

CITY OF MARYSVILLE
St. Clair County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2018

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

CERTIFIED PUBLIC ACCOUNTANTS



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, 2018 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 judgement, 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, 2018 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement required the City to record its net OPEB liability in the government-wide and proprietary fund financial statements and enhanced the related note disclosures of the Plan. The City's net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the retirement systems and retiree health benefits schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marysville, Michigan's basic financial statements. The combining and individual fund statements and schedules (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 on our consideration of the City of Marysville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marysville's internal control over financial reporting and compliance.


Certified Public Accountants

November 21, 2018

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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, 2018. 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.

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 1,452,717	\$ 162,896	\$ 2,792	\$ -
Public Safety	5,762,524	395,201	20,469	-
Public Works	3,549,081	234,186	1,073,449	277,940
Recreation and Culture	692,569	87,002	86,644	-
Interest on Long-term Debt	69,325	-	-	-
Total governmental activities	<u>11,526,216</u>	<u>879,285</u>	<u>1,183,354</u>	<u>277,940</u>
Business-type Activities:				
Water Supply System	2,055,885	2,296,133	-	-
Wastewater	3,062,567	2,628,599	496,927	-
Golf Course	717,460	496,552	-	-
Total business-type activities	<u>5,835,912</u>	<u>5,421,284</u>	<u>496,927</u>	<u>-</u>
Total Primary Government	<u>\$ 17,362,128</u>	<u>\$ 6,300,569</u>	<u>\$ 1,680,281</u>	<u>\$ 277,940</u>
Component Units				
Housing Commission	\$ 916,634	\$ 448,826	\$ 232,242	\$ 87,543
Local Development Finance Authority District No. 1	-	-	-	-
Total Component Units	<u>\$ 916,634</u>	<u>\$ 448,826</u>	<u>\$ 232,242</u>	<u>\$ 87,543</u>

General revenues:

Property taxes

Grants and contributions not
restricted to specific programs

Unrestricted investment income

Gain on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

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

Net (Expense) Revenue and Change in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$(1,287,029)	\$ -	\$(1,287,029)	\$ -
(5,346,854)	-	(5,346,854)	-
(1,963,506)	-	(1,963,506)	-
(518,923)	-	(518,923)	-
(69,325)	-	(69,325)	-
<u>(9,185,637)</u>	<u>-</u>	<u>(9,185,637)</u>	<u>-</u>
-	240,248	240,248	-
-	62,959	62,959	-
<u>-</u>	<u>(220,908)</u>	<u>(220,908)</u>	<u>-</u>
<u>-</u>	<u>82,299</u>	<u>82,299</u>	<u>-</u>
<u>(9,185,637)</u>	<u>82,299</u>	<u>(9,103,338)</u>	<u>-</u>
-	-	-	(148,023)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(148,023)</u>
6,520,617	-	6,520,617	-
2,219,021	-	2,219,021	-
89,822	24,906	114,728	1,463
6,937	-	6,937	-
<u>(95,867)</u>	<u>95,867</u>	<u>-</u>	<u>-</u>
<u>8,740,530</u>	<u>120,773</u>	<u>8,861,303</u>	<u>1,463</u>
(445,107)	203,072	(242,035)	(146,560)
<u>7,657,962</u>	<u>25,864,181</u>	<u>33,522,143</u>	<u>2,680,762</u>
<u>\$ 7,212,855</u>	<u>\$ 26,067,253</u>	<u>\$ 33,280,108</u>	<u>\$ 2,534,202</u>

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<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	\$ 897,218	\$ 48	\$ 741	\$ 110,757	\$ 1,008,764
Investments	5,147,327	550,175	1,740,488	1,875,556	9,313,546
Receivables, net of allowance -					
Property taxes	21,425	-	-	-	21,425
Interest and accounts	140,548	7,048	23,677	78,959	250,232
Due from other governmental units	182,168	44,703	12,740	164,660	404,271
Due from other funds	18,056	-	-	-	18,056
Prepaid expenditures	83,975	5,300	-	9,319	98,594
Advance to other funds	989,100	-	-	-	989,100
Beneficial interest in assets held by others	25,352	-	-	277,234	302,586
Total Assets	<u>\$ 7,505,169</u>	<u>\$ 607,274</u>	<u>\$ 1,777,646</u>	<u>\$ 2,516,485</u>	<u>\$ 12,406,574</u>
Liabilities:					
Accounts payable	\$ 188,487	\$ 12,166	\$ 12,990	\$ 144,843	\$ 358,486
Accrued liabilities	34,891	1,223	-	7,494	43,608
Due to other funds	-	200	12,000	-	12,200
Unearned revenue	24,061	-	-	26,890	50,951
Total Liabilities	<u>247,439</u>	<u>13,589</u>	<u>24,990</u>	<u>179,227</u>	<u>465,245</u>
Deferred Inflows of Resources:					
Unavailable revenues -					
Property taxes	25,066	-	-	-	25,066
Grants	17,938	-	-	43,739	61,677
Charges for services	-	4,296	-	40,501	44,797
Total Deferred Inflows of Resources	<u>43,004</u>	<u>4,296</u>	<u>-</u>	<u>84,240</u>	<u>131,540</u>
Fund Balances:					
Nonspendable -					
Prepaid expenditures	83,975	-	-	-	83,975
Advance to other funds	989,100	-	-	-	989,100
Perpetual Care	-	-	-	272,332	272,332
Restricted	64,217	589,389	1,752,656	1,238,682	3,644,944
Committed	909,886	-	-	742,004	1,651,890
Assigned	175,000	-	-	-	175,000
Unassigned	4,992,548	-	-	-	4,992,548
Total Fund Balances	<u>7,214,726</u>	<u>589,389</u>	<u>1,752,656</u>	<u>2,253,018</u>	<u>11,809,789</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,505,169</u>	<u>\$ 607,274</u>	<u>\$ 1,777,646</u>	<u>\$ 2,516,485</u>	<u>\$ 12,406,574</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, 2018**

Fund Balances - total governmental funds		\$	11,809,789
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources			
Capital assets			69,037,204
Accumulated depreciation		(	45,440,184)
Certain changes in pension and OPEB plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position.			
Deferred outflows of resources			2,145,311
Deferred inflows of resources		(	1,423,063)
Other long - term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.			
Delinquent personal property taxes	\$	25,066	
Grants		61,677	
Charges for services		44,797	
			131,540
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.			
			509,727
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(	1,992,362)	
Lease payable	(	13,782)	
Net OPEB liability	(	8,018,108)	
Net pension liability	(	19,481,159)	
Accrued interest	(	21,463)	(29,526,874)
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).			
		(	134,364)
Losses on refunding are not reported in the governmental funds, where they are capitalized and amortized from net position			
			103,769
Net Position of governmental activities		\$	7,212,855

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, 2018**

	General	Special Revenue Fund Local Street	Capital Projects Fund Public Improvement	Other Governmental Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 6,412,838	\$ -	\$ -	\$ 99,377	\$ 6,512,215
Licenses and permits	278,597	-	-	-	278,597
Intergovernmental	2,084,132	366,597	38,793	706,852	3,196,374
Charges for services	283,065	-	-	238,244	521,309
Fines and forfeits	14,085	-	-	-	14,085
Interest and rent	71,748	3,939	5,077	16,858	97,622
Other	97,038	13,960	-	118,604	229,602
Total Revenues	<u>9,241,503</u>	<u>384,496</u>	<u>43,870</u>	<u>1,179,935</u>	<u>10,849,804</u>
Expenditures:					
Current -					
General government	893,507	-	-	-	893,507
Public safety	3,108,751	-	-	6,057	3,114,808
Public works	1,444,700	742,720	-	575,308	2,762,728
Recreation and cultural	308,082	-	-	750,499	1,058,581
Other activities	1,723,338	-	-	-	1,723,338
Capital outlay	81,414	-	753,498	113,795	948,707
Debt service -					
Principal	46,295	-	-	200,000	246,295
Interest	40,875	-	-	29,050	69,925
Total Expenditures	<u>7,646,962</u>	<u>742,720</u>	<u>753,498</u>	<u>1,674,709</u>	<u>10,817,889</u>
Revenues over (under) expenditures	<u>1,594,541</u>	<u>(358,224)</u>	<u>(709,628)</u>	<u>(494,774)</u>	<u>31,915</u>
Other Financing Sources (Uses):					
Sale of asset	-	-	497,770	-	497,770
Capital lease proceeds	13,782	-	-	-	13,782
Transfers in	-	500,000	1,252,609	804,050	2,556,659
Transfers out	<u>(2,188,672)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>(2,588,672)</u>
Total Other Financing Sources (Uses)	<u>(2,174,890)</u>	<u>500,000</u>	<u>1,750,379</u>	<u>404,050</u>	<u>479,539</u>
Net Change in Fund Balances	<u>(580,349)</u>	<u>141,776</u>	<u>1,040,751</u>	<u>(90,724)</u>	<u>511,454</u>
Fund Balances at beginning 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>
Fund Balances at end of year	<u>\$ 7,214,726</u>	<u>\$ 589,389</u>	<u>\$ 1,752,656</u>	<u>\$ 2,253,018</u>	<u>\$ 11,809,789</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, 2018**

Net change in fund balances - total governmental funds	\$	511,454
<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		1,811,580
Depreciation expense	(	1,354,277)
Net book value of assets sold	(	490,833)
<p>Governmental funds do not report the fair value of donated assets as revenues and expenditures. However, the fair value is reported as both revenues and expenses in the statement of activities.</p>		
Acquisition value of donated assets		277,940
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		42,295
<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		246,295
Lease proceeds	(	13,782)
<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)
Decrease in accrued interest		600
<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>		
		181,490
<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 net OPEB liability		241,031
Decrease in net pension liability		496,288
Change in pension/OPEB expense related to deferred items related to the pension/OPEB plans	(	2,395,188)
Change in net position of governmental activities	\$	<u>445,107</u>

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
Assets:					
Current Assets -					
Cash and cash equivalents	\$ 15,987	\$ 2,013	\$ 72,906	\$ 90,906	\$ 89,846
Investments	1,269,015	3,017,022	-	4,286,037	885,349
Accounts and interest receivable	401,871	460,860	450	863,181	1,379
Due from other governmental units	-	563,172	-	563,172	-
Due from other funds	-	-	-	-	22,948
Inventories	-	-	27,292	27,292	1,117
Prepaid expenses	13,163	4,680	3,071	20,914	58,869
Total Current Assets	1,700,036	4,047,747	103,719	5,851,502	1,059,508
Non-Current Assets -					
Property, plant, and equipment	20,272,186	35,640,487	2,691,856	58,604,529	2,174,183
Less - accumulated depreciation	(9,805,435)	(11,267,741)	(1,119,503)	(22,192,679)	(1,614,017)
Total Non-Current Assets	10,466,751	24,372,746	1,572,353	36,411,850	560,166
Total Assets	12,166,787	28,420,493	1,676,072	42,263,352	1,619,674
Deferred Outflows of Resources:					
Related to pension plan	112,518	84,806	44,231	241,555	45,603
Deferred charge on refunding	40,267	11,936	-	52,203	-
	<u>152,785</u>	<u>96,742</u>	<u>44,231</u>	<u>293,758</u>	<u>45,603</u>

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

	Business-type Activities - Enterprise Funds				Governmental
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 30,593	\$ 162,561	\$ 16,264	\$ 209,418	\$ 29,113
Accrued expenses	12,661	3,089	10,747	26,497	958
Accrued interest	9,700	62,802	-	72,502	-
Due to other funds	-	-	28,804	28,804	-
Capital lease payable (current portion)	-	-	27,641	27,641	-
Bonds payable (current portion)	71,020	686,087	-	757,107	-
Unearned revenue	-	-	14,553	14,553	-
Total Current Liabilities	<u>123,974</u>	<u>914,539</u>	<u>98,009</u>	<u>1,136,522</u>	<u>30,071</u>
Long-term Liabilities (net of current portion):					
Advance from other funds	989,100	-	-	989,100	-
Net OPEB obligation	606,267	462,159	236,695	1,305,121	235,445
Net pension liability	1,059,867	798,836	416,639	2,275,342	429,559
Capital lease payable	-	-	124,018	124,018	-
Accrued vacation and sick	-	-	-	-	414,500
Bonds payable	1,149,585	9,261,328	-	10,410,913	-
Total Long-term Liabilities	<u>3,804,819</u>	<u>10,522,323</u>	<u>777,352</u>	<u>15,104,494</u>	<u>1,079,504</u>
Total Liabilities	<u>3,928,793</u>	<u>11,436,862</u>	<u>875,361</u>	<u>16,241,016</u>	<u>1,109,575</u>
Deferred Inflows of Resources:					
Related to pension plan	60,165	45,347	23,651	129,163	24,385
Related to OPEB plan	55,594	42,379	21,705	119,678	21,590
Total Deferred Inflows of Resources	<u>115,759</u>	<u>87,726</u>	<u>45,356</u>	<u>248,841</u>	<u>45,975</u>
Net Position:					
Net investment in capital assets	9,286,413	14,437,267	1,420,694	25,144,374	560,166
Restricted	6,000	-	-	6,000	-
Unrestricted (deficit)	(1,017,393)	2,555,380	(621,108)	916,879	(50,439)
Total Net Position	<u>\$ 8,275,020</u>	<u>\$ 16,992,647</u>	<u>\$ 799,586</u>	<u>\$ 26,067,253</u>	<u>\$ 509,727</u>

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CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Supply System	Wastewater	Golf Course	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 2,269,490	\$ 2,602,207	\$ 337,891	\$ 5,209,588	\$ 942,391
Rent income	-	-	157,596	157,596	653,673
Intergovernmental	-	496,927	-	496,927	-
Other	26,643	26,392	1,065	54,100	-
Total Operating Revenues	<u>2,296,133</u>	<u>3,125,526</u>	<u>496,552</u>	<u>5,918,211</u>	<u>1,596,064</u>
Operating Expenses:					
Personnel services	857,848	661,495	402,789	1,922,132	1,057,225
Supplies	117,620	662,907	86,954	867,481	51,288
Other services	495,043	427,641	161,099	1,083,783	140,105
Depreciation	527,106	1,019,039	65,458	1,611,603	116,726
Total Operating Expenses	<u>1,997,617</u>	<u>2,771,082</u>	<u>716,300</u>	<u>5,484,999</u>	<u>1,365,344</u>
Operating Income (Loss)	<u>298,516</u>	<u>354,444</u>	<u>(219,748)</u>	<u>433,212</u>	<u>230,720</u>
Non-Operating Revenues (Expenses):					
Gain on sale of assets	-	-	-	-	7,401
Investment income	5,698	19,208	-	24,906	7,223
Interest expenses	(58,268)	(291,485)	(1,160)	(350,913)	-
Total Non-Operating Revenues (Expenses)	<u>(52,570)</u>	<u>(272,277)</u>	<u>(1,160)</u>	<u>(326,007)</u>	<u>14,624</u>
Net Income (Loss) Before Transfers	<u>245,946</u>	<u>82,167</u>	<u>(220,908)</u>	<u>107,205</u>	<u>245,344</u>
Transfers:					
Transfers in	-	-	197,849	197,849	-
Transfers out	(50,991)	(50,991)	-	(101,982)	(63,854)
	<u>(50,991)</u>	<u>(50,991)</u>	<u>197,849</u>	<u>95,867</u>	<u>(63,854)</u>
Change in Net Position	194,955	31,176	(23,059)	203,072	181,490
Net Position at beginning of year, as restated	<u>8,080,065</u>	<u>16,961,471</u>	<u>822,645</u>	<u>25,864,181</u>	<u>328,237</u>
Net Position end of year	<u>\$ 8,275,020</u>	<u>\$ 16,992,647</u>	<u>\$ 799,586</u>	<u>\$ 26,067,253</u>	<u>\$ 509,727</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, 2018**

	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	\$ 2,288,891	\$ 2,660,618	\$ 510,749	\$ 5,460,258	\$ -
Cash receipts from interfund services	-	-	-	-	1,573,927
Cash payments to suppliers	(581,785)	(946,241)	(266,985)	(1,795,011)	(932,481)
Cash payments for interfund services	(103,608)	(83,305)	-	(186,913)	-
Cash payments to employees	(794,831)	(623,496)	(379,591)	(1,797,918)	(214,842)
Net Cash Provided by (Used for)					
Operating Activities	<u>808,667</u>	<u>1,007,576</u>	<u>(135,827)</u>	<u>1,680,416</u>	<u>426,604</u>
Cash Flows From Noncapital Financing Activities:					
Transfers from/to other funds	(50,991)	(50,991)	197,849	95,867	(63,854)
Due from/to other funds	-	34	32,757	32,791	63
Net Cash Provided by (Used for) Noncapital					
Financing Activities	<u>(50,991)</u>	<u>(50,957)</u>	<u>230,606</u>	<u>128,658</u>	<u>(63,791)</u>
Cash Flows From Capital and Related Financing Activities:					
Interest paid	(55,731)	(297,161)	(1,160)	(354,052)	-
Bond payments	(51,620)	(903,440)	-	(955,060)	-
Capital lease proceeds	-	-	151,659	151,659	-
Capital lease payments	-	-	(43,872)	(43,872)	-
Repayment of advances from other funds	(141,300)	-	-	(141,300)	-
Proceeds from sale of assets	-	-	-	-	20,264
Acquisition and construction of capital assets	(79,681)	(18,761)	(174,926)	(273,368)	(126,293)
Net Cash Used for Capital and Related					
Financing Activities	<u>(328,332)</u>	<u>(1,219,362)</u>	<u>(68,299)</u>	<u>(1,615,993)</u>	<u>(106,029)</u>
Cash Flows From Investing Activities:					
Net purchases of investments	(427,867)	(101,176)	-	(529,043)	(228,318)
Net Increase in Cash and Cash					
Equivalents for the year	1,477	(363,919)	26,480	(335,962)	28,466
Cash and Cash Equivalents at					
Beginning of Year	<u>14,510</u>	<u>365,932</u>	<u>46,426</u>	<u>426,868</u>	<u>61,380</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,987</u>	<u>\$ 2,013</u>	<u>\$ 72,906</u>	<u>\$ 90,906</u>	<u>\$ 89,846</u>

Continued

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

	Business-type Activities - Enterprise Funds				Governmental
	Water	Wastewater	Golf	Total	Internal
	Supply		Course		Service
	System				Funds
Reconciliation of Operating Income (Loss) to					
Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss) for the year	\$ 298,516	\$ 354,444	\$(219,748)	\$ 433,212	\$ 230,720
Adjustments to reconcile operating income					
(loss) to net cash provided by					
(used for) operating activities -					
Depreciation	527,106	1,019,039	65,458	1,611,603	116,726
Change in assets and liabilities -					
Receivables	(7,242)	(464,908)	195	(471,955)	(43)
Due to/from other funds	-	-	-	-	(22,094)
Prepays and deposits	2,256	1,042	202	3,500	23,243
Inventories	-	-	(4,016)	(4,016)	549
Net OPEB liability	(18,225)	(13,893)	(7,115)	(39,233)	23,636
Net pension liability	(108,064)	(90,172)	(43,698)	(241,934)	(28,168)
Deferred outflows/inflows related					
to pension and OPEB plans	185,486	141,642	72,956	400,084	71,796
Accounts payable/accrued expenses	(71,166)	60,382	(14,064)	(24,848)	10,239
Unearned revenue	-	-	14,003	14,003	-
Net Cash Provided by (Used for)					
Operating Activities	<u>\$ 808,667</u>	<u>\$ 1,007,576</u>	<u>\$(135,827)</u>	<u>\$ 1,680,416</u>	<u>\$ 426,604</u>

Concluded

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Employee Retirement Systems</u>		<u>Retirees'</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	\$ 8,961	\$ 4,990	\$ 231	\$ 14,182	\$ 8,643
Investments, at fair value -					
Marketable CD's	-	549,326	-	549,326	-
U.S. government securities	-	1,622,012	1,827,335	3,449,347	-
Cash/money market funds	915,625	588,775	395,204	1,899,604	-
Asset backed securities	-	252,846	188,203	441,049	-
Corporate bonds	-	1,938,003	1,918,978	3,856,981	-
Partnerships	1,326,790	-	-	1,326,790	-
Mutual funds	5,169,627	1,079,569	141,547	6,390,743	-
Stocks	5,819,242	10,298,757	9,762,194	25,880,193	-
Total Investments	<u>13,231,284</u>	<u>16,329,288</u>	<u>14,233,461</u>	<u>43,794,033</u>	<u>-</u>
Receivables -					
Taxes	-	-	-	-	60,285
Members	12,643	17,138	-	29,781	-
Interest and dividends	24,178	23,360	21,805	69,343	-
Total Receivables	<u>36,821</u>	<u>40,498</u>	<u>21,805</u>	<u>99,124</u>	<u>60,285</u>
Prepayments	5,623	5,845	83,345	94,813	-
Total Assets	<u>13,282,689</u>	<u>16,380,621</u>	<u>14,338,842</u>	<u>44,002,152</u>	<u>\$ 68,928</u>
Liabilities:					
Accounts payable	17,350	22,747	84,960	125,057	\$ 6,060
Due to other governmental units	-	-	-	-	62,868
Total Liabilities	<u>17,350</u>	<u>22,747</u>	<u>84,960</u>	<u>125,057</u>	<u>\$ 68,928</u>
Net Position:					
Restricted for pension benefits	13,265,339	16,357,874	-	29,623,213	
Restricted for other postemployment benefits	-	-	14,253,882	14,253,882	
Net Position	<u>\$ 13,265,339</u>	<u>\$ 16,357,874</u>	<u>\$ 14,253,882</u>	<u>\$ 43,877,095</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, 2018**

	<u>Employee Retirement Systems</u>		<u>Retirees'</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	\$ 155,287	\$ 184,393	\$ -	\$ 339,680
Employer contributions	1,174,069	1,027,450	-	2,201,519
Total Contributions	<u>1,329,356</u>	<u>1,211,843</u>	<u>-</u>	<u>2,541,199</u>
Investment Income -				
Interest/dividends	353,907	325,707	311,683	991,297
Net appreciation	481,842	1,082,324	1,068,216	2,632,382
Total Investment Income	<u>835,749</u>	<u>1,408,031</u>	<u>1,379,899</u>	<u>3,623,679</u>
Less investment expenses	<u>(46,876)</u>	<u>(89,599)</u>	<u>(90,332)</u>	<u>(226,807)</u>
Net investment income	<u>788,873</u>	<u>1,318,432</u>	<u>1,289,567</u>	<u>3,396,872</u>
Other -				
Miscellaneous	<u>-</u>	<u>-</u>	<u>47,670</u>	<u>47,670</u>
Total Additions	<u>2,118,229</u>	<u>2,530,275</u>	<u>1,337,237</u>	<u>5,985,741</u>
Deductions:				
Retirement benefit payments	1,598,676	1,646,537	-	3,245,213
Health/life insurance	-	-	1,174,008	1,174,008
Administration	25,231	26,978	8,900	61,109
Total Deductions	<u>1,623,907</u>	<u>1,673,515</u>	<u>1,182,908</u>	<u>4,480,330</u>
Net increase in net position	494,322	856,760	154,329	1,505,411
Net Position:				
Beginning of year	<u>12,771,017</u>	<u>15,501,114</u>	<u>14,099,553</u>	<u>42,371,684</u>
End of year	<u>\$ 13,265,339</u>	<u>\$ 16,357,874</u>	<u>\$ 14,253,882</u>	<u>\$ 43,877,095</u>

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

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COMPONENT UNITS

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CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2018**

	Housing Commission	Local Development Finance Authority District No. 1	Total
Assets:			
Cash and cash equivalents	\$ 309,315	\$ 15,657	\$ 324,972
Investments	301,737	-	301,737
Receivables	30,802	-	30,802
Prepays and deposits	42,477	-	42,477
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	254,741	-	254,741
Assets being depreciated	1,714,103	-	1,714,103
Total Assets	2,653,175	15,657	2,668,832
Liabilities:			
Payables and accrued liabilities	93,295	-	93,295
Unearned revenue	1,716	-	1,716
Advances and deposits	39,619	-	39,619
Total Liabilities	134,630	-	134,630
Net Position:			
Net investment in capital assets	1,968,844	-	1,968,844
Unrestricted	549,701	15,657	565,358
Total Net Position	\$ 2,518,545	\$ 15,657	\$ 2,534,202

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

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 916,634	\$ 448,826	\$ 232,242	\$ 87,543
Local Development Finance Authority				
District No. 1				
Governmental activities:				
Interest on Long-term Debt	-	-	-	-
Total Component Units	\$ 916,634	\$ 448,826	\$ 232,242	\$ 87,543

General Revenues:
 Unrestricted investment income

Change in net position

Net position at beginning of year

Net position at end of year

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

Net (Expense) Revenue and Change in Net Position

	Local Development Finance Authority District No. 1	Total
<u>Housing Commission</u>	<u>District No. 1</u>	<u>Total</u>
\$(148,023)	\$ -	\$(148,023)
-	-	-
		(148,023)
<u>1,463</u>	<u>-</u>	<u>1,463</u>
(146,560)	-	(146,560)
<u>2,665,105</u>	<u>15,657</u>	<u>2,680,762</u>
<u>\$ 2,518,545</u>	<u>\$ 15,657</u>	<u>\$ 2,534,202</u>

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CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 unit 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 from 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, 2018

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 operates 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 activities of the Local Development Finance Authority are included within the scope of the audit of the City's basic financial statements. A separate audited financial statement for the Authority was not issued.

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, 2018

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. 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 restricted 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, 2018

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 of the 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, 2018

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 in the General Fund are reported as nonspendable to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Inventories and Prepaid Items -

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

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

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Beneficial Interest in Assets Held by Others -

Beneficial interest in assets held by others represent assets transferred to the Community Foundation of St. Clair County (the "Foundation") to establish an agency endowment fund plus accumulated investment earnings. Under the terms of the agreement with the Foundation, a board of five residents may recommend or request distribution from the fund in amounts limited by the spending policies of the Foundation. The Foundation's current spending policy is to distribute 5% of the average fair value over the prior 16 quarters determined as of September 30 of the year preceding the distribution. At the time of the transfer of assets, the City granted variance power to the Foundation. The Foundation expects to follow the recommendations, but reserves the right to accept or reject recommendations.

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 government-wide and proprietary fund type 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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Compensated Absences -

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

Long-term Obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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 reports deferred outflows of resources for deferred charges on refunding and items related to the pension plans and the other postemployment benefit (OPEB) plan. 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 and OPEB 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 reports items on the government-wide statement of net position related to the pension plans and the OPEB 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 and OPEB 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, 2018

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 Pronouncements -

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

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017 and will become effective for the City’s June 30, 2020 fiscal year. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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. The General Fund budget was approved at the activity level and at the total expenditure level for the Special Revenue Funds.

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, 2018, the City did not incur any expenditures over that amount.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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>1,187,311</u>	<u>626,609</u>	<u>22,825</u>	<u>1,836,745</u>
Investments -				
Cash with Brokers	-	-	915,795	915,795
Money Market Funds	-	-	983,809	983,809
Marketable CDs	-	-	549,326	549,326
Municipal Bonds	6,497,056	-	-	6,497,056
U.S. Government Securities	4,028,752	-	3,449,347	7,478,099
Asset Backed Securities	1,283,694	-	441,049	1,724,743
Stocks	-	-	25,880,193	25,880,193
Corporate Bond/Notes	2,675,430	-	3,856,981	6,532,411
Mutual Funds	-	-	6,390,743	6,390,743
Partnerships	-	-	<u>1,326,790</u>	<u>1,326,790</u>
Total Investments	<u>14,484,932</u>	<u>-</u>	<u>43,794,033</u>	<u>58,278,965</u>
Grand Total	<u>\$ 15,674,448</u>	<u>\$ 626,709</u>	<u>\$ 43,816,858</u>	<u>\$ 60,118,015</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>1,187,311</u>	<u>324,872</u>	<u>22,825</u>	<u>1,535,008</u>
Total Cash and Cash Equivalents	<u>1,189,516</u>	<u>324,972</u>	<u>22,825</u>	<u>1,537,313</u>
Reported as Investments -				
Deposits with Financial Institutions	-	301,737	-	301,737
Cash with Brokers	-	-	915,795	915,795
Money Market Funds	-	-	983,809	983,809
Marketable CDs	-	-	549,326	549,326
Municipal Bonds	6,497,056	-	-	6,497,056
U.S. Government Securities	4,028,752	-	3,449,347	7,478,099
Asset Backed Securities	1,283,694	-	441,049	1,724,743
Stocks	-	-	25,880,193	25,880,193
Corporate Bond/Notes	2,675,430	-	3,856,981	6,532,411
Mutual Funds	-	-	6,390,743	6,390,743
Partnerships	-	-	<u>1,326,790</u>	<u>1,326,790</u>
Total Investments	<u>14,484,932</u>	<u>301,737</u>	<u>43,794,033</u>	<u>58,580,702</u>
Grand Total – Statements of Net Position	<u>\$ 15,674,448</u>	<u>\$ 626,709</u>	<u>\$ 43,816,858</u>	<u>\$ 60,118,015</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the book value of the City's deposits, excluding the Housing Commission, was \$1,225,793 with a corresponding bank balance of \$1,572,532, of which \$618,036 was covered by depository insurance with the remaining \$954,496 uninsured and uncollateralized.

The Housing Commission's deposits had a book balance of \$610,952 and a bank balance of \$611,374, 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' healthcare 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, 2018

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, 2018, the credit quality ratings of City's investments in Corporate Bonds, Municipal Bonds, and Asset Backed Securities had the following ratings:

<u>Fair Value</u>	<u>Rating Agency</u>	<u>Rating</u>
\$ 976,190	Moody's	A1
831,379	Moody's	A2
759,764	Moody's	A3
3,752,898	Moody's	AA1
119,488	Moody's	AA2
463,194	Moody's	AA3
579,214	Moody's	AAA
312,388	Moody's	BAA1
143,721	Moody's	BAA2
2,675,430	Moody's	P-1
102,691	S & P	AAA
10,000	S & P	A
2,744,159	S & P	AA-
<u>1,283,694</u>	N/A	N/A*
<u>\$ 14,754,210</u>		

* GNMA assets and rating is not required.

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, 2018

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

The City has the following recurring fair value measurements as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal Bonds	\$ -	\$ 6,497,056	\$ -	\$ 6,497,056
U.S. Governmental Securities	-	7,478,099	-	7,478,099
Asset-backed Securities	-	1,724,743	-	1,724,743
Stocks	25,880,193	-	-	25,880,193
Corporate Bonds/Notes	-	6,532,411	-	6,532,411
Mutual Funds	<u>6,390,743</u>	<u>-</u>	<u>-</u>	<u>6,390,743</u>
	<u>\$ 32,270,936</u>	<u>\$ 22,232,309</u>	<u>\$ -</u>	54,503,245
Cash Held with Brokers				915,795
Marketable CDs				549,326
Money Market Fund Measured at Amortized Cost				983,809
Partnerships Valued at NAV				<u>1,326,790</u>
				<u>\$ 58,278,965</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, 2018.

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	\$ 1,326,790	\$ -	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, 2018, 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	\$ 68,184	AAAm	S & P	45
PNC Government Money Market Fund Class I	<u>915,625</u>	AAAm	S & P	30
	<u>\$ 983,809</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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, \$56,952,175 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 \$549,326 were federally insured.

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.

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 5.0% 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.

As of June 30, 2018, the City had investments of 5.0% or more of the total investments as follows:

	<u>Fiduciary Funds</u>
U.S. Treasury Notes	5.9 %

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

<u>Investment Type</u>	<u>Fair Value</u>	<u><1</u>	<u>1-5</u>	<u>6-10</u>	<u>>10</u>
U.S. Government Securities	\$ 7,478,099	\$ 581,424	\$ 2,461,400	\$ 4,435,275	\$ -
Municipal Bonds	6,497,056	1,515,003	4,982,053	-	-
Corporate Bonds/Notes	6,532,411	3,609,738	2,678,701	243,972	-
Asset Backed Securities	1,724,743	-	441,049	1,167	1,282,527
Marketable CD's	549,326	549,326	-	-	-
Total Investments	<u>\$ 22,781,635</u>	<u>\$ 6,255,491</u>	<u>\$10,563,203</u>	<u>\$ 4,680,414</u>	<u>\$ 1,282,527</u>

Negotiability - Marketable certificate of deposits are usually in bearer form, and have secondary markets that are easily transferable and highly liquid. As of June 30, 2018, the City had negotiable Certificate of Deposits in the amount of \$549,326.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - RECEIVABLES:

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

	Governmental Activities	Business-type Activities
Property taxes	\$ 28,925	\$ -
Interest and accounts	298,440	863,181
Due from other governmental units	404,271	563,172
	731,636	1,426,353
Less - allowance for uncollectible	(54,329)	-
	\$ 677,307	\$ 1,426,353

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2018 was as follows:

	July 1, 2017 Balance	Additions	Adjustments/ Deletions	June 30, 2018 Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 917,470	\$ -	\$ -	\$ 917,470
Construction in progress	1,181,088	1,600,882	2,278,014	503,956
Total capital assets, not being depreciated	2,098,558	1,600,882	2,278,014	1,421,426
Capital assets, being depreciated:				
Buildings	6,599,980	-	500,000	6,099,980
Building improvements	628,710	733,713	-	1,362,423
Land improvements	10,399,098	356,163	-	10,755,261
Machinery and equipment	3,542,080	222,207	127,896	3,636,391
Vehicles	2,064,341	33,219	-	2,097,560
Bikepaths	794,584	387,539	-	1,182,123
Sidewalks	2,339,985	25,523	-	2,365,508
Streets	41,156,134	1,134,581	-	42,290,715
Total capital assets being depreciated	67,524,912	2,892,945	627,896	69,789,961
Less accumulated depreciation for:				
Buildings	3,188,328	101,615	9,167	3,280,776
Building improvements	572,557	14,076	-	586,633
Land improvements	3,203,218	289,726	-	3,492,944
Machinery and equipment	2,664,170	169,208	115,033	2,718,345
Vehicles	913,233	88,269	-	1,001,502
Bikepaths	361,729	29,130	-	390,859
Sidewalks	1,878,300	38,829	-	1,917,129
Streets	32,925,863	740,150	-	33,666,013
Total accumulated depreciation	45,707,398	1,471,003	124,200	47,054,201
Total capital assets being depreciated, net	21,817,514	1,421,942	503,696	22,735,760
Governmental activities capital assets, net	\$ 23,916,072	\$ 3,022,824	\$ 2,781,710	\$ 24,157,186

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

	July 1, 2017 Balance	Additions	Adjustments/ Deletions	June 30, 2018 Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 99,500	\$ -	\$ -	\$ 99,500
Land improvements	532,370	-	-	532,370
Construction in progress	374,694	106,427	439,043	42,078
Total capital assets, not being depreciated	1,006,564	106,427	439,043	673,948
Capital assets, being depreciated:				
Buildings	33,699,498	-	-	33,699,498
Building improvements	774,909	-	-	774,909
Land Improvements	183,081	18,605	-	201,686
Utility systems	18,533,835	420,438	-	18,954,273
Machinery and equipment	4,133,274	166,941	-	4,300,215
Total capital assets being depreciated	57,324,597	605,984	-	57,930,581
Less accumulated depreciation for:				
Buildings	9,118,355	1,029,745	-	10,148,100
Building improvements	431,288	25,308	-	456,596
Land Improvements	87,259	9,010	-	96,269
Utility systems	8,148,574	370,256	-	8,518,830
Machinery and equipment	2,795,600	177,284	-	2,972,884
Total accumulated depreciation	20,581,076	1,611,603	-	22,192,679
Total capital assets being depreciated, net	36,743,521	(1,005,619)	-	35,737,902
Total capital assets, net	\$ 37,750,085	\$(899,192)	\$ 439,043	\$ 36,411,850

The business-type capital assets include \$286,626 of capitalized interest. Interest of \$350,913 was incurred in 2018 and expensed.

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

Governmental activities:	
General Government	\$ 9,736
Public Safety	197,877
Public Works	1,046,847
Recreation and Cultural	99,817
Total depreciation expense-governmental activities	\$ 1,354,277
 Business-type activities:	
Golf Course	\$ 65,458
Water Supply System Fund	527,106
Wastewater Fund	1,019,039
Total depreciation expense-business-type activities	\$ 1,611,603

In addition, there was depreciation of \$116,726 in the Motor Pool Fund.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Housing Commission - Activity for the Housing Commission for the year ended June 30, 2018 was as follows:

	July 1, 2017			June 30, 2018
	<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>288,256</u>	<u>-</u>	<u>137,768</u>	<u>150,488</u>
Total capital assets, not being depreciated	<u>392,509</u>	<u>-</u>	<u>137,768</u>	<u>254,741</u>
Capital assets, being depreciated:				
Buildings and improvements	6,752,772	225,310	-	6,978,082
Furniture and equipment	<u>268,016</u>	<u>-</u>	<u>5,280</u>	<u>262,736</u>
Total capital assets, being depreciated	7,020,788	225,310	5,280	7,240,818
Less accumulated depreciation	<u>5,255,323</u>	<u>276,672</u>	<u>5,280</u>	<u>5,526,715</u>
Total capital assets being depreciated, net	<u>1,765,465</u>	<u>(51,362)</u>	<u>-</u>	<u>1,714,103</u>
Housing Commission capital assets, net	<u>\$ 2,157,974</u>	<u>\$(51,362)</u>	<u>\$ 137,768</u>	<u>\$ 1,968,844</u>

Depreciation expense for the year ended June 30, 2018 was \$276,672.

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	\$ 387,599	\$ 209,418
Accrued wages and fringe benefits	<u>44,566</u>	<u>26,497</u>
	<u>\$ 432,165</u>	<u>\$ 235,915</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:

The composition of interfund balances as of June 30, 2018 is as follows:

Due To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Local Street Fund	\$ 200 (5)
	Public Improvement Fund	12,000 (5)
	Golf Fund	5,856 (1)
Employee Vacation and Sick Fund	Golf Fund	854 (1)
Healthcare Fund	Golf Fund	<u>22,094 (1)</u>
		<u>\$ 41,004</u>

Advance To/From Other Funds -

General Fund	Water Supply System Fund	<u>\$ 989,100 (3)</u>
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Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Local Streets Fund	General Fund	\$ 100,000 (2)
	Major Streets Fund	200,000 (2)
	Motor Vehicle Highway Fund	200,000 (2)
Public Improvement Fund	General Fund	1,252,609 (2)
Park and Recreation Fund	General Fund	575,000 (2)
Building Authority Debt Fund	General Fund	76,077 (4)
	Wastewater Fund	50,991 (4)
	Water Supply System Fund	50,991 (4)
	Motor Pool Fund	50,991 (4)
Golf Course Fund	General Fund	184,986 (2)
	Motor Pool Fund	<u>12,863 (6)</u>
		<u>\$ 2,754,508</u>

- (1) Amount due for reimbursement of costs
- (2) Annual appropriation
- (3) Appropriation for construction
- (4) Rent
- (5) Cash flow
- (6) Transfer of asset value

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Funds -					
Capital Lease	\$ -	\$ 13,782	\$ -	\$ 13,782	\$ 2,392
2016 General Obligation Refunding Bonds	2,238,657	-	246,295	1,992,362	261,135
Bond Premium	<u>151,706</u>	<u>-</u>	<u>17,342</u>	<u>134,364</u>	<u>17,342</u>
Total Governmental Funds	2,390,363	13,782	263,637	2,140,508	280,869
Internal Service Funds -					
Accrued Vacation and Sick	<u>385,042</u>	<u>29,458</u>	<u>-</u>	<u>414,500</u>	<u>-</u>
Total Governmental Activities	<u>2,775,405</u>	<u>43,240</u>	<u>263,637</u>	<u>2,555,008</u>	<u>280,869</u>
<u>Business-type Activities:</u>					
Enterprise Funds -					
Wastewater Fund -					
Michigan Municipal Bond Authority Wastewater Loan - Phase II 1996	240,000	-	240,000	-	-
2016 General Obligation Refunding Bond	349,440	-	13,440	336,000	19,200
Wastewater System Junior State Revolving Funds - Series 5303-01	1,785,000	-	110,000	1,675,000	110,000
Series 5366-01	7,275,000	-	405,000	6,870,000	415,000
Clean Water Program 2003	1,175,000	-	135,000	1,040,000	140,000
Bond Premium	<u>28,302</u>	<u>-</u>	<u>1,887</u>	<u>26,415</u>	<u>1,887</u>
Total Wastewater Fund	<u>10,852,742</u>	<u>-</u>	<u>905,327</u>	<u>9,947,415</u>	<u>686,087</u>
Water Fund -					
2016 General Obligation Refunding Bond	1,176,903	-	45,265	1,131,638	64,665
Bond Premium	<u>95,322</u>	<u>-</u>	<u>6,355</u>	<u>88,967</u>	<u>6,355</u>
Total Water Fund	<u>1,272,225</u>	<u>-</u>	<u>51,620</u>	<u>1,220,605</u>	<u>71,020</u>
Golf Fund -					
Capital Leases	<u>43,872</u>	<u>151,659</u>	<u>43,872</u>	<u>151,659</u>	<u>27,641</u>
Total Business-type Activities	<u>12,168,839</u>	<u>151,659</u>	<u>1,000,819</u>	<u>11,319,679</u>	<u>784,748</u>
Total Primary Government	<u>\$ 14,944,244</u>	<u>\$ 194,899</u>	<u>\$ 1,264,456</u>	<u>\$ 13,874,687</u>	<u>\$ 1,065,617</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Governmental Activities:

Capital Lease -

The City entered into a lease purchase agreement for copiers in the amount of \$13,782. Payments are due in monthly installments of \$272 including interest of 6.87% through June 2023. The assets had a net book value of \$13,782 at June 30, 2018.

\$ 13,782

Bonds -

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 \$380,000 through October 2031 plus interest ranging from 3.0% to 4.0%, payable semi-annually.

1,992,362
\$ 2,006,144

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 \$414,500 has been recorded as a long-term liability in the Employee Vacation and Sick Fund (Internal Service Fund).

Business-type Activities -

Bonds/Loans -

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 \$380,000 through October 2031 plus interest ranging from 3.0% to 4.0%, payable semi-annually.

\$ 1,467,638

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.

1,040,000

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

2009 Bonds (Series 5303-01) in the original amount of \$3,955,000 is due in annual installments ranging from \$95,000 to \$150,000 through October 1, 2030 with interest of 2.50%, payable semi-annually. \$ 1,675,000

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. 6,870,000

Capital Lease -

The City entered into a lease purchase agreement for grounds equipment in the amount of \$151,659. Payments are due in monthly installments of \$2,831 including interest of 4.55 percent through May 2018. The assets had a net book value of \$151,659 at June 30, 2021. 151,659
\$ 11,204,297

The proceeds of the 2016 Refunding Bond issues were 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, 2018, the defeased bonds outstanding were \$2,750,000 and \$865,000 for the 2006 and 2005 Refunding Bonds, respectively.

The annual requirements to pay the debt outstanding at June 30, 2018 (excluding accrued compensated absences) are as follows:

Year Ending June 30,	Governmental Activities			
	Capital Lease		Refunding Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 2,392	\$ 873	\$ 261,135	\$ 60,813
2020	2,562	703	261,135	52,979
2021	2,744	521	276,135	44,920
2022	2,938	327	298,930	36,295
2023	3,146	119	63,928	30,851
2024-2028	-	-	416,639	117,475
2029-2032	-	-	414,460	33,155
	<u>\$ 13,782</u>	<u>\$ 2,543</u>	<u>\$ 1,992,362</u>	<u>\$ 376,488</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Year Ending June 30,	Business-type Activities					
	State Revolving Fund/ Clean Water Bond		Capital Lease		Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 665,000	\$ 231,248	\$ 27,641	\$ 6,328	\$ 83,865	\$ 49,062
2020	680,000	214,436	28,925	5,045	83,865	46,546
2021	695,000	197,247	30,269	3,701	83,865	44,030
2022	720,000	179,562	34,381	2,294	81,071	41,556
2023	730,000	161,436	30,443	823	81,071	39,124
2024-2028	3,445,000	538,715	-	-	528,361	148,975
2029-2032	2,650,000	129,000	-	-	525,540	42,045
	<u>\$ 9,585,000</u>	<u>\$ 1,651,644</u>	<u>\$ 151,659</u>	<u>\$ 18,191</u>	<u>\$ 1,467,638</u>	<u>\$ 411,338</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 Employees Retirement System -

Plan Description

General City Employees 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. GCERS 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 GCERS. GCERS may be amended by the Board of Trustees as listed. GCERS 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, 2018

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

The membership at June 30, 2018 was comprised of 38 active participants, 52 retirees and beneficiaries, and 9 other vested inactive participants.

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

Pension Plan Investments - Policy and Rate of Return

Investment Policy - GCERS' policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board of Trustees (the Board) by a majority vote of its members. It is the policy of the 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, 2018:

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

Rate of Return - For the year ended June 30, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.79 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 GCERS are paid with plan assets.

For fiscal year 2018, the annual required contribution (actuarially determined) was \$614,325 (27.90% of valuation payroll) and the actual contribution was \$1,027,450.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Net Pension Liability of GCERS

The net pension liability of GCERS has been measured as of June 30, 2018 and is composed of the following:

	<u>Total Pension Liability</u>	<u>GCERS' Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 26,286,823	\$ 15,501,114	\$ 10,785,709
Service cost	282,730	-	282,730
Interest on total pension liability	1,920,369	-	1,920,369
Net investment income	-	1,318,432	(1,318,432)
Expected and actual differences	(538,157)	-	(538,157)
Contributions from employer	-	1,027,450	(1,027,450)
Contributions from employees	-	184,393	(184,393)
Benefit payments	(1,646,537)	(1,646,537)	-
Administrative costs	-	(26,978)	26,978
Ending balance	<u>\$ 26,305,228</u>	<u>\$ 16,357,874</u>	<u>\$ 9,947,354</u>

GCERS fiduciary net position as a percentage of the total pension liability 62.18%

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

For the year ended June 30, 2018, the City recognized pension expense of \$1,380,754 for GCERS in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for GCERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 509,809
Changes of assumptions	-	54,867
Net difference between projected and actual earnings on GCERS investments	<u>1,056,033</u>	<u>-</u>
	<u>\$ 1,056,033</u>	<u>\$ 564,676</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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:

2019	\$	476,139
2020		197,981
2021	(	149,348)
2022	(	33,415)
	\$	491,357

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2018. 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, GCERS' 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 GCERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of GCERS 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, 2018 for each asset class included in GCERS' 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	5.00 - 10.00 %
Global Fixed Income/Credit	2.20 - 8.00
Real Assets	4.50 - 10.00
Diversifying Strategies	4.00 - 5.50
Money Markets	1.50

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 GCERS, calculated using the discount rate of 7.50 percent, as well as what 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.

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
Net pension liability of GCERS	\$ <u>12,867,658</u>	\$ <u>9,947,354</u>	\$ <u>7,475,013</u>

Police Officers and Firefighters 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. POFRS 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. POFRS may be amended by the Board of Trustees as listed. POFRS 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, 2018 was comprised of 23 active participants and 32 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 2.50% of final salary multiplied by the number of years of credited service, subject to a maximum of 25 years, plus 2.00% of final average salary multiplied by the number of years of credited service in excess of 25 years.

POFRS Investments - Policy and Rate of Return

Investment Policy - POFRS' policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board of Trustees (the Board) by a majority vote of its members. It is the policy of the 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, 2018:

<u>Asset Class</u>	<u>Target</u> <u>Allocation</u>
US Large Cap Equity	40.00 %
US Small/Mid Cap Equity	20.00
International Equity	15.00
US Core Bonds	20.00
Cash Equivalents	5.00

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Rate of Return - For the year ended June 30, 2018, the annual money-weighted rate of return on POFRS investments, net of POFRS investment expense, was 6.43 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 8.00% of compensation with the remaining amount contributed by the City based on actuarially determined amounts. Most administrative costs of POFRS are paid with POFRS assets.

For fiscal year 2018, the annual required contribution (actuarially determined) was \$760,944 (40.65% of valuation payroll) and the actual contribution was \$1,174,069.

Net Pension Liability of POFRS

The net pension liability of POFRS has been measured as of June 30, 2018 and is composed of the following:

	<u>Total Pension Liability</u>	<u>POFRS' Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 24,937,758	\$ 12,771,017	\$ 12,166,741
Service cost	346,030	-	346,030
Interest on total pension liability	1,884,136	-	1,884,136
Net investment income	-	788,873	(788,873)
Expected and actual differences	(65,203)	-	(65,203)
Contributions from employer	-	1,174,069	(1,174,069)
Contributions from employees	-	155,287	(155,287)
Benefit payments	(1,598,676)	(1,598,676)	-
Administrative costs	-	(25,231)	25,231
Ending balance	<u>\$ 25,504,045</u>	<u>\$ 13,265,339</u>	<u>\$ 12,238,706</u>

POFRS fiduciary net position as a percentage of the total pension liability 52.01%

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the City recognized pension expense of \$2,044,926 for POFRS in the government-wide financial statements of the primary government. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for POFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,135	\$ 276,685
Changes of assumptions	83,629	-
Net difference between projected and actual earnings on POFRS investments	1,290,672	-
	\$ 1,376,436	\$ 276,685

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

2019	\$ 677,581
2020	374,662
2021	8,863
2022	38,645
	\$ 1,099,751

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2018. 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, POFRS' 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 POFRS 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, 2018

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

The long-term expected rate of return on POFRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of POFRS 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, 2018 for each asset class included in POFRS' 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	5.00 - 10.00 %
Global Fixed Income/Credit	2.20 - 8.00
Real Assets	4.50 - 10.00
Diversifying Strategies	4.00 - 5.50
Money Markets	1.50

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of POFRS, calculated using the discount rate of 7.50 percent, as well as what 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 POFRS	\$ <u>15,109,140</u>	\$ <u>12,238,706</u>	\$ <u>9,817,524</u>

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, 2018

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.

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.

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, 2018 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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Rate of Return -

For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB Plan investments, net of investment expense, is 9.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Contribution and Funding Policy -

The OPEB Plan does not require any contributions. During the year ended June 30, 2018, the actuarially determined contribution was \$1,105,558. There were no contributions made during the year ended June 30, 2018. The actuarial valuation dated June 30, 2017 determined a required contribution of 32.44% (8.85% for normal costs and 23.59% 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.

Net OPEB Liability of the OPEB Plan -

The net OPEB liability of the City has been measured by an actuarial valuation as of June 30, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2018, and is composed of the following:

	<u>Total OPEB Liability</u>	<u>OPEB Plan's Net Position</u>	<u>Net OPEB Liability</u>
Beginning balance	\$ 23,945,569	\$ 14,099,553	\$ 9,846,016
Service cost	314,689	-	314,689
Interest on total OPEB liability	1,763,693	-	1,763,693
Net investment income	-	1,289,567	(1,289,567)
Expected and actual differences	(1,064,942)	-	(1,064,942)
Benefit payments	(1,174,008)	(1,174,008)	-
Administrative costs	-	(8,900)	8,900
Other	<u>27,555</u>	<u>47,670</u>	<u>(20,115)</u>
Ending balance	<u>\$ 23,812,556</u>	<u>\$ 14,253,882</u>	<u>\$ 9,558,674</u>
OPEB Plan fiduciary net position as a percentage of the total pension liability			59.86%

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB Plan -

For the year ended June 30, 2018, the City recognized OPEB expense of \$589,175 for the OPEB Plan in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2018, the City reported deferred inflows of resources related to the OPEB Plan from the following sources:

Difference between expected and actual experience	\$	655,350
Net difference between projected and actual earnings on OPEB Plan investments		221,168
		\$ 876,518

The amounts of deferred inflows of resources related to the OPEB Plan will be recognized in OPEB expense as follows:

2019	\$(	464,886)
2020	(	301,048)
2021	(	55,292)
2022	(	55,292)
		\$(876,518)

Actuarial Assumptions -

The total OPEB liability was determined by an actuarial valuation at June 30, 2018. The valuation used the following assumptions included in the measurement:

Salary Increases - 4.00%

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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
Net OPEB liability	\$ <u>12,545,218</u>	\$ <u>9,558,674</u>	\$ <u>7,058,648</u>

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 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u> <u>(5.00-4.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.00-5.00%)</u>	<u>1% Increase</u> <u>(7.00-6.00%)</u>
Net OPEB liability	\$ <u>6,929,699</u>	\$ <u>9,558,674</u>	\$ <u>12,706,499</u>

NOTE 11 - DEFERRED COMPENSATION:

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

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

NOTE 12 - RISK MANAGEMENT:

General Liability and Property -

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

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CITY OF MARYSVILLE, MICHIGAN
POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS

	<u>Annual money-weighted rate of return, net of investment expenses</u>
2018	6.43%
2017	8.49%
2016	-7.09%
2015	-3.68%
2014	15.35%

* GASB Statement No. 67 was implemented for fiscal year ended June 30, 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF MARYSVILLE, MICHIGAN

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability:			
Service Cost	\$ 346,030	\$ 324,912	\$ 303,047
Interest	1,884,136	1,843,364	1,832,666
Differences between expected and actual experience	(65,203)	(175,535)	(450,690)
Changes in assumptions	-	110,843	-
Benefit payments, including refunds	<u>(1,598,676)</u>	<u>(1,577,427)</u>	<u>(1,538,400)</u>
 Change in total pension liability	566,287	526,157	146,623
 Total pension liability, beginning of year	<u>24,937,758</u>	<u>24,411,601</u>	<u>24,264,978</u>
 Total pension liability, end of year	<u>\$ 25,504,045</u>	<u>\$ 24,937,758</u>	<u>\$ 24,411,601</u>
 Plan Fiduciary Net Position:			
Contributions - Employer	\$ 1,174,069	\$ 635,516	\$ 575,476
Contributions - Member	155,287	151,391	148,911
Net investment income	788,873	1,005,385	(972,913)
Benefit payments, including refunds	(1,598,676)	(1,577,427)	(1,538,400)
Administrative expenses	(25,231)	(28,899)	(17,555)
Other	<u>-</u>	<u>-</u>	<u>(7,943)</u>
 Net change in plan fiduciary net position	494,322	185,966	(1,812,424)
 Plan fiduciary net position, beginning of year	<u>12,771,017</u>	<u>12,585,051</u>	<u>14,397,475</u>
 Plan fiduciary net position, end of year	<u>\$ 13,265,339</u>	<u>\$ 12,771,017</u>	<u>\$ 12,585,051</u>
 City's Net Pension Liability - Ending	<u>\$ 12,238,706</u>	<u>\$ 12,166,741</u>	<u>\$ 11,826,550</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.01%	51.21%	51.55%
 Covered Employee Payroll	\$ 1,941,086	\$ 1,871,942	\$ 1,863,138
 City's Net Pension Liability as a Percentage of Covered Employee Payroll	630.5%	650.0%	634.8%

* GASB Statement No. 67 was implemented for fiscal year ended June 30, 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

<u>2015</u>	<u>2014</u>
\$ 300,240	\$ 304,469
1,708,579	1,684,480
87,539	(185,876)
1,048,328	-
(1,551,525)	(1,428,491)
1,593,161	374,582
<u>22,671,817</u>	<u>22,297,235</u>
<u>\$ 24,264,978</u>	<u>\$ 22,671,817</u>

\$ 583,248	\$ 544,898
143,863	162,383
(551,584)	2,128,427
(1,551,525)	(1,428,491)
(15,320)	(17,670)
(6,431)	(5,900)
(1,397,749)	1,383,647
<u>15,795,224</u>	<u>14,411,577</u>
<u>\$ 14,397,475</u>	<u>\$ 15,795,224</u>
<u>\$ 9,867,503</u>	<u>\$ 6,876,593</u>

59.33% 69.67%

\$ 1,775,066 \$ 1,766,882

555.9% 389.2%

CITY OF MARYSVILLE, MICHIGAN

**POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 760,944	\$ 635,516	\$ 575,476	\$ 583,248	\$ 544,898
Contributions in relation to the actuarially determined contribution	<u>1,174,069</u>	<u>635,516</u>	<u>575,476</u>	<u>583,248</u>	<u>544,898</u>
Contribution Deficiency (Excess)	<u><u>\$ (413,125)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 1,941,086	\$ 1,871,942	\$ 1,863,138	\$ 1,775,066	\$ 1,766,882
Contributions as a Percentage of Covered Employee Payroll	60.49%	33.95%	30.89%	32.86%	30.84%

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 and thereafter, 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 and thereafter RP 2000 Combined Healthy Mortality Table in 2015-2016 RP 2000 Healthy Annuitant Mortality for previous years

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 571,900	\$ 524,243	\$ 585,213	\$ 580,811	\$ 491,172	\$ 468,500
<u>571,900</u>	<u>524,243</u>	<u>585,213</u>	<u>580,811</u>	<u>491,172</u>	<u>468,500</u>
<u>\$ -</u>					
\$ 1,918,654	\$ 1,908,243	\$ 1,876,414	\$ 1,823,285	\$ 1,882,693	\$ 1,817,138
29.81%	27.47%	31.19%	31.86%	26.09%	25.78%

CITY OF MARYSVILLE, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF INVESTMENT RETURNS**

	<u>Annual money-weighted rate of return, net of investment expenses</u>
2018	9.48%
2017	9.49%

* GASB Statement No. 74 was implemented for fiscal year ended June 30, 2017. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF MARYSVILLE, MICHIGAN

RETIREE HEALTH BENEFITS

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>
Total OPEB Liability:		
Service Cost	\$ 314,689	\$ 313,221
Interest	1,763,693	1,688,589
Differences between expected and actual experience	(1,064,942)	99,513
Benefit payments, including refunds	(1,174,008)	(1,027,324)
Other changes	<u>27,555</u>	<u>-</u>
 Change in total OPEB liability	 (133,013)	 1,073,999
 Total OPEB liability, beginning of year	 <u>23,945,569</u>	 <u>22,871,570</u>
 Total OPEB liability, end of year	 <u>\$ 23,812,556</u>	 <u>\$ 23,945,569</u>
 Plan Fiduciary Net Position:		
Contributions - Employer	\$ -	\$ 810,015
Net investment income	1,289,567	1,273,677
Benefit payments, including refunds	(1,174,008)	(1,027,323)
Administrative expenses	(8,900)	(69,738)
Other	<u>47,670</u>	<u>-</u>
 Net change in plan fiduciary net position	 154,329	 986,631
 Plan fiduciary net position, beginning of year	 <u>14,099,553</u>	 <u>13,112,922</u>
 Plan fiduciary net position, end of year	 <u>\$ 14,253,882</u>	 <u>\$ 14,099,553</u>
 City's Net OPEB Liability - Ending	 <u>\$ 9,558,674</u>	 <u>\$ 9,846,016</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	 59.86%	 58.88%
 Covered Employee Payroll	 \$ 3,408,007	 \$ 3,408,007
 City's Net OPEB Liability as a Percentage of Covered Employee Payroll	 280.5%	 288.9%

* GASB Statement No. 74 was implemented for fiscal year ended June 30, 2017. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF MARYSVILLE, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF CITY CONTRIBUTIONS**

	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 1,105,558	\$ 810,015
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>810,015</u>
Contribution Deficiency (Excess)	<u><u>\$ 1,105,558</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 3,408,007	\$ 3,408,007
Contributions as a Percentage of Covered Employee Payroll	0.00%	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 Statement No. 74 was implemented for fiscal year ended June 30, 2017. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

SUPPLEMENTARY INFORMATION

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CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2018**

	<u>General Fund</u> <u>(Budgetary-Basis)</u>	<u>Industrial</u> <u>Development</u>	<u>General Fund</u> <u>(GAAP-Basis)</u>
Assets:			
Cash and cash equivalents	\$ 896,299	\$ 919	\$ 897,218
Investments	4,919,457	227,870	5,147,327
Receivables, net of allowance -			
Property taxes	21,425	-	21,425
Accounts and interest	140,031	517	140,548
Due from other governmental units	182,168	-	182,168
Due from other funds	18,056	-	18,056
Advance to other funds	989,100	-	989,100
Prepaid expenditures	83,975	-	83,975
Beneficial interest in assets held by others	25,352	-	25,352
	<u>\$ 7,275,863</u>	<u>\$ 229,306</u>	<u>\$ 7,505,169</u>
Total Assets			
	<u>\$ 7,275,863</u>	<u>\$ 229,306</u>	<u>\$ 7,505,169</u>
Liabilities:			
Accounts payable	\$ 188,487	\$ -	\$ 188,487
Accrued liabilities	34,891	-	34,891
Unearned revenue	24,061	-	24,061
Total Liabilities	<u>247,439</u>	<u>-</u>	<u>247,439</u>
Deferred Inflows of Resources:			
Unavailable revenues -			
Property taxes	25,066	-	25,066
Other	17,938	-	17,938
Total Deferred Inflows of Resources	<u>43,004</u>	<u>-</u>	<u>43,004</u>
Fund Balance:			
Nonspendable -			
Prepaid expenditures	83,975	-	83,975
Advance to other funds	989,100	-	989,100
Restricted	64,217	-	64,217
Committed	680,580	229,306	909,886
Assigned	175,000	-	175,000
Unassigned	4,992,548	-	4,992,548
Total Fund Balance	<u>6,985,420</u>	<u>229,306</u>	<u>7,214,726</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 7,275,863</u>	<u>\$ 229,306</u>	<u>\$ 7,505,169</u>

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund (Budgetary-Basis)</u>	<u>Industrial Development</u>	<u>General Fund (GAAP-Basis)</u>
Revenues:			
Taxes	\$ 6,412,838	\$ -	\$ 6,412,838
Licenses and permits	278,597	-	278,597
Intergovernmental - Federal/State	2,084,132	-	2,084,132
Charges for services	283,065	-	283,065
Fines and forfeits	14,085	-	14,085
Interest and rents	70,215	1,533	71,748
Other	97,038	-	97,038
Total Revenues	<u>9,239,970</u>	<u>1,533</u>	<u>9,241,503</u>
Expenditures:			
Current -			
General Government	873,589	19,918	893,507
Public Safety	3,108,751	-	3,108,751
Public Works	1,444,700	-	1,444,700
Recreation and Cultural	308,082	-	308,082
Other	1,723,338	-	1,723,338
Capital outlay	81,414	-	81,414
Debt Service -			
Principal	46,295	-	46,295
Interest	40,875	-	40,875
Total Expenditures	<u>7,627,044</u>	<u>19,918</u>	<u>7,646,962</u>
Revenues over (under) expenditures	1,612,926	(18,385)	1,594,541
Other Financing Sources (Uses):			
Capital lease proceeds	13,782	-	13,782
Transfers out	(2,188,672)	-	(2,188,672)
Total Other Financing Sources (Uses)	<u>(2,174,890)</u>	<u>-</u>	<u>(2,174,890)</u>
Net Change in Fund Balances	(561,964)	(18,385)	(580,349)
Fund Balance at beginning of year	<u>7,547,384</u>	<u>247,691</u>	<u>7,795,075</u>
Fund Balance at end of year	<u>\$ 6,985,420</u>	<u>\$ 229,306</u>	<u>\$ 7,214,726</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Interest	\$ 5,000	\$ 5,000	\$ 1,533	\$(3,467)
Expenditures:				
Current -				
General Government -				
Professional fees	<u>20,000</u>	<u>20,000</u>	<u>19,918</u>	<u>82</u>
Net Change in Fund Balance	(15,000)	(15,000)	(18,385)	(3,385)
Fund Balance at beginning of year	<u>247,691</u>	<u>247,691</u>	<u>247,691</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 232,691</u></u>	<u><u>\$ 232,691</u></u>	<u><u>\$ 229,306</u></u>	<u><u>\$(3,385)</u></u>

CITY OF MARYSVILLE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Special Revenue Funds				Debt Service Fund
	Major Street	Drug Law Enforcement	Parks and Recreation	Ambulance	Building Authority
Assets:					
Cash and cash equivalents	\$ 24,150	\$ 439	\$ 809	\$ 81,401	\$ 17
Investments	699,395	81,797	96,845	590,426	-
Accounts and interest receivable, net	9,077	250	219	68,109	-
Due from other governmental units	120,921	-	43,739	-	-
Prepaid expenditures	2,948	-	6,371	-	-
Beneficial interest in assets held by others	-	-	-	-	-
Total Assets	<u>\$ 856,491</u>	<u>\$ 82,486</u>	<u>\$ 147,983</u>	<u>\$ 739,936</u>	<u>\$ 17</u>
Liabilities:					
Accounts payable	\$ 112,142	\$ 187	\$ 32,454	\$ 60	\$ -
Accrued liabilities	599	-	6,895	-	-
Unearned revenue	-	-	26,890	-	-
Total Liabilities	<u>112,741</u>	<u>187</u>	<u>66,239</u>	<u>60</u>	<u>-</u>
Deferred Inflows of Resources:					
Unavailable revenues -					
Grants	-	-	43,739	-	-
Charges for services	4,607	-	-	35,894	-
Total Deferred Inflows of Resources	<u>4,607</u>	<u>-</u>	<u>43,739</u>	<u>35,894</u>	<u>-</u>
Fund Balance:					
Nonspendable - Perpetual Care	-	-	-	-	-
Restricted	739,143	82,299	-	-	17
Committed	-	-	38,005	703,982	-
Total Fund Balance	<u>739,143</u>	<u>82,299</u>	<u>38,005</u>	<u>703,982</u>	<u>17</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 856,491</u>	<u>\$ 82,486</u>	<u>\$ 147,983</u>	<u>\$ 739,936</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>
\$ 6	\$ 17	\$ 3,918	\$ 110,757
148,351	-	258,742	1,875,556
683	-	621	78,959
-	-	-	164,660
-	-	-	9,319
-	-	277,234	277,234
<u>\$ 149,040</u>	<u>\$ 17</u>	<u>\$ 540,515</u>	<u>\$ 2,516,485</u>
\$ -	\$ -	\$ -	\$ 144,843
-	-	-	7,494
-	-	-	26,890
<u>-</u>	<u>-</u>	<u>-</u>	<u>179,227</u>
-	-	-	43,739
-	-	-	40,501
<u>-</u>	<u>-</u>	<u>-</u>	<u>84,240</u>
-	-	272,332	272,332
149,040	-	268,183	1,238,682
-	17	-	742,004
<u>149,040</u>	<u>17</u>	<u>540,515</u>	<u>2,253,018</u>
<u>\$ 149,040</u>	<u>\$ 17</u>	<u>\$ 540,515</u>	<u>\$ 2,516,485</u>

CITY OF MARYSVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds				Debt Service Fund
	Major Street	Drug Law Enforcement	Parks and Recreation	Ambulance	Building Authority
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental -					
Federal/State	706,852	-	-	-	-
Charges for services	-	-	-	238,244	-
Interest and rent	3,985	669	363	2,759	-
Other	21,532	6,166	90,906	-	-
Total Revenues	<u>732,369</u>	<u>6,835</u>	<u>91,269</u>	<u>241,003</u>	<u>-</u>
Expenditures:					
Current -					
Public Safety	-	6,057	-	-	-
Public Works	575,308	-	-	-	-
Recreation and Culture	-	-	750,499	-	-
Capital outlay	-	-	-	84,006	-
Debit service -					
Principal	-	-	-	-	200,000
Interest and charges	-	-	-	-	29,050
Total Expenditures	<u>575,308</u>	<u>6,057</u>	<u>750,499</u>	<u>84,006</u>	<u>229,050</u>
Revenues over (under) expenditures	<u>157,061</u>	<u>778</u>	<u>(659,230)</u>	<u>156,997</u>	<u>(229,050)</u>
Other Financing Sources (Uses):					
Transfers in	-	-	575,000	-	229,050
Transfers out	(200,000)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>-</u>	<u>575,000</u>	<u>-</u>	<u>229,050</u>
Net Change in Fund Balances	(42,939)	778	(84,230)	156,997	-
Fund Balances at beginning of year	<u>782,082</u>	<u>81,521</u>	<u>122,235</u>	<u>546,985</u>	<u>17</u>
Fund Balances at end of year	<u>\$ 739,143</u>	<u>\$ 82,299</u>	<u>\$ 38,005</u>	<u>\$ 703,982</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>
\$ 99,377	\$ -	\$ -	\$ 99,377
-	-	-	706,852
-	-	-	238,244
1,814	(9)	7,277	16,858
-	-	-	118,604
<u>101,191</u>	<u>(9)</u>	<u>7,277</u>	<u>1,179,935</u>
-	-	-	6,057
-	-	-	575,308
-	-	-	750,499
29,789	-	-	113,795
-	-	-	200,000
-	-	-	29,050
<u>29,789</u>	<u>-</u>	<u>-</u>	<u>1,674,709</u>
<u>71,402</u>	<u>(9)</u>	<u>7,277</u>	<u>(494,774)</u>
-	-	-	804,050
<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>404,050</u>
(128,598)	(9)	7,277	(90,724)
<u>277,638</u>	<u>26</u>	<u>533,238</u>	<u>2,343,742</u>
<u>\$ 149,040</u>	<u>\$ 17</u>	<u>\$ 540,515</u>	<u>\$ 2,253,018</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, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 620,000	\$ 620,000	\$ 706,852	\$ 86,852
Interest	15,000	15,000	3,985	(11,015)
Other	12,000	12,000	21,532	9,532
	<u>647,000</u>	<u>647,000</u>	<u>732,369</u>	<u>85,369</u>
Total Revenues				
	647,000	647,000	732,369	85,369
Expenditures:				
Current -				
Public Works -				
Routine maintenance	168,988	198,988	203,733	(4,745)
Traffic services maintenance	21,081	21,081	19,289	1,792
Winter maintenance	120,954	130,954	123,863	7,091
Administration/engineering	6,714	6,714	14,909	(8,195)
Construction	432,699	432,699	213,514	219,185
	<u>750,436</u>	<u>790,436</u>	<u>575,308</u>	<u>215,128</u>
Total Expenditures				
	750,436	790,436	575,308	215,128
Revenues over (under) expenditures	(103,436)	(143,436)	157,061	300,497
Other Financing Uses:				
Transfers out	(200,000)	(200,000)	(200,000)	-
Net Change in Fund Balance	(303,436)	(343,436)	(42,939)	300,497
Fund Balance at beginning of year	782,082	782,082	782,082	-
Fund Balance at end of year	<u>\$ 478,646</u>	<u>\$ 438,646</u>	<u>\$ 739,143</u>	<u>\$ 300,497</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Interest	\$ -	\$ -	\$ 669	\$ 669
Other	<u>5,000</u>	<u>5,000</u>	<u>6,166</u>	<u>1,166</u>
Total Revenues	5,000	5,000	6,835	1,835
Expenditures:				
Current -				
Public Safety -				
Supplies	<u>4,750</u>	<u>14,750</u>	<u>6,057</u>	<u>8,693</u>
Net Change in Fund Balance	250	(9,750)	778	10,528
Fund Balance at beginning of year	<u>81,521</u>	<u>81,521</u>	<u>81,521</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 81,771</u></u>	<u><u>\$ 71,771</u></u>	<u><u>\$ 82,299</u></u>	<u><u>\$ 10,528</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, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - Local	\$ 43,000	\$ 48,000	\$ -	\$(48,000)
Interest	2,000	2,000	363	(1,637)
Other	114,600	114,600	90,906	(23,694)
	<u>159,600</u>	<u>164,600</u>	<u>91,269</u>	<u>(73,331)</u>
Expenditures:				
Current - Recreation and culture	<u>873,436</u>	<u>873,436</u>	<u>750,499</u>	<u>122,937</u>
Revenues under expenditures	(713,836)	(708,836)	(659,230)	49,606
Other Financing Sources:				
Transfers in	<u>615,786</u>	<u>615,786</u>	<u>575,000</u>	<u>(40,786)</u>
Net Change in Fund Balance	(98,050)	(93,050)	(84,230)	8,820
Fund Balance at beginning of year	<u>122,235</u>	<u>122,235</u>	<u>122,235</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 24,185</u>	<u>\$ 29,185</u>	<u>\$ 38,005</u>	<u>\$ 8,820</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 248,000	\$ 248,000	\$ 238,244	\$(9,756)
Interest	<u>10,000</u>	<u>10,000</u>	<u>2,759</u>	<u>(7,241)</u>
 Total Revenues	 258,000	 258,000	 241,003	 (16,997)
 Expenditures:				
Capital Outlay	<u>38,700</u>	<u>88,700</u>	<u>84,006</u>	<u>4,694</u>
 Net Change in Fund Balance	 219,300	 169,300	 156,997	 (12,303)
 Fund Balance at beginning of year	 <u>546,985</u>	 <u>546,985</u>	 <u>546,985</u>	 <u>-</u>
 Fund Balance at end of year	 <u><u>\$ 766,285</u></u>	 <u><u>\$ 716,285</u></u>	 <u><u>\$ 703,982</u></u>	 <u><u>\$(12,303)</u></u>

CITY OF MARYSVILLE, MICHIGAN

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Equipment Rental</u>	<u>Healthcare</u>	<u>Employee Vacation and Sick</u>	<u>Total</u>
Assets:				
Current Assets -				
Cash and cash equivalents	\$ 46,518	\$ 3,815	\$ 39,513	\$ 89,846
Investments	153,921	358,028	373,400	885,349
Accounts and interest receivable	249	397	733	1,379
Due from other funds	-	22,094	854	22,948
Inventories	1,117	-	-	1,117
Prepaid expenses	3,019	55,850	-	58,869
Total Current Assets	<u>204,824</u>	<u>440,184</u>	<u>414,500</u>	<u>1,059,508</u>
Non-Current Assets -				
Property, plant, and equipment	2,174,183	-	-	2,174,183
Less - accumulated depreciation	<u>(1,614,017)</u>	<u>-</u>	<u>-</u>	<u>(1,614,017)</u>
Total Non-Current Assets	<u>560,166</u>	<u>-</u>	<u>-</u>	<u>560,166</u>
Total Assets	<u>764,990</u>	<u>440,184</u>	<u>414,500</u>	<u>1,619,674</u>
Deferred Outflows of Resources:				
Related to pension plan	<u>45,603</u>	<u>-</u>	<u>-</u>	<u>45,603</u>
Liabilities:				
Current Liabilities -				
Accounts payable	13,351	15,762	-	29,113
Accrued expenses	958	-	-	958
Total Current Liabilities	<u>14,309</u>	<u>15,762</u>	<u>-</u>	<u>30,071</u>
Long-term Liabilities (net of current portion) -				
Net OPEB liability	235,445	-	-	235,445
Net pension liability	429,559	-	-	429,559
Accrued vacation and sick	-	-	414,500	414,500
Total Long-term Liabilities	<u>665,004</u>	<u>-</u>	<u>414,500</u>	<u>1,079,504</u>
Total Liabilities	<u>679,313</u>	<u>15,762</u>	<u>414,500</u>	<u>1,109,575</u>
Deferred Inflows of Resources:				
Related to pension plan	24,385	-	-	24,385
Related to OPEB plan	21,590	-	-	21,590
Total Deferred Inflows of Resources	<u>45,975</u>	<u>-</u>	<u>-</u>	<u>45,975</u>
Net Position:				
Net investment in capital assets	560,166	-	-	560,166
Unrestricted (deficit)	<u>(474,861)</u>	<u>424,422</u>	<u>-</u>	<u>(50,439)</u>
Total Net Position	<u>\$ 85,305</u>	<u>\$ 424,422</u>	<u>\$ -</u>	<u>\$ 509,727</u>

CITY OF MARYSVILLE, MICHIGAN

INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Equipment Rental	Healthcare	Employee Vacation and Sick	Total
Operating Revenues:				
Charges for services	\$ -	\$ 942,391	\$ -	\$ 942,391
Rent income	653,673	-	-	653,673
Total Operating Revenues	653,673	942,391	-	1,596,064
Operating Expenses:				
Personnel services	278,507	776,460	2,258	1,057,225
Supplies	51,288	-	-	51,288
Other services	140,105	-	-	140,105
Depreciation	116,726	-	-	116,726
Total Operating Expenses	586,626	776,460	2,258	1,365,344
Operating Income (Loss)	67,047	165,931	(2,258)	230,720
Non-Operating Revenues (Expenses):				
Gain on disposal of assets	7,401	-	-	7,401
Investment income	3,508	1,457	2,258	7,223
Total Non-Operating Revenues (Expenses)	10,909	1,457	2,258	14,624
Net Income Before Transfers	77,956	167,388	-	245,344
Transfers:				
Transfers out	(63,854)	-	-	(63,854)
Change in Net Position	14,102	167,388	-	181,490
Net Position at beginning of year	71,203	257,034	-	328,237
Net Position end of year	\$ 85,305	\$ 424,422	\$ -	\$ 509,727

CITY OF MARYSVILLE, MICHIGAN

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	<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	\$ 653,744	\$ 920,183	\$ -	\$ 1,573,927
Cash payments to suppliers	(183,298)	(749,183)	-	(932,481)
Cash payments to employees	(242,042)	-	27,200	(214,842)
Net Cash Provided by Operating Activities	<u>228,404</u>	<u>171,000</u>	<u>27,200</u>	<u>426,604</u>
Cash Flows From Noncapital Financing Activities:				
Transfers to other funds	(63,854)	-	-	(63,854)
Due from/to other funds	-	-	63	63
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(63,854)</u>	<u>-</u>	<u>63</u>	<u>(63,791)</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from sale of assets	20,264	-	-	20,264
Acquisition and construction of capital assets	(126,293)	-	-	(126,293)
Net Cash Used for Capital Related Financing Activities	<u>(106,029)</u>	<u>-</u>	<u>-</u>	<u>(106,029)</u>
Cash Flows From Investing Activities:				
Net purchases of investments	(33,299)	(169,423)	(25,596)	(228,318)
Net Increase in Cash and Cash Equivalents for the year	25,222	1,577	1,667	28,466
Cash and Cash Equivalents at Beginning of Year	<u>21,296</u>	<u>2,238</u>	<u>37,846</u>	<u>61,380</u>
Cash and Cash Equivalents at End of Year	<u>\$ 46,518</u>	<u>\$ 3,815</u>	<u>\$ 39,513</u>	<u>\$ 89,846</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 67,047	\$ 165,931	\$(2,258)	\$ 230,720
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation	116,726	-	-	116,726
Change in assets and liabilities -				
Receivables	71	(114)	-	(43)
Due from other funds	-	(22,094)	-	(22,094)
Prepaid expenses	2,973	20,270	-	23,243
Inventories	549	-	-	549
Net OPEB liability	23,636	-	-	23,636
Net pension liability	(28,168)	-	-	(28,168)
Deferred outflows/inflows related to the pension/OPEB plans	71,796	-	-	71,796
Accounts payable/accrued expenses	(26,226)	7,007	29,458	10,239
Net Cash Provided by Operating Activities	<u>\$ 228,404</u>	<u>\$ 171,000</u>	<u>\$ 27,200</u>	<u>\$ 426,604</u>