plus interest of 2.25%.

\$ 240,000

The Clean Water Program Loan for the purpose of eliminating discharge into the St. Clair River in the original amount of \$2,550,000 is due in annual installments ranging from \$135,000 to \$160,000 through October 1, 2024 plus interest of 2.50%, payable semi-annually.

1,175,000

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.

1,785,000

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

2010 Bonds (Series 5366-01) in the original amount of \$15,260,000 with interest of 2.5%, of which \$6,104,000 was forgivable. Principal payments are due in annual installments of \$405,000 to \$575,000 through October 2031. \$ 7,275,000

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 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 \$95,818 at June 30, 2017. 43,872

\$ 12,045,215

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, 2017, the defeased bonds outstanding were \$2,850,000 and \$1,065,000 for the 2006 and 2005 Refunding Bonds, respectively.

The annual requirements to pay the debt outstanding at June 30, 2017 (excluding accrued compensated absences) are as follows:

| Year Ending June 30, | Governmental Activities | |
|-------------------------|-------------------------|-------------------|
| | Refunding Bonds | |
| | Principal | Interest |
| 2018 | \$ 246,295 | \$ 68,424 |
| 2019 | 261,135 | 60,813 |
| 2020 | 261,135 | 52,979 |
| 2021 | 276,135 | 44,920 |
| 2022 | 298,930 | 36,295 |
| 2023-2027 | 399,014 | 130,121 |
| 2028-2032 | 496,013 | 51,365 |
| | <u>\$ 2,238,657</u> | <u>\$ 444,917</u> |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

| Year Ending June 30, | Business-type Activities | | | | | | | |
|-------------------------|-----------------------------------|-----------------|---|---------------------|------------------|-----------------|---------------------|-------------------|
| | Municipal Bond Authority Loans | | State Revolving Fund/ Clean Water Bond | | Capital Lease | | Refunding Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 240,000 | \$ 2,700 | \$ 650,000 | \$ 247,945 | \$ 43,872 | \$ 1,160 | \$ 58,705 | \$ 51,201 |
| 2019 | - | - | 665,000 | 231,248 | - | - | 83,865 | 49,062 |
| 2020 | - | - | 680,000 | 214,436 | - | - | 83,865 | 46,546 |
| 2021 | - | - | 695,000 | 197,247 | - | - | 83,865 | 44,030 |
| 2022 | - | - | 720,000 | 179,562 | - | - | 81,069 | 41,555 |
| 2023-2027 | - | - | 3,515,000 | 625,651 | - | - | 505,986 | 165,004 |
| 2028-2032 | - | - | 3,310,000 | 203,500 | - | - | 628,988 | 65,135 |
| | <u>\$ 240,000</u> | <u>\$ 2,700</u> | <u>\$ 10,235,000</u> | <u>\$ 1,899,589</u> | <u>\$ 43,872</u> | <u>\$ 1,160</u> | <u>\$ 1,526,343</u> | <u>\$ 462,533</u> |

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

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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The membership at June 30, 2017 was comprised of 37 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, 2017:

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

Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 9.22 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 2017, the annual required contribution (actuarially determined) and actual contribution was \$480,103 (23.09% of valuation payroll).

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Net Pension Liability of the GCERS

The net pension liability of the GCERS has been measured as of June 30, 2017 and is composed of the following:

| | <u>Total Pension Liability</u> | <u>Plan's Net Position</u> | <u>Net Pension Liability</u> |
|-------------------------------------|------------------------------------|--------------------------------|----------------------------------|
| Beginning balance | \$ 25,934,712 | \$ 15,156,689 | \$ 10,778,023 |
| Service cost | 254,227 | - | 254,227 |
| Interest on total pension liability | 1,957,280 | - | 1,957,280 |
| Net investment income | - | 1,331,409 | (1,331,409) |
| Expected and actual differences | (118,166) | - | (118,166) |
| Changes in assumptions | (128,021) | - | (128,021) |
| Contributions from employer | - | 480,103 | (480,103) |
| Contributions from employees | - | 175,201 | (175,201) |
| Benefit payments | (1,613,209) | (1,613,209) | - |
| Administrative costs | - | (29,079) | 29,079 |
| Ending balance | <u>\$ 26,286,823</u> | <u>\$ 15,501,114</u> | <u>\$ 10,785,709</u> |

Plan fiduciary net position as a percentage of the total pension liability 58.97 %

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

For the year ended June 30, 2017, the City recognized pension expense of \$1,730,395 for the GCERS in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2017, 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> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 378,746 |
| Changes of assumptions | 155,084 | 91,444 |
| Net difference between projected and actual earnings on pension plan investments | <u>1,998,121</u> | <u>-</u> |
| | <u>\$ 2,153,205</u> | <u>\$ 470,190</u> |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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:

| | | | |
|------|--|----|--------------|
| 2018 | | \$ | 673,595 |
| 2019 | | | 663,315 |
| 2020 | | | 385,156 |
| 2021 | | | (39,051) |
| | | | \$ 1,683,015 |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2017. 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 2000 Combined Healthy Annuitant Mortality Table projected to 2014.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 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, 2017 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.

| 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
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|------------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability of the GCERS | \$ 13,719,031 | \$ 10,785,709 | \$ 8,305,392 |

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, 2017 was comprised of 23 active participants and 27 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, 2017:

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

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of plan investment expense, was 8.49 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 2017, the annual required contribution (actuarially determined) and actual contribution was \$635,516 (34.11% of valuation payroll).

Net Pension Liability of the POFRS

The net pension liability of the POFRS has been measured as of June 30, 2017 and is composed of the following:

| | <u>Total Pension Liability</u> | <u>Plan's Net Position</u> | <u>Net Pension Liability</u> |
|-------------------------------------|------------------------------------|--------------------------------|----------------------------------|
| Beginning balance | \$ 24,411,601 | \$ 12,585,051 | \$ 11,826,550 |
| Service cost | 324,912 | - | 324,912 |
| Interest on total pension liability | 1,843,364 | - | 1,843,364 |
| Net investment income | - | 1,005,385 | (1,005,385) |
| Expected and actual differences | (175,535) | - | (175,535) |
| Changes in assumptions | 110,843 | - | 110,843 |
| Contributions from employer | - | 635,516 | (635,516) |
| Contributions from employees | - | 151,391 | (151,391) |
| Benefit payments | (1,577,427) | (1,577,427) | - |
| Administrative costs | - | (28,899) | 28,899 |
| Ending balance | <u>\$ 24,937,758</u> | <u>\$ 12,771,017</u> | <u>\$ 12,166,741</u> |

Plan fiduciary net position as a percentage of the total pension liability 51.21%

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

For the year ended June 30, 2017, the City recognized pension expense of \$2,003,673 for the POFRS in the government-wide financial statements of the primary government. At June 30, 2017, 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 | \$ 23,486 | \$ 374,807 |
| Changes of assumptions | 365,710 | - |
| Net difference between projected and actual earnings on Plan investments | <u>1,884,254</u> | <u>-</u> |
| | <u>\$ 2,273,450</u> | <u>\$ 374,807</u> |

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

| | |
|------|---------------------|
| 2018 | \$ 904,991 |
| 2019 | 655,653 |
| 2020 | 352,734 |
| 2021 | <u>(14,735)</u> |
| | <u>\$ 1,898,643</u> |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2017. 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 2000 Combined Healthy Annuitant Mortality Table projected to 2014.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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, 2017 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 |

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|------------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability of the POFRS | \$ 14,996,767 | \$ 12,166,741 | \$ 9,782,714 |

NOTE 10 - POSTEMPLOYMENT BENEFITS:

Plan Description -

The City of Marysville, Michigan administers the City Retiree Health Plan (the "OPEB Plan"), a single-employer defined benefit other postemployment benefit (OPEB) plan that provides postemployment benefits, other than pension, for eligible retirees. Management of the OPEB Plan is provided by the City Council which consists of 7 members. The OPEB Plan does not issue a publicly available financial report as it is audited within the financial report of the City.

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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Benefits Provided -

The City provides health, dental, vision, prescription drug, and death benefits to certain full-time employees upon retirement. Union employees hired prior to July 1, 2013 are eligible for benefits for themselves, their spouse, and their eligible dependents. All union employees hired after that date are not eligible for benefits. 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.

Plan Membership -

At June 30, 2017, OPEB Plan membership consisted of 49 active members and 69 inactive members or beneficiaries receiving benefits.

Contribution and Funding Policy -

The OPEB Plan does not require any contributions, however, over the past few years, the City has contributed approximately the actuarially determined amounts. During the year ended June 30, 2017, actuarially determined and actual contributions of \$810,015 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. There are no required member contributions.

The contributions of the OPEB Plan members and the City are established and may be amended by the City Council. Most administrative costs of the OPEB Plan are paid with OPEB Plan assets.

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 calculation.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Annual OPEB Cost and Net OPEB Obligation -

The City's annual 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 | \$ 810,015 |
| Interest on net OPEB obligation | 20,762 |
| Adjustments to annual required contribution | (23,239) |
| Annual OPEB cost (expense) | 807,538 |
| Contributions made | (810,015) |
| Decrease in net OPEB obligation | (2,477) |
| Net OPEB obligation - beginning of year | 267,912 |
| Net OPEB obligation - end of year | \$ 265,435 |

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) |
|--------------------------------|--|---|---|--------------------------|---------------------------|--|
| 6/30/2013 | \$ 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 |
| 6/30/2017 | 14,099,553 | 23,945,569 | 9,846,016 | 58.9 | 3,408,007 | 289 |

Schedule of Employer Contributions

| Year Ended June 30, | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|------------------------|---------------------|---------------------------|------------------------|
| 2015 | \$ 736,058 | 100 % | \$ 265,517 |
| 2016 | 840,277 | 100 | 267,912 |
| 2017 | 807,538 | 100 | 265,435 |

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

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Actuarial Methods and Assumptions -

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the ARC the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, immediately following the Notes, presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the OPEB Plan as understood by the employer and the OPEB Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and OPEB Plan members to that point. The actuarial 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 OPEB 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.

Investment Policy -

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The long-term expected rate of return on OPEB 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 OPEB 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. The adopted asset allocation policy and the best estimates of arithmetic real rates of return for each asset class as of June 30, 2017 are as follows:

| Asset Class | Target Allocation |
|---------------|-------------------|
| Large-cap | 45 % |
| Mid-cap | 7 |
| Small-cap | 4 |
| International | 12 |
| Real Assets | 2 |
| Fixed Income | 28 |
| Cash | 2 |
| TOTAL | 100 % |

Long-term expected real rate of return is 7.50% over all assets.

Rate of Return -

For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB Plan investments, net of investment expense, as 9.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability (Unfunded Accrued Liability) of the City -

For 2017, the City reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The components of the net OPEB liability of the City are measured at June 30, 2017 and are as follows:

| | |
|--|---------------|
| Total OPEB liability | \$ 23,945,569 |
| OPEB Plan fiduciary net position | 14,099,553 |
| Net OPEB liability | \$ 9,846,016 |
| OPEB Plan fiduciary net position as a percentage of total OPEB liability | 58.88% |

Actuarial Assumptions -

The total OPEB liability was determined by an actuarial valuation at June 30, 2017. The valuation used the following assumptions included in the measurement:

Salary Increases - 4.00%

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Investment Rate of Return - 7.50%

Mortality Rates - Based on the RP 2000 Combined Healthy Annuitant Mortality Table projected to 2014

Healthcare Cost Trend Rate - 6.00% graded down to 5.00% in 0.10% increments

Projected Cash Flows – The OPEB Plan’s fiduciary net position was projected to cover projected future benefit payments of current and active members. This projection assumes the City makes the annual recommended actuarially determined contribution, as well as the other assumptions described above. Should the City not make all actuarially determined contributions, the OPEB liability would increase significantly.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate -

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.50% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability | \$ 12,921,365 | \$ 9,846,016 | \$ 7,331,841 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates -

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 6.00% graded down in 0.10% increments to 5.00% after 10 years, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower or one percentage-point higher than the current rate.

| | 1% Decrease (5.00-4.00%) | Current Discount Rate (6.00-5.00%) | 1% Increase (7.00-6.00%) |
|--------------------|-----------------------------|--|-----------------------------|
| Net OPEB liability | \$ 7,192,432 | \$ 9,846,016 | \$ 13,097,868 |

NOTE 11 - DEFERRED COMPENSATION:

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

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

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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 \$23,712, which is recorded as a current liability in the various funds.

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

| | 2017 | 2016 |
|-----------------------------------|--------------|--------------|
| Unpaid claims, beginning of year | \$ 56,004 | \$ 57,387 |
| Insured claims (including IBNR's) | 1,828,948 | 1,544,086 |
| Claims Paid | (1,861,240) | (1,545,469) |
| Unpaid claims, end of year | \$ 23,712 | \$ 56,004 |

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: | \$ 166,906 |
| Expenditures: | |
| Salaries and Wages | 53,956 |
| Benefits | 4,211 |
| Contractual Services | 36,285 |
| Supplies | 3,287 |
| Utilities | 4,004 |
| Maintenance | 315 |
| Other | 18,299 |
| | 120,357 |
| Revenues over expenditures | 46,549 |
| Over expenditure in prior years | (70,635) |
| Remaining deficit | \$(24,086) |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

Governmental Funds/Activities:

| | | |
|---|----|-------------------------|
| Cemetery - | | |
| Perpetual Care - Expendable | \$ | <u>260,906</u> |
| Streets - | | |
| Motor Vehicle Highway | | 277,638 |
| Major Street | | 778,713 |
| Local Street | | <u>441,556</u> |
| | | <u>1,497,907</u> |
| Debt Service – Building Authority | | <u>17</u> |
| Acquisition/Construction of Assets - | | |
| Public Improvement | | <u>711,905</u> |
| Public Safety - | | |
| Public Education/Bike Rodeo/Explorers | | 24,186 |
| Drug Law Enforcement | | <u>81,521</u> |
| | | <u>105,707</u> |
| Recreation and Cultural - | | |
| Beautification and Historical | | <u>9,389</u> |
| Total Restricted Fund Balance - Governmental Funds | | 2,585,831 |
| Perpetual Care - Nonexpendable | | 272,332 |
| Streets - Prepaids | | <u>9,426</u> |
| Total Restricted Net Position - Governmental Activities | \$ | <u><u>2,867,589</u></u> |

Business-type Activities:

| | | |
|--|----|-----------------------|
| Waterfront improvements | \$ | 6,000 |
| Acquisition/construction of assets | | <u>590,128</u> |
| Total Restricted Net Position - Business-type Activities | \$ | <u><u>596,128</u></u> |

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - FUND BALANCE/NET POSITION:

COMMITTED FUND BALANCE:

At June 30, 2017, City Council had committed the following fund balances:

| | |
|---------------------------------------|----------------------------|
| Industrial Development - General Fund | \$ <u>247,691</u> |
| Capital Projects - | |
| General Fund | 233,850 |
| Ambulance | 546,985 |
| Building Authority | <u>26</u> |
| | <u>780,861</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>117,319</u> |
| | <u>136,667</u> |
| Total Committed Fund Balance | \$ <u><u>1,592,307</u></u> |

ASSIGNED FUND BALANCE:

At June 30, 2017, City Council had assigned \$1,573,090 in the General Fund: \$175,000 for construction of capital assets and \$1,398,090 for the 2017-2018 budget.

NOTE 15 - TAX ABATEMENTS:

The City has received reduced property tax revenues during 2017 as a result of industrial facilities tax exemptions (IFT's). The IFT's were entered into based upon the Industrial Development Districts Act, PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements amounted to approximately \$530,000 in reduced City tax revenues in the General Fund.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE:

In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This statement enhances note disclosures and schedules of required supplementary information. The adoption of this statement has no effect on net position of the City.

NOTE 17 - SUBSEQUENT EVENT:

On August 29, 2017, the City sold property at 1515 Busha Highway for \$500,000.

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, 2017**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|--------------------|-------------------|-------------------|---|
| Revenues: | | | | |
| Taxes | \$ 6,317,000 | \$ 6,434,000 | \$ 6,580,663 | \$ 146,663 |
| Licenses and permits | 290,000 | 290,000 | 306,241 | 16,241 |
| Intergovernmental - Federal/State | 1,136,300 | 1,821,300 | 1,837,955 | 16,655 |
| Charges for services | 210,350 | 225,850 | 223,055 | (2,795) |
| Fines and forfeits | 10,000 | 10,500 | 9,076 | (1,424) |
| Interest and rents | 127,800 | 37,800 | 9,375 | (28,425) |
| Other | 51,500 | 81,500 | 67,239 | (14,261) |
| Total Revenues | <u>8,142,950</u> | <u>8,900,950</u> | <u>9,033,604</u> | <u>132,654</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General Government - | | | | |
| Legislative | 17,289 | 17,289 | 17,038 | 251 |
| Elections | 18,216 | 18,216 | 17,675 | 541 |
| City Manager | 171,882 | 171,882 | 169,319 | 2,563 |
| City Assessor/Clerk/Treasurer | 397,315 | 397,315 | 380,351 | 16,964 |
| Board of review | 1,821 | 1,821 | 1,400 | 421 |
| Community development | 27,767 | 30,767 | 86,979 | (56,212) |
| General administration | 316,110 | 376,110 | 396,353 | (20,243) |
| | <u>950,400</u> | <u>1,013,400</u> | <u>1,069,115</u> | <u>(55,715)</u> |
| Less: Reimbursement from other funds | <u>(138,907)</u> | <u>(196,243)</u> | <u>(118,341)</u> | <u>(77,902)</u> |
| Total General Government | <u>811,493</u> | <u>817,157</u> | <u>950,774</u> | <u>(133,617)</u> |
| Public Safety - | | | | |
| Fire department | 1,342,273 | 1,301,273 | 1,269,016 | 32,257 |
| Police department | 1,738,022 | 1,713,622 | 1,639,393 | 74,229 |
| Emergency management | 12,145 | 12,145 | 11,618 | 527 |
| Building inspections | 112,911 | 112,911 | 120,355 | (7,444) |
| | <u>3,205,351</u> | <u>3,139,951</u> | <u>3,040,382</u> | <u>99,569</u> |
| Public Works - | | | | |
| Department of public works | 718,258 | 688,258 | 624,648 | 63,610 |
| Street lighting | 228,550 | 253,550 | 216,177 | 37,373 |
| Cemetery | 124,407 | 124,407 | 122,770 | 1,637 |
| Dial-A-Ride | 62,000 | 62,000 | 72,754 | (10,754) |
| Sanitation | 610,000 | 610,000 | 556,616 | 53,384 |
| | <u>1,743,215</u> | <u>1,738,215</u> | <u>1,592,965</u> | <u>145,250</u> |
| Less: Reimbursement from other funds | <u>(394,566)</u> | <u>(337,230)</u> | <u>(340,123)</u> | <u>2,893</u> |
| Total Public Works | <u>1,348,649</u> | <u>1,400,985</u> | <u>1,252,842</u> | <u>148,143</u> |

Continued

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------|---------------------|---------------------|---|
| Recreational and Cultural- | | | | |
| Parks | \$ 237,528 | \$ 277,528 | \$ 264,512 | \$ 13,016 |
| Beautification committee | 16,145 | 16,145 | 14,962 | 1,183 |
| Library | 13,119 | 13,119 | 11,680 | 1,439 |
| Historical commission | 6,675 | 6,675 | 5,988 | 687 |
| | <u>273,467</u> | <u>313,467</u> | <u>297,142</u> | <u>16,325</u> |
| Other | 1,538,626 | 1,670,626 | 1,667,831 | 2,795 |
| Capital Outlay | <u>57,200</u> | <u>57,200</u> | <u>46,327</u> | <u>10,873</u> |
| Debt Service - | | | | |
| Principal | 44,090 | 44,090 | 44,090 | - |
| Interest | 43,777 | 53,613 | 44,277 | 9,336 |
| | <u>87,867</u> | <u>97,703</u> | <u>88,367</u> | <u>9,336</u> |
| Total Expenditures | <u>7,322,653</u> | <u>7,497,089</u> | <u>7,343,665</u> | <u>153,424</u> |
| Revenues over expenditures | 820,297 | 1,403,861 | 1,689,939 | 286,078 |
| Other Financing Uses: | | | | |
| Transfers Out | <u>(1,092,786)</u> | <u>(1,219,950)</u> | <u>(1,224,153)</u> | <u>(4,203)</u> |
| Net Change in Fund Balance | <u>(272,489)</u> | 183,911 | 465,786 | 281,875 |
| Fund Balance at beginning of year | <u>7,081,598</u> | <u>7,081,598</u> | <u>7,081,598</u> | - |
| Fund Balance at end of year | <u>\$ 6,809,109</u> | <u>\$ 7,265,509</u> | <u>\$ 7,547,384</u> | <u>\$ 281,875</u> |

Reconciliation of Budget-Basis to GAAP-Basis Reporting:

| | | | |
|---|--|--|-------------------|
| Net Change in General Fund | | | |
| Fund Balance - Budgetary-Basis | | | \$ 465,786 |
| Perspective difference - | | | |
| Other Budgeted Fund Net Change allocated to the General Fund for GAAP-Basis General Fund | | | |
| Industrial Development Fund | | | <u>(21,068)</u> |
| Net Change in Fund Balance - GAAP-Basis | | | <u>\$ 444,718</u> |

Concluded

CITY OF MARYSVILLE, MICHIGAN

**LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues: | | | | |
| Intergovernmental | \$ 328,000 | \$ 225,000 | \$ 250,800 | \$ 25,800 |
| Interest | 46,000 | 46,000 | (3,678) | (49,678) |
| Other | 8,000 | 8,000 | 2,116 | (5,884) |
| | <u>382,000</u> | <u>279,000</u> | <u>249,238</u> | <u>(29,762)</u> |
| Total Revenues | | | | |
| Expenditures: | | | | |
| Current - | | | | |
| Public Works- | | | | |
| Routine maintenance | 287,437 | 287,437 | 248,799 | 38,638 |
| Traffic services maintenance | 43,412 | 43,412 | 28,393 | 15,019 |
| Winter maintenance | 230,004 | 230,004 | 118,258 | 111,746 |
| Administration/engineering | 9,511 | 9,511 | 6,715 | 2,796 |
| Construction | 610,000 | 880,000 | 763,101 | 116,899 |
| | <u>1,180,364</u> | <u>1,450,364</u> | <u>1,165,266</u> | <u>285,098</u> |
| Total Expenditures | | | | |
| Revenues under expenditures | (798,364) | (1,171,364) | (916,028) | 255,336 |
| Other Financing Sources: | | | | |
| Transfers in | 550,000 | 550,000 | 550,000 | - |
| | <u>550,000</u> | <u>550,000</u> | <u>550,000</u> | <u>-</u> |
| Net Change in Fund Balance | (248,364) | (621,364) | (366,028) | 255,336 |
| Fund Balance at beginning of year | 813,641 | 813,641 | 813,641 | - |
| | <u>813,641</u> | <u>813,641</u> | <u>813,641</u> | <u>-</u> |
| Fund Balance at end of year | \$ 565,277 | \$ 192,277 | \$ 447,613 | \$ 255,336 |
| | <u>\$ 565,277</u> | <u>\$ 192,277</u> | <u>\$ 447,613</u> | <u>\$ 255,336</u> |

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

| | 2017 | 2016 | 2015 | 2014 | 2013-2008* |
|---|-------|--------|--------|--------|------------|
| Annual money-weighted rate of return, net of investment expenses | 9.22% | -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>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 254,227 | \$ 245,681 | \$ 245,629 |
| Interest | 1,957,280 | 1,952,667 | 1,857,804 |
| Differences between expected and actual experience | (118,166) | (523,380) | (595,306) |
| Change in assumptions | (128,021) | - | 1,318,205 |
| Benefit payments, including refunds | <u>(1,613,209)</u> | <u>(1,626,229)</u> | <u>(1,578,416)</u> |
| Change in total pension liability | 352,111 | 48,739 | 1,247,916 |
| Total pension liability, beginning of year | <u>25,934,712</u> | <u>25,885,973</u> | <u>24,638,057</u> |
| Total pension liability, end of year | <u><u>\$ 26,286,823</u></u> | <u><u>\$ 25,934,712</u></u> | <u><u>\$ 25,885,973</u></u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 480,103 | \$ 436,383 | \$ 460,017 |
| Contributions - Member | 175,201 | 168,132 | 160,854 |
| Net investment income | 1,331,409 | (1,003,759) | (527,782) |
| Benefit payments, including refunds | (1,613,209) | (1,626,229) | (1,578,416) |
| Administrative expenses | (29,079) | (18,980) | (15,535) |
| Other | <u>-</u> | <u>(9,504)</u> | <u>(6,871)</u> |
| Net change in plan fiduciary net position | 344,425 | (2,053,957) | (1,507,733) |
| Plan fiduciary net position, beginning of year | <u>15,156,689</u> | <u>17,210,646</u> | <u>18,718,379</u> |
| Plan fiduciary net position, end of year | <u><u>\$ 15,501,114</u></u> | <u><u>\$ 15,156,689</u></u> | <u><u>\$ 17,210,646</u></u> |
| City's Net Pension Liability - Ending | <u><u>\$ 10,785,709</u></u> | <u><u>\$ 10,778,023</u></u> | <u><u>\$ 8,675,327</u></u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 58.97% | 58.44% | 66.49% |
| Covered Employee Payroll | \$ 2,201,882 | \$ 2,079,266 | \$ 2,100,013 |
| City's Net Pension Liability as a Percentage of Covered Employee Payroll | 489.8% | 518.4% | 413.1% |

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

| <u>2014</u> | <u>2013*</u> | <u>2012-2008*</u> |
|-----------------------------|-----------------------------|--------------------|
| \$ 217,247 | \$ - | \$ - |
| 1,846,179 | - | - |
| (333,882) | - | - |
| - | - | - |
| <u>(1,609,048)</u> | <u>-</u> | <u>-</u> |
| 120,496 | - | - |
| <u>24,517,561</u> | <u>-</u> | <u>-</u> |
| <u><u>\$ 24,638,057</u></u> | <u><u>\$ 24,517,561</u></u> | <u><u>\$ -</u></u> |
| | | |
| \$ 402,234 | \$ - | \$ - |
| 169,379 | - | - |
| 2,472,730 | - | - |
| (1,609,048) | - | - |
| (17,149) | - | - |
| <u>(6,316)</u> | <u>-</u> | <u>-</u> |
| 1,411,830 | - | - |
| <u>17,306,549</u> | <u>-</u> | <u>-</u> |
| <u><u>\$ 18,718,379</u></u> | <u><u>\$ 17,306,549</u></u> | <u><u>\$ -</u></u> |
| | | |
| <u><u>\$ 5,919,678</u></u> | <u><u>\$ 7,211,012</u></u> | <u><u>\$ -</u></u> |
| | | |
| 75.97% | 70.59% | 0.00% |
| | | |
| \$ 1,962,528 | \$ 1,828,337 | |
| | | |
| 301.6% | 394.4% | 0.00% |

CITY OF MARYSVILLE, MICHIGAN

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contributions | \$ 480,103 | \$ 436,383 | \$ 460,017 | \$ 402,234 | \$ 373,304 |
| Contributions in relation to the actuarially determined contribution | <u>480,103</u> | <u>436,383</u> | <u>460,017</u> | <u>402,234</u> | <u>373,304</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 2,201,882 | \$ 2,079,266 | \$ 2,100,013 | \$ 1,828,337 | \$ 1,864,481 |
| Contributions as a Percentage of Covered Employee Payroll | 21.80% | 20.99% | 21.91% | 22.00% | 20.02% |

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 | 27 years |
| Asset valuation method | 4-year smoothed market value |
| Inflation | 4.00% |
| Salary increases | 4.00%, including inflation |
| Investment rate of return | 7.50% for 2017, 7.75% for 2014-2016, and 8.0% for previous years |
| Retirement age | Earliest age participant becomes eligible for normal retirement |
| Mortality | RP 2000 projected to 2014 beginning with the 2017 valuation, RP2000 Combined Healthy Mortality Table for previous years |

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|----------------|----------------|----------------|----------------|----------------|
| \$ 425,214 | \$ 407,469 | \$ 497,771 | \$ 443,123 | \$ 340,030 |
| <u>425,214</u> | <u>407,469</u> | <u>497,771</u> | <u>443,123</u> | <u>340,030</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,906,790 | \$ 2,132,230 | \$ 2,284,401 | \$ 2,242,526 | \$ 2,118,567 |
| 22.30% | 19.11% | 21.79% | 19.76% | 16.05% |

CITY OF MARYSVILLE, MICHIGAN

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013-2008*</u> |
|---|-------------|-------------|-------------|-------------|-------------------|
| Annual money-weighted rate of return, net of investment expenses | 8.49% | -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>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 324,912 | \$ 303,047 | \$ 300,240 |
| Interest | 1,843,364 | 1,832,666 | 1,708,579 |
| Differences between expected and actual experience | (175,535) | (450,690) | 87,539 |
| Changes in assumptions | 110,843 | - | 1,048,328 |
| Benefit payments, including refunds | <u>(1,577,427)</u> | <u>(1,538,400)</u> | <u>(1,551,525)</u> |
| Change in total pension liability | 526,157 | 146,623 | 1,593,161 |
| Total pension liability, beginning of year | <u>24,411,601</u> | <u>24,264,978</u> | <u>22,671,817</u> |
| Total pension liability, end of year | <u>\$ 24,937,758</u> | <u>\$ 24,411,601</u> | <u>\$ 24,264,978</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 635,516 | \$ 575,476 | \$ 583,248 |
| Contributions - Member | 151,391 | 148,911 | 143,863 |
| Net investment income | 1,005,385 | (972,913) | (551,584) |
| Benefit payments, including refunds | (1,577,427) | (1,538,400) | (1,551,525) |
| Administrative expenses | (28,899) | (17,555) | (15,320) |
| Other | <u>-</u> | <u>(7,943)</u> | <u>(6,431)</u> |
| Net change in plan fiduciary net position | 185,966 | (1,812,424) | (1,397,749) |
| Plan fiduciary net position, beginning of year | <u>12,585,051</u> | <u>14,397,475</u> | <u>15,795,224</u> |
| Plan fiduciary net position, end of year | <u>\$ 12,771,017</u> | <u>\$ 12,585,051</u> | <u>\$ 14,397,475</u> |
| City's Net Pension Liability - Ending | <u>\$ 12,166,741</u> | <u>\$ 11,826,550</u> | <u>\$ 9,867,503</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 51.21% | 51.55% | 59.33% |
| Covered Employee Payroll | \$ 1,871,942 | \$ 1,863,138 | \$ 1,775,066 |
| City's Net Pension Liability as a Percentage of Covered Employee Payroll | 650.0% | 634.8% | 555.9% |

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

| <u>2014</u> | <u>2013*</u> | <u>2012-2008*</u> |
|----------------------|----------------------|-------------------|
| \$ 304,469 | \$ - | \$ - |
| 1,684,480 | - | - |
| (185,876) | - | - |
| - | - | - |
| <u>(1,428,491)</u> | <u>-</u> | <u>-</u> |
| 374,582 | - | - |
| <u>22,297,235</u> | <u>-</u> | <u>-</u> |
| <u>\$ 22,671,817</u> | <u>\$ 22,297,235</u> | <u>\$ -</u> |
| | | |
| \$ 544,898 | \$ - | \$ - |
| 162,383 | - | - |
| 2,128,427 | - | - |
| (1,428,491) | - | - |
| (17,670) | - | - |
| <u>(5,900)</u> | <u>-</u> | <u>-</u> |
| 1,383,647 | - | - |
| <u>14,411,577</u> | <u>-</u> | <u>-</u> |
| <u>\$ 15,795,224</u> | <u>\$ 14,411,577</u> | <u>\$ -</u> |
| | | |
| <u>\$ 6,876,593</u> | <u>\$ 7,885,658</u> | <u>\$ -</u> |
| | | |
| 69.67% | 64.63% | 0.00% |
| \$ 1,766,882 | \$ 1,918,654 | \$ - |
| | | |
| 389.2% | 411.0% | 0.0% |

CITY OF MARYSVILLE, MICHIGAN

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contributions | \$ 635,516 | \$ 575,476 | \$ 583,248 | \$ 544,898 | \$ 571,900 |
| Contributions in relation to the actuarially determined contribution | <u>635,516</u> | <u>575,476</u> | <u>583,248</u> | <u>544,898</u> | <u>571,900</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 1,871,942 | \$ 1,863,138 | \$ 1,775,066 | \$ 1,766,882 | \$ 1,918,654 |
| Contributions as a Percentage of Covered Employee Payroll | 33.95% | 30.89% | 32.86% | 30.84% | 29.81% |

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 | 27 years |
| Asset valuation method | 4-year smoothed market value |
| Inflation | 4.00% |
| Salary increases | 4.00%, including inflation |
| Investment rate of return | 7.50% for 2017, 7.75% for 2014-2016, 8.0% for previous years |
| Retirement age | Earliest age participant becomes eligible for normal retirement |
| Mortality | RP 2000 projected to 2014 in 2017 RP 2000 Combined Healthy Mortality Table in 2015-2016 RP 2000 Healthy Annuitant Mortality for previous years |

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|----------------|----------------|----------------|----------------|----------------|
| \$ 524,243 | \$ 585,213 | \$ 580,811 | \$ 491,172 | \$ 468,500 |
| <u>524,243</u> | <u>585,213</u> | <u>580,811</u> | <u>491,172</u> | <u>468,500</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,908,243 | \$ 1,876,414 | \$ 1,823,285 | \$ 1,882,693 | \$ 1,817,138 |
| 27.47% | 31.19% | 31.86% | 26.09% | 25.78% |

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% |
| 06/30/17 | 14,099,553 | 23,945,569 | 9,846,016 | 58.88% | 3,408,007 | 288.91% |

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% |
| 2017 | 810,015 | 100.00% |

CITY OF MARYSVILLE, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS**

| | <u>2017</u> | <u>2016-2008*</u> |
|---|-------------|-------------------|
| Annual money-weighted rate of return, net of investment expenses | 9.49% | 0.00% |

* GASB 74 was implemented for fiscal year ended June 30, 2017 and does not require retroactive implementation.

CITY OF MARYSVILLE, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

| | <u>2017</u> | <u>2016-2008*</u> |
|--|-----------------------------|--------------------|
| Total OPEB Liability | | |
| Service Cost | \$ 313,221 | \$ - |
| Interest | 1,688,589 | - |
| Differences between expected and actual experience | 99,513 | - |
| Benefit payments, including refunds | <u>(1,027,324)</u> | <u>-</u> |
| Change in total OPEB liability | 1,073,999 | - |
| Total OPEB liability, beginning of year | <u>22,871,570</u> | <u>-</u> |
| Total OPEB liability, end of year | <u><u>\$ 23,945,569</u></u> | <u><u>\$ -</u></u> |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | \$ 810,015 | \$ - |
| Net investment income | 1,273,677 | - |
| Benefit payments, including refunds | <u>(1,027,323)</u> | <u>-</u> |
| Administrative expenses | <u>(69,738)</u> | <u>-</u> |
| Net change in plan fiduciary net position | 986,631 | - |
| Plan fiduciary net position, beginning of year | <u>13,112,922</u> | <u>-</u> |
| Plan fiduciary net position, end of year | <u><u>\$ 14,099,553</u></u> | <u><u>\$ -</u></u> |
| City's Net OPEB Liability - Ending | <u><u>\$ 9,846,016</u></u> | <u><u>\$ -</u></u> |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 58.88% | 0.00% |
| Covered Employee Payroll | \$ 3,408,007 | \$ - |
| City's Net OPEB Liability as a Percentage of Covered Employee Payroll | 288.9% | 0.0% |

* GASB 74 was implemented for fiscal year ended June 30, 2017 and does not require retroactive implementation.

CITY OF MARYSVILLE, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

| | <u>2017</u> | <u>2016-2008*</u> |
|---|----------------|-------------------|
| Actuarially determined contributions | \$ 810,015 | \$ - |
| Contributions in relation to the actuarially determined contribution | <u>810,015</u> | <u>-</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 3,408,007 | \$ - |
| Contributions as a Percentage of Covered Employee Payroll | 23.77% | - % |

Valuation Date June 30 of the previous odd-year fiscal year end

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Individual Entry Age |
| Amortization method | Level percent of payroll, open |
| Remaining amortization period | 30 years |
| Asset valuation method | Actual |
| Medical Inflation rate | 8.00%, graded down to 4.00% in 0.50% increments over 8 years |
| Salary increases | 4.00% |
| Investment rate of return | 7.75% |
| Retirement age | Earliest age participant becomes eligible for normal retirement |
| Mortality | RP 2014 Healthy Annuitant Mortality Table |

* GASB 74 was implemented for fiscal year ended June 30, 2017 and does not require retroactive implementation.

SUPPLEMENTARY INFORMATION

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2017**

| | General Fund (Budgetary - Basis) | Industrial Development | General Fund (GAAP-Basis) |
|---|--|---------------------------|------------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 365,574 | \$ 3,255 | \$ 368,829 |
| Investments | 5,850,579 | 243,703 | 6,094,282 |
| Receivables, net of allowance - | | | |
| Property taxes | 13,023 | - | 13,023 |
| Accounts and interest | 121,532 | 733 | 122,265 |
| Due from other governmental units | 177,517 | - | 177,517 |
| Due from other funds | 2,881 | - | 2,881 |
| Advance to other funds | 1,130,400 | - | 1,130,400 |
| Prepaid expenditures | 92,780 | - | 92,780 |
| | <u>7,754,286</u> | <u>247,691</u> | <u>8,001,977</u> |
| Total Assets | \$ 7,754,286 | \$ 247,691 | \$ 8,001,977 |
| Liabilities: | | | |
| Accounts payable | \$ 130,901 | \$ - | \$ 130,901 |
| Accrued liabilities | 27,652 | - | 27,652 |
| Due to other funds | 7,785 | - | 7,785 |
| Unearned revenue | 6,506 | - | 6,506 |
| | <u>172,844</u> | <u>-</u> | <u>172,844</u> |
| Total Liabilities | 172,844 | - | 172,844 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenues - | | | |
| Property taxes | 13,091 | - | 13,091 |
| Other | 20,967 | - | 20,967 |
| | <u>34,058</u> | <u>-</u> | <u>34,058</u> |
| Total Deferred Inflows of Resources | 34,058 | - | 34,058 |
| Fund Balance: | | | |
| Nonspendable - | | | |
| Prepaid expenditures | 92,780 | - | 92,780 |
| Advance to other funds | 1,130,400 | - | 1,130,400 |
| Restricted | 33,575 | - | 33,575 |
| Committed | 680,286 | 247,691 | 927,977 |
| Assigned | 1,573,090 | - | 1,573,090 |
| Unassigned | 4,037,253 | - | 4,037,253 |
| | <u>7,547,384</u> | <u>247,691</u> | <u>7,795,075</u> |
| Total Fund Balance | 7,547,384 | 247,691 | 7,795,075 |
| | | | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 7,754,286 | \$ 247,691 | \$ 8,001,977 |

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

| | General Fund (Budgetary - Basis) | Industrial Development | General Fund (GAAP - Basis) |
|------------------------------------|--|---------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | \$ 6,580,663 | \$ - | \$ 6,580,663 |
| Licenses and permits | 306,241 | - | 306,241 |
| Intergovernmental - Federal/State | 1,837,955 | - | 1,837,955 |
| Charges for services | 223,055 | - | 223,055 |
| Fines and forfeits | 9,076 | - | 9,076 |
| Interest and rents | 9,375 | (1,150) | 8,225 |
| Other | 67,239 | - | 67,239 |
| Total Revenues | <u>9,033,604</u> | <u>(1,150)</u> | <u>9,032,454</u> |
| Expenditures: | | | |
| Current - | | | |
| General Government | 950,774 | 19,918 | 970,692 |
| Public Safety | 3,040,382 | - | 3,040,382 |
| Public Works | 1,252,842 | - | 1,252,842 |
| Recreation and Cultural | 297,142 | - | 297,142 |
| Other | 1,667,831 | - | 1,667,831 |
| Capital outlay | 46,327 | - | 46,327 |
| Debt Service - | | | |
| Principal | 44,090 | - | 44,090 |
| Interest | 44,277 | - | 44,277 |
| Total Expenditures | <u>7,343,665</u> | <u>19,918</u> | <u>7,363,583</u> |
| Revenues over (under) expenditures | 1,689,939 | (21,068) | 1,668,871 |
| Other Financing Uses: | | | |
| Transfers out | <u>(1,224,153)</u> | <u>-</u> | <u>(1,224,153)</u> |
| Net Change in Fund Balances | 465,786 | (21,068) | 444,718 |
| Fund Balance at beginning of year | <u>7,081,598</u> | <u>268,759</u> | <u>7,350,357</u> |
| Fund Balance at end of year | <u>\$ 7,547,384</u> | <u>\$ 247,691</u> | <u>\$ 7,795,075</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, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|----------------------------|--------------------------|--------------------------|---|
| Revenues: | | | | |
| Interest | \$ 9,000 | \$ - | \$(1,150) | \$(1,150) |
| Expenditures: | | | | |
| Current - | | | | |
| General Government - | | | | |
| Professional fees | <u>20,000</u> | <u>21,000</u> | <u>19,918</u> | <u>1,082</u> |
| Net Change in Fund Balance | (11,000) | (21,000) | (21,068) | (68) |
| Fund Balance at beginning of year | <u>268,759</u> | <u>268,759</u> | <u>268,759</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 257,759</u></u> | <u><u>\$ 247,759</u></u> | <u><u>\$ 247,691</u></u> | <u><u>\$(68)</u></u> |

CITY OF MARYSVILLE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

| | Special Revenue Funds | | | | Debt Service Fund |
|---|-----------------------|----------------------|----------------------|-------------------|--------------------|
| | Major Street | Drug Law Enforcement | Parks and Recreation | Ambulance | Building Authority |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 77,468 | \$ 2,617 | \$ 10,722 | \$ 153,416 | \$ 17 |
| Investments | 594,818 | 78,249 | 102,864 | 368,977 | - |
| Accounts and interest receivable, net | 9,062 | 1,032 | 594 | 71,912 | - |
| Due from other governmental units | 114,112 | - | 42,612 | - | - |
| Prepaid expenditures | 3,369 | - | 4,916 | - | - |
| Total Assets | \$ 798,829 | \$ 81,898 | \$ 161,708 | \$ 594,305 | \$ 17 |
| Liabilities: | | | | | |
| Accounts payable | \$ 9,068 | \$ 377 | \$ 9,489 | \$ - | \$ - |
| Accrued liabilities | 864 | - | 5,850 | - | - |
| Unearned revenue | - | - | 24,134 | - | - |
| Total Liabilities | 9,932 | 377 | 39,473 | - | - |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenues - charges for services | 6,815 | - | - | 47,320 | - |
| Fund Balance: | | | | | |
| Nonspendable - | | | | | |
| Prepaid expenditures | 3,369 | - | 4,916 | - | - |
| Perpetual Care | - | - | - | - | - |
| Restricted | 778,713 | 81,521 | - | - | 17 |
| Committed | - | - | 117,319 | 546,985 | - |
| Total Fund Balance | 782,082 | 81,521 | 122,235 | 546,985 | 17 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 798,829 | \$ 81,898 | \$ 161,708 | \$ 594,305 | \$ 17 |

| Capital Projects Funds | | Permanent Fund | |
|------------------------|--------------------|-------------------------|---------------------|
| Motor Vehicle Highway | Building Authority | Cemetery Perpetual Care | Total |
| \$ 13,339 | \$ 16 | \$ 19,190 | \$ 276,785 |
| 321,653 | - | 512,715 | 1,979,276 |
| 1,177 | 10 | 1,333 | 85,120 |
| - | - | - | 156,724 |
| - | - | - | 8,285 |
| <u>\$ 336,169</u> | <u>\$ 26</u> | <u>\$ 533,238</u> | <u>\$ 2,506,190</u> |
| | | | |
| \$ 58,531 | \$ - | \$ - | \$ 77,465 |
| - | - | - | 6,714 |
| - | - | - | 24,134 |
| <u>58,531</u> | <u>-</u> | <u>-</u> | <u>108,313</u> |
| | | | |
| - | - | - | 54,135 |
| | | | |
| - | - | - | 8,285 |
| - | - | 272,332 | 272,332 |
| 277,638 | - | 260,906 | 1,398,795 |
| - | 26 | - | 664,330 |
| <u>277,638</u> | <u>26</u> | <u>533,238</u> | <u>2,343,742</u> |
| | | | |
| <u>\$ 336,169</u> | <u>\$ 26</u> | <u>\$ 533,238</u> | <u>\$ 2,506,190</u> |

CITY OF MARYSVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

| | Special Revenue Funds | | | | Debt Service Fund |
|--|-----------------------|----------------------|----------------------|-------------------|--------------------|
| | Major Street | Drug Law Enforcement | Parks and Recreation | Ambulance | Building Authority |
| Revenues: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental - | | | | | |
| Federal/State | 589,915 | - | - | - | - |
| Local | - | - | 42,613 | - | - |
| Charges for services | - | - | - | 211,802 | - |
| Interest and rent | (2,692) | (93) | (977) | (1,056) | - |
| Other | 11,294 | 33,475 | 103,769 | - | - |
| Total Revenues | <u>598,517</u> | <u>33,382</u> | <u>145,405</u> | <u>210,746</u> | <u>-</u> |
| Expenditures: | | | | | |
| Current - | | | | | |
| Public Safety | - | 13,387 | - | - | - |
| Public Works | 278,620 | - | - | - | - |
| Recreation and Culture | - | - | 288,612 | - | - |
| Capital outlay | - | - | - | - | - |
| Debit service - | | | | | |
| Principal | - | - | - | - | 180,000 |
| Interest and charges | - | - | - | - | 36,370 |
| Total Expenditures | <u>278,620</u> | <u>13,387</u> | <u>288,612</u> | <u>-</u> | <u>216,370</u> |
| Revenues over (under) expenditures | <u>319,897</u> | <u>19,995</u> | <u>(143,207)</u> | <u>210,746</u> | <u>(216,370)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | - | - | 78,549 | - | 215,370 |
| Transfers out | (200,000) | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>(200,000)</u> | <u>-</u> | <u>78,549</u> | <u>-</u> | <u>215,370</u> |
| Net Change in Fund Balances | 119,897 | 19,995 | (64,658) | 210,746 | (1,000) |
| Fund Balances at beginning of year | <u>662,185</u> | <u>61,526</u> | <u>186,893</u> | <u>336,239</u> | <u>1,017</u> |
| Fund Balances at end of year | <u>\$ 782,082</u> | <u>\$ 81,521</u> | <u>\$ 122,235</u> | <u>\$ 546,985</u> | <u>\$ 17</u> |

| <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> |
| 97,024 | \$ - | \$ - | \$ 97,024 |
| - | - | - | 589,915 |
| - | - | - | 42,613 |
| - | - | - | 211,802 |
| (2,552) | (121) | (2,092) | (9,583) |
| - | - | - | 148,538 |
| <u>94,472</u> | <u>(121)</u> | <u>(2,092)</u> | <u>1,080,309</u> |
| - | - | - | 13,387 |
| - | - | - | 278,620 |
| - | - | - | 288,612 |
| 182,946 | - | - | 182,946 |
| - | - | - | 180,000 |
| - | - | - | 36,370 |
| <u>182,946</u> | <u>-</u> | <u>-</u> | <u>979,935</u> |
| <u>(88,474)</u> | <u>(121)</u> | <u>(2,092)</u> | <u>100,374</u> |
| 275,000 | 66,367 | - | 635,286 |
| (350,000) | (71,610) | - | (621,610) |
| <u>(75,000)</u> | <u>(5,243)</u> | <u>-</u> | <u>13,676</u> |
| (163,474) | (5,364) | (2,092) | 114,050 |
| <u>441,112</u> | <u>5,390</u> | <u>535,330</u> | <u>2,229,692</u> |
| <u>\$ 277,638</u> | <u>\$ 26</u> | <u>\$ 533,238</u> | <u>\$ 2,343,742</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, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues: | | | | |
| Intergovernmental | \$ 550,000 | \$ 550,000 | \$ 589,915 | \$ 39,915 |
| Interest | 30,000 | 30,000 | (2,692) | (32,692) |
| Other | 12,000 | 12,000 | 11,294 | (706) |
| | <u>592,000</u> | <u>592,000</u> | <u>598,517</u> | <u>6,517</u> |
| Total Revenues | | | | |
| Expenditures: | | | | |
| Current - | | | | |
| Public Works- | | | | |
| Routine maintenance | 160,763 | 160,763 | 130,894 | 29,869 |
| Traffic services maintenance | 20,662 | 20,662 | 18,709 | 1,953 |
| Winter maintenance | 132,832 | 132,832 | 68,725 | 64,107 |
| Administration/engineering | 9,510 | 9,510 | 6,714 | 2,796 |
| Construction | 13,254 | 153,254 | 53,578 | 99,676 |
| | <u>337,021</u> | <u>477,021</u> | <u>278,620</u> | <u>198,401</u> |
| Total Expenditures | | | | |
| Revenues over expenditures | 254,979 | 114,979 | 319,897 | 204,918 |
| Other Financing Uses: | | | | |
| Transfers out | <u>(200,000)</u> | <u>(200,000)</u> | <u>(200,000)</u> | <u>-</u> |
| Net Change in Fund Balance | 54,979 | (85,021) | 119,897 | 204,918 |
| Fund Balance at beginning of year | <u>662,185</u> | <u>662,185</u> | <u>662,185</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 717,164</u> | <u>\$ 577,164</u> | <u>\$ 782,082</u> | <u>\$ 204,918</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, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|-----------------------------------|----------------------------|-------------------------|-------------------------|---|
| Revenues: | | | | |
| Intergovernmental | \$ 1,000 | \$ 1,000 | \$ - | \$(1,000) |
| Interest | 350 | 350 | (93) | (443) |
| Other | <u>5,000</u> | <u>5,000</u> | <u>33,475</u> | <u>28,475</u> |
| Total Revenues | 6,350 | 6,350 | 33,382 | 27,032 |
| Expenditures: | | | | |
| Current - | | | | |
| Public Safety- | | | | |
| Supplies | <u>4,500</u> | <u>4,500</u> | <u>13,387</u> | <u>(8,887)</u> |
| Net Change in Fund Balance | 1,850 | 1,850 | 19,995 | 18,145 |
| Fund Balance at beginning of year | <u>61,526</u> | <u>61,526</u> | <u>61,526</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 63,376</u></u> | <u><u>\$ 63,376</u></u> | <u><u>\$ 81,521</u></u> | <u><u>\$ 18,145</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, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|----------------------------|--------------------------|--------------------------|---|
| Revenues: | | | | |
| Intergovernmental - Local | \$ 43,000 | \$ 49,000 | \$ 42,613 | \$(6,387) |
| Interest | 6,000 | 6,000 | (977) | (6,977) |
| Other | <u>146,700</u> | <u>140,700</u> | <u>103,769</u> | <u>(36,931)</u> |
| Total Revenues | 195,700 | 195,700 | 145,405 | (50,295) |
| Expenditures: | | | | |
| Current - | | | | |
| Recreation and culture- | <u>304,249</u> | <u>354,249</u> | <u>288,612</u> | <u>65,637</u> |
| Revenues under expenditures | (108,549) | (158,549) | (143,207) | 15,342 |
| Other Financing Sources: | | | | |
| Transfers in | <u>28,549</u> | <u>78,549</u> | <u>78,549</u> | <u>-</u> |
| Net Change in Fund Balance | (80,000) | (80,000) | (64,658) | 15,342 |
| Fund Balance at beginning of year | <u>186,893</u> | <u>186,893</u> | <u>186,893</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 106,893</u></u> | <u><u>\$ 106,893</u></u> | <u><u>\$ 122,235</u></u> | <u><u>\$ 15,342</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, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|----------------------------|--------------------------|--------------------------|---|
| Revenues: | | | | |
| Charges for services | \$ 250,000 | \$ 248,000 | \$ 211,802 | \$(36,198) |
| Interest | <u>10,000</u> | <u>10,000</u> | <u>(1,056)</u> | <u>(11,056)</u> |
| Total Revenues | 260,000 | 258,000 | 210,746 | (47,254) |
| Expenditures: | | | | |
| Capital Outlay | <u>27,000</u> | <u>25,000</u> | <u>-</u> | <u>25,000</u> |
| Net Change in Fund Balance | 233,000 | 233,000 | 210,746 | (22,254) |
| Fund Balance at beginning of year | <u>336,239</u> | <u>336,239</u> | <u>336,239</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 569,239</u></u> | <u><u>\$ 569,239</u></u> | <u><u>\$ 546,985</u></u> | <u><u>\$(22,254)</u></u> |

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

| | Equipment Rental | Healthcare | Employee Vacation and Sick | Total |
|---|---------------------|-------------------|----------------------------------|---------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 21,296 | \$ 2,238 | \$ 37,846 | \$ 61,380 |
| Investments | 117,114 | 187,148 | 345,326 | 649,588 |
| Accounts and interest receivable | 320 | 283 | 953 | 1,556 |
| Due from other funds | - | - | 917 | 917 |
| Inventories | 1,666 | - | - | 1,666 |
| Prepaid expenses | 5,992 | 76,120 | - | 82,112 |
| | <u>146,388</u> | <u>265,789</u> | <u>385,042</u> | <u>797,219</u> |
| Non-Current Assets: | | | | |
| Property, plant and equipment | 2,175,786 | - | - | 2,175,786 |
| Less - accumulated depreciation | <u>(1,612,324)</u> | <u>-</u> | <u>-</u> | <u>(1,612,324)</u> |
| Property, Plant and Equipment, net | 563,462 | - | - | 563,462 |
| Net OPEB asset | 30,714 | - | - | 30,714 |
| | <u>594,176</u> | <u>-</u> | <u>-</u> | <u>594,176</u> |
| Total Assets | <u>740,564</u> | <u>265,789</u> | <u>385,042</u> | <u>1,391,395</u> |
| Deferred Outflows of Resources: | | | | |
| Related to pension plan | 91,378 | - | - | 91,378 |
| | <u>91,378</u> | <u>-</u> | <u>-</u> | <u>91,378</u> |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 8,778 | 8,755 | - | 17,533 |
| Accrued expenses | 1,043 | - | - | 1,043 |
| Total Current Liabilities | <u>9,821</u> | <u>8,755</u> | <u>-</u> | <u>18,576</u> |
| Long-Term Liabilities (net of current portion): | | | | |
| Net pension liability | 457,727 | - | - | 457,727 |
| Accrued vacation and sick | - | - | 385,042 | 385,042 |
| Total Long-Term Liabilities | <u>457,727</u> | <u>-</u> | <u>385,042</u> | <u>842,769</u> |
| Total Liabilities | <u>467,548</u> | <u>8,755</u> | <u>385,042</u> | <u>861,345</u> |
| Deferred Inflows of Resources: | | | | |
| Related to pension plan | 19,954 | - | - | 19,954 |
| | <u>19,954</u> | <u>-</u> | <u>-</u> | <u>19,954</u> |
| Net Position: | | | | |
| Net investment in capital assets | 563,462 | - | - | 563,462 |
| Unrestricted (deficit) | <u>(219,022)</u> | <u>257,034</u> | <u>-</u> | <u>38,012</u> |
| Total Net Position | <u>\$ 344,440</u> | <u>\$ 257,034</u> | <u>\$ -</u> | <u>\$ 601,474</u> |

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | Equipment Rental | Healthcare | Employee Vacation and Sick | Total |
|--|---------------------|------------|----------------------------------|------------|
| Operating Revenues: | | | | |
| Charges for services | \$ - | \$ 958,132 | \$ - | \$ 958,132 |
| Rent income | 543,233 | - | - | 543,233 |
| Total Operating Revenues | 543,233 | 958,132 | - | 1,501,365 |
| Operating Expenses: | | | | |
| Personnel services | 293,502 | 861,414 | (1,495) | 1,153,421 |
| Supplies | 34,608 | - | - | 34,608 |
| Other services | 127,063 | - | - | 127,063 |
| Depreciation | 114,589 | - | - | 114,589 |
| Total Operating Expenses | 569,762 | 861,414 | (1,495) | 1,429,681 |
| Operating Income (Loss) | (26,529) | 96,718 | 1,495 | 71,684 |
| Non-Operating Revenues (Expenses): | | | | |
| Gain on disposal of assets | 1,753 | - | - | 1,753 |
| Investment income | (920) | (290) | (1,495) | (2,705) |
| Total Non-Operating Revenues (Expenses) | 833 | (290) | (1,495) | (952) |
| Net Income (Loss) Before Transfers | (25,696) | 96,428 | - | 70,732 |
| Transfers: | | | | |
| Transfers out | (47,920) | - | - | (47,920) |
| Change in Net Position | (73,616) | 96,428 | - | 22,812 |
| Net Position at beginning of year | 418,056 | 160,606 | - | 578,662 |
| Net Position end of year | \$ 344,440 | \$ 257,034 | \$ - | \$ 601,474 |

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Equipment Rental</u> | <u>Healthcare</u> | <u>Employee Vacation and Sick</u> | <u>Total</u> |
|---|-----------------------------|-------------------|---|-------------------|
| Cash Flows From Operating Activities: | | | | |
| Cash receipts from interfund services | \$ 543,374 | \$ 957,849 | \$ - | \$ 1,501,223 |
| Cash payments to suppliers | (167,126) | (891,220) | - | (1,058,346) |
| Cash payments to employees | <u>(246,872)</u> | <u>-</u> | <u>17,029</u> | <u>(229,843)</u> |
| Net Cash Provided by Operating Activities | <u>129,376</u> | <u>66,629</u> | <u>17,029</u> | <u>213,034</u> |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Transfers to other funds | (47,920) | - | - | (47,920) |
| Due from/to other funds | <u>-</u> | <u>-</u> | <u>(1,023)</u> | <u>(1,023)</u> |
| Net Cash Used for Noncapital Financing Activities | <u>(47,920)</u> | <u>-</u> | <u>(1,023)</u> | <u>(48,943)</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Proceeds from sale of assets | 8,092 | - | - | 8,092 |
| Acquisition and construction of capital assets | <u>(64,838)</u> | <u>-</u> | <u>-</u> | <u>(64,838)</u> |
| Net Cash Used for Capital Related Financing Activities | <u>(56,746)</u> | <u>-</u> | <u>-</u> | <u>(56,746)</u> |
| Cash Flows From Investing Activities: | | | | |
| Net purchases of investments | <u>(3,869)</u> | <u>(87,563)</u> | <u>(11,105)</u> | <u>(102,537)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents for the year | 20,841 | (20,934) | 4,901 | 4,808 |
| Cash and Cash Equivalents at Beginning of Year | <u>455</u> | <u>23,172</u> | <u>32,945</u> | <u>56,572</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 21,296</u> | <u>\$ 2,238</u> | <u>\$ 37,846</u> | <u>\$ 61,380</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Operating income (loss) | \$(26,529) | \$ 96,718 | \$ 1,495 | \$ 71,684 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities - | | | | |
| Depreciation | 114,589 | - | - | 114,589 |
| Change in assets and liabilities - | | | | |
| Receivables | 141 | (283) | - | (142) |
| Prepaid expenses | 2,709 | (2,082) | - | 627 |
| Inventories | (517) | - | - | (517) |
| Net OPEB asset | 286 | - | - | 286 |
| Net pension liability | (6,617) | - | - | (6,617) |
| Deferred outflows/inflows related to the pension plan | 58,080 | - | - | 58,080 |
| Accounts payable/accrued expenses | <u>(12,766)</u> | <u>(27,724)</u> | <u>15,534</u> | <u>(24,956)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 129,376</u> | <u>\$ 66,629</u> | <u>\$ 17,029</u> | <u>\$ 213,034</u> |