

CITY OF MARYSVILLE
St. Clair County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2019



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, 2019 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, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 26, 2019** 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.

Stewart, Beauvais & Whipple

Certified Public Accountants

December 26, 2019

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, 2019. 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

One of the most important questions asked about the City is, "As a whole, what is the City's financial condition as a result of the year's activities?" 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.

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 provide most of the funding.

Business-type Activities - these activities operate like private businesses, where the City charges fees to recover the costs of services provided. The City's water supply and wastewater 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 track specific sources of revenues and expenditures. Some funds are required by State law and/or by bond covenants. Other funds are established by City Council to manage operations.

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 City programs. Currently, the City has 12 governmental funds.

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

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

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's operations. The City has four fiduciary funds, two for separate employee retirement systems, retirees' health care, and the Tax Agency Fund.

FINANCIAL OVERVIEW (Government-wide Financial Analysis)

The City has combined total net position of \$34,391,648. This is an increase of \$1,137,701 over 2018. Governmental activities comprise \$8,673,454 and business-type activities make up \$25,718,194 of the total net position. In a condensed format, the table below shows net position at of the June 30, 2019 and 2018.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets				
Current and other assets	\$ 13,936,539	\$ 13,531,439	\$ 5,606,621	\$ 4,729,879
Capital assets	<u>26,574,416</u>	<u>25,729,540</u>	<u>33,725,339</u>	<u>34,839,497</u>
Total Assets	<u>40,510,955</u>	<u>39,260,979</u>	<u>39,331,960</u>	<u>39,569,376</u>
Deferred Outflows of Resources				
Deferred charges on refunding	85,180	103,769	48,473	52,203
Related to pensions	<u>1,322,695</u>	<u>2,235,145</u>	<u>122,760</u>	<u>197,324</u>
Total Deferred Outflows of Resources	<u>1,407,875</u>	<u>2,338,914</u>	<u>171,233</u>	<u>249,527</u>
Liabilities				
Current liabilities	880,405	574,947	253,102	252,602
Non-current liabilities	<u>30,746,983</u>	<u>31,524,272</u>	<u>13,315,489</u>	<u>14,095,149</u>
Total Liabilities	<u>31,627,388</u>	<u>32,099,219</u>	<u>13,568,591</u>	<u>14,347,751</u>
Deferred Inflows of Resources				
Related to Pensions	376,640	735,849	48,458	105,512
Related to OPEB	<u>1,241,348</u>	<u>778,545</u>	<u>167,950</u>	<u>97,973</u>
Total Deferred Inflows Of Resources	<u>1,617,988</u>	<u>1,514,394</u>	<u>216,408</u>	<u>203,485</u>
Net Position				
Net investment in capital assets	24,675,939	23,541,141	23,362,899	23,723,680
Restricted	2,734,482	3,917,276	6,000	6,000
Unrestricted (Deficit)	<u>(18,736,967)</u>	<u>(19,472,137)</u>	<u>2,349,295</u>	<u>1,537,987</u>
Total Net Position	<u>\$ 8,673,454</u>	<u>\$ 7,986,280</u>	<u>\$ 25,718,194</u>	<u>\$ 25,267,667</u>

The City's governmental activities experienced an increase in net position of \$687,174. The business-type activities experienced an increase in net position of \$450,527.

The following table shows the changes in net position for 2019 and 2018:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>Restated 2018</u>	<u>2019</u>	<u>Restated 2018</u>
Revenue:				
Program Revenue -				
Charges for services	\$ 1,584,394	\$ 1,375,837	\$ 5,099,676	\$ 4,924,732
Operating grants and contributions	1,290,392	1,183,354	663,260	496,927
Capital grants and contributions	6,475	277,940	-	-
General Revenue -				
Property taxes	6,533,939	6,520,617	-	-
Franchise fees	156,551	161,407	-	-
Grants and contributions not restricted to specific programs	1,929,214	2,057,614	-	-
Unrestricted investment income	476,303	89,822	209,371	24,906
Gain on sale of assets	134,031	6,937	-	-
Total Revenue	<u>12,111,299</u>	<u>11,673,528</u>	<u>5,972,307</u>	<u>5,446,565</u>
Program Expenses:				
General government	1,000,627	1,452,717	-	-
Public safety	5,059,778	5,762,524	-	-
Public works	3,926,239	3,549,081	-	-
Recreation and culture	1,468,190	1,410,029	-	-
Interest on long-term debt	66,353	69,325	-	-
Water supply system	-	-	2,114,456	2,055,885
Wastewater	-	-	3,310,262	3,062,567
Total Program Expenses	<u>11,521,187</u>	<u>12,243,676</u>	<u>5,424,718</u>	<u>5,118,452</u>
Increase (Decrease) in net position before transfers	590,112 (	570,148)	547,589	328,113
Transfers	<u>97,062</u>	<u>101,982</u>	<u>(97,062)</u>	<u>(101,982)</u>
Changes in Net Position	<u>\$ 687,174</u>	<u>\$(468,166)</u>	<u>\$ 450,527</u>	<u>\$ 226,131</u>

Governmental Activities

Revenues for governmental activities totaled \$12.1 million in 2019, of which approximately \$6.5 million or 53.9% of total revenue was received from taxes, followed by grants and contributions not restricted to specific programs of \$1.9 million or 15.9% of total revenue.

Business-type Activities

The City has two business-type activities: Water Supply and Wastewater. The City operates its own water and sewage treatment facilities. The Water Supply and Wastewater Funds had a net change in net position of \$575,487 and \$(124,960), respectively.

FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund ended 2019 with a fund balance of \$8,221,485, of which \$932,934 was nonspendable, \$63,717 was restricted, \$480,512 was committed, and \$550,918 was assigned, with the remaining amount of \$6,193,404 classified as unassigned. This is an increase of \$1,006,759 from the prior year, primarily due to a sale of property, more interest earned than anticipated, increased refuse charges, and conservative spending in the current year.

The City's other major governmental funds, the Local Street Fund and the Public Improvement Fund, ended 2019 with fund balances of \$471,007 and \$585,441, respectively. This is a decrease of \$118,382 for the Local Street Fund, primarily due to level spending with a smaller transfer in from other funds in 2019, and a decrease of \$1,167,215 in the Public Improvement Fund due to the construction of City Hall.

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

BUDGETARY HIGHLIGHTS

Over the course of the year, the City administration and City Council monitor the budget and, if necessary, amend the budget to take into account unanticipated events that occur during the year. The General Fund budgeted revenues increased by \$373,000 or 4.2% for intergovernmental revenues. General Fund budgeted expenditures and transfers out increased by \$246,950 or 2.9%.

The General Fund revenues and transfers for the year were over budget by \$434,947 or 4.7%. The General Fund expenditures and transfers out for the year were under budget by \$278,245 or 3.1%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had \$60.3 million invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2019. The investment in capital assets includes land, building and building improvements, infrastructure (including bike paths, sidewalks, and streets), machinery and equipment, vehicles, and utility systems (water supply and wastewater systems). During the year, the City added \$2,511,176 of capital assets in governmental activities and \$432,243 in business-type activities before taking into account depreciation. Depreciation for the year was \$1,666,300 for governmental activities and \$1,546,401 for business-type activities.

The City's major additions were road projects, a public safety boat, and a new City Hall in the governmental activities and water tower painting and low service pumps in the business-type activities.

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

Long-term Debt

At June 30, 2019, the City had \$12,813,390 in long-term debt, compared to \$13,874,687 at June 30, 2018. The reductions in debt are primarily due to scheduled payments.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City of Marysville, population of 9,959 per the 2010 Census (9,939 per the 2016 Census from SEMCOG), is primarily a residential community located in St. Clair County; this was a slight increase of 2.8% or 275 from the 2000 Census. According to SEMCOG, population peaked in 2008 at 10,132 and is estimated to reach 9,912 in 2020. The City’s proximity to the downtown Detroit metropolitan area and several major roadways, including Interstate Highways 94 and 69, has aided residential development in previous years. However, due to the general state of the economy, residential development has significantly declined. The latest reported (Census 2010) median income level for Marysville is \$55,674 in 2010 dollars and the median house value of owner-occupied units is \$143,000 in 2010 dollars.

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

2019	67.7 %
2018	69.4
2017	72.8
2016	78.2
2015	75.7
2014	75.9
2013	79.8
2012	75.9
2011	81.4
2010	79.9

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

The City’s elected and appointed officials considered many factors when setting the 2019-2020 fiscal year budget, along with the tax rates and fees that will be charged for the City’s activities. Revenues and transfers for the budgeted 2019-2020 year is expected to decrease by 5.3% or \$507,473 and expenditures and transfers budgeted for the 2019-2020 year in the General Fund is expected to increase by 12.3% or \$1,059,228 from the 2018-2019 actual amounts as a result of increased transfers. City Council is anticipating a decrease in the General Fund fund balance of \$550,918 in the 2019-2020 fiscal year.

CONTACTING THE CITY’S MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 3,206,034	\$ 512,977	\$ 3,719,011	\$ 295,324
Investments	8,584,479	4,613,396	13,197,875	505,538
Receivables (net of allowance)	776,319	1,312,507	2,088,826	5,245
Prepaid expenses	206,363	15,541	221,904	20,241
Internal balances	847,800	(847,800)	-	-
Inventory	2,522	-	2,522	-
Beneficial interest in assets held by others	313,022	-	313,022	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	3,200,553	9,079	3,209,632	104,253
Assets being depreciated	23,373,863	33,716,260	57,090,123	1,683,939
Total Assets	<u>40,510,955</u>	<u>39,331,960</u>	<u>79,842,915</u>	<u>2,614,540</u>
Deferred Outflows of Resources:				
Deferred charges on refunding	85,180	48,473	133,653	-
Related to pensions	1,322,695	122,760	1,445,455	-
Total Deferred Outflows of Resources	<u>1,407,875</u>	<u>171,233</u>	<u>1,579,108</u>	<u>-</u>
Liabilities:				
Payables and accrued liabilities	828,620	185,401	1,014,021	112,175
Accrued interest	14,224	67,701	81,925	-
Advances and deposits	4,704	-	4,704	42,587
Unearned revenue	32,857	-	32,857	1,809
Non-current liabilities -				
Net OPEB liability	7,533,828	1,019,301	8,553,129	-
Net pension liability	20,810,678	1,885,275	22,695,953	-
Due within one year	309,964	767,107	1,077,071	676
Due in more than one year	2,092,513	9,643,806	11,736,319	7,557
Total Liabilities	<u>31,627,388</u>	<u>13,568,591</u>	<u>45,195,979</u>	<u>164,804</u>
Deferred Inflows of Resources:				
Related to pensions	376,640	48,458	425,098	-
Related to OPEB	1,241,348	167,950	1,409,298	-
Total Deferred Inflows of Resources	<u>1,617,988</u>	<u>216,408</u>	<u>1,834,396</u>	<u>-</u>

(Continued)

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position:				
Net investment in capital assets	\$ 24,675,939	\$ 23,362,899	\$ 48,038,838	\$ 1,788,192
Restricted -				
Nonexpendable	272,332	-	272,332	-
Expendable:				
Cemetery	276,083	-	276,083	-
Streets	1,449,646	-	1,449,646	-
Debt service	17	-	17	-
Acquisition/construction of assets	585,441	6,000	591,441	-
Public Safety	116,222	-	116,222	-
Recreation and Cultural	9,389	-	9,389	-
Other	25,352	-	25,352	-
Unrestricted (deficit)	(18,736,967)	2,349,295	(16,387,672)	661,544
 Total Net Position	 <u>\$ 8,673,454</u>	 <u>\$ 25,718,194</u>	 <u>\$ 34,391,648</u>	 <u>\$ 2,449,736</u>

(Concluded)

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 1,000,627	\$ 156,059	\$ 2,240	\$ -
Public Safety	5,059,778	475,491	23,509	-
Public Works	3,926,239	339,576	1,194,497	6,475
Recreation and Culture	1,468,190	613,268	70,146	-
Interest on Long-term Debt	66,353	-	-	-
Total Governmental Activities	<u>11,521,187</u>	<u>1,584,394</u>	<u>1,290,392</u>	<u>6,475</u>
Business-type Activities:				
Water Supply System	2,114,456	2,674,530	-	-
Wastewater	3,310,262	2,425,146	663,260	-
Total Business-type Activities	<u>5,424,718</u>	<u>5,099,676</u>	<u>663,260</u>	<u>-</u>
Total Primary Government	<u>\$ 16,945,905</u>	<u>\$ 6,684,070</u>	<u>\$ 1,953,652</u>	<u>\$ 6,475</u>
Component Units				
Housing Commission	\$ 913,712	\$ 476,699	\$ 266,995	\$ 75,021
Local Development Finance Authority District No. 1	-	-	-	-
Total Component Units	<u>\$ 913,712</u>	<u>\$ 476,699</u>	<u>\$ 266,995</u>	<u>\$ 75,021</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			
Governmental Activities	Business-type Activities	Total	Component Units
\$(842,328)	\$ -	\$(842,328)	\$ -
(4,560,778)	-	(4,560,778)	-
(2,385,691)	-	(2,385,691)	-
(784,776)	-	(784,776)	-
(66,353)	-	(66,353)	-
<u>(8,639,926)</u>	<u>-</u>	<u>(8,639,926)</u>	<u>-</u>
-	560,074	560,074	-
<u>-</u>	<u>(221,856)</u>	<u>(221,856)</u>	<u>-</u>
<u>-</u>	<u>338,218</u>	<u>338,218</u>	<u>-</u>
<u>(8,639,926)</u>	<u>338,218</u>	<u>(8,301,708)</u>	<u>-</u>
-	-	-	(94,997)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,997)</u>
6,533,939	-	6,533,939	-
2,085,765	-	2,085,765	-
476,303	209,371	685,674	10,531
134,031	-	134,031	-
97,062	(97,062)	-	-
<u>9,327,100</u>	<u>112,309</u>	<u>9,439,409</u>	<u>10,531</u>
687,174	450,527	1,137,701	(84,466)
<u>7,986,280</u>	<u>25,267,667</u>	<u>33,253,947</u>	<u>2,534,202</u>
<u>\$ 8,673,454</u>	<u>\$ 25,718,194</u>	<u>\$ 34,391,648</u>	<u>\$ 2,449,736</u>

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Special Revenue Fund Local Street	Capital Projects Fund Public Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,442,689	\$ 152,538	\$ 384,727	\$ 1,037,892	\$ 3,017,846
Investments	5,287,290	405,516	610,110	1,316,244	7,619,160
Receivables, net of allowance -					
Property taxes	41,129	-	-	-	41,129
Interest and accounts	220,040	1,666	5,353	92,053	319,112
Due from other governmental units	188,193	48,490	-	176,692	413,375
Due from other funds	326,574	-	-	317	326,891
Inventory	-	-	-	1,089	1,089
Prepaid expenditures	85,134	7,495	-	16,345	108,974
Advance to other funds	847,800	-	-	-	847,800
Beneficial interest in assets held by others	25,352	-	-	287,670	313,022
Total Assets	\$ 8,464,201	\$ 615,705	\$ 1,000,190	\$ 2,928,302	\$ 13,008,398
Liabilities:					
Accounts payable	\$ 143,168	\$ 142,329	\$ 414,749	\$ 44,096	\$ 744,342
Accrued liabilities	32,944	2,369	-	16,030	51,343
Advances and deposits	-	-	-	4,704	4,704
Due to other funds	-	-	-	242,574	242,574
Unearned revenue	15,663	-	-	17,194	32,857
Total Liabilities	191,775	144,698	414,749	324,598	1,075,820
Deferred Inflows of Resources:					
Unavailable revenues -					
Property taxes	41,129	-	-	-	41,129
Grants	9,812	-	-	-	9,812
Charges for services	-	-	-	76,476	76,476
Total Deferred Inflows of Resources	50,941	-	-	76,476	127,417
Fund Balances:					
Nonspendable -					
Prepaid expenditures	85,134	-	-	-	85,134
Beneficial interest in assets held by others	25,352	-	-	-	25,352
Advance to other funds	847,800	-	-	-	847,800
Perpetual Care	-	-	-	272,332	272,332
Restricted	63,717	471,007	585,441	1,341,985	2,462,150
Committed	480,512	-	-	912,911	1,393,423
Assigned	550,918	-	-	-	550,918
Unassigned	6,168,052	-	-	-	6,168,052
Total Fund Balances	8,221,485	471,007	585,441	2,527,228	11,805,161
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,464,201	\$ 615,705	\$ 1,000,190	\$ 2,928,302	\$ 13,008,398

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, 2019**

Fund Balances - total governmental funds		\$	11,805,161
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			74,223,045
Accumulated depreciation		(	48,095,127)
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			1,288,769
Deferred inflows of resources		(	1,584,982)
Other long - term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.			
Delinquent personal property taxes	\$	41,129	
Grants		9,812	
Charges for services		76,476	127,417
<hr style="width: 100%;"/>			
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.			526,332
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	(	1,731,227)	
Lease payable	(	135,408)	
Net OPEB liability	(	7,414,790)	
Net pension liability	(	20,289,670)	
Accrued interest	(	14,224)	29,585,319)
<hr style="width: 100%;"/>			
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).		(	117,022)
Losses on refunding are not reported in the governmental funds, where they are capitalized and amortized from net position			85,180
<hr style="width: 100%;"/>			
Net Position of governmental activities		\$	<u>8,673,454</u>

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General	Special Revenue Fund Local Street	Capital Projects Fund Public Improvement	Other Governmental Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 6,417,350	\$ -	\$ -	\$ 96,953	\$ 6,514,303
Licenses and permits	263,224	-	-	-	263,224
Intergovernmental	1,960,592	438,327	6,475	845,055	3,250,449
Charges for services	421,055	-	-	543,602	964,657
Fines and forfeits	9,871	-	-	-	9,871
Interest and rent	295,579	26,231	87,871	259,163	668,844
Other	121,421	5,483	-	183,139	310,043
Total Revenues	<u>9,489,092</u>	<u>470,041</u>	<u>94,346</u>	<u>1,927,912</u>	<u>11,981,391</u>
Expenditures:					
Current -					
General government	886,481	-	-	-	886,481
Public safety	3,160,894	-	-	8,116	3,169,010
Public works	1,492,908	688,423	-	801,625	2,982,956
Recreation and cultural	317,831	-	-	920,413	1,238,244
Other activities	1,828,045	-	-	-	1,828,045
Capital outlay	43,867	-	1,590,561	170,155	1,804,583
Debt service -					
Principal	68,527	-	-	222,641	291,168
Interest	40,060	-	-	32,285	72,345
Total Expenditures	<u>7,838,613</u>	<u>688,423</u>	<u>1,590,561</u>	<u>2,155,235</u>	<u>12,272,832</u>
Revenues over (under) expenditures	<u>1,650,479</u>	<u>(218,382)</u>	<u>(1,496,215)</u>	<u>(227,323)</u>	<u>(291,441)</u>
Other Financing Sources (Uses):					
Sale of asset	134,031	-	-	-	134,031
Transfers in	15,000	100,000	329,000	509,344	953,344
Transfers out	<u>(792,751)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(807,751)</u>
Total Other Financing Sources (Uses)	<u>(643,720)</u>	<u>100,000</u>	<u>329,000</u>	<u>494,344</u>	<u>279,624</u>
Net Change in Fund Balances	1,006,759	(118,382)	(1,167,215)	267,021	(11,817)
Fund Balances at beginning of year	<u>7,214,726</u>	<u>589,389</u>	<u>1,752,656</u>	<u>2,260,207</u>	<u>11,816,978</u>
Fund Balances at end of year	<u>\$ 8,221,485</u>	<u>\$ 471,007</u>	<u>\$ 585,441</u>	<u>\$ 2,527,228</u>	<u>\$ 11,805,161</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, 2019**

Net change in fund balances - total governmental funds		\$(11,817)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		2,511,176
Depreciation expense		(1,552,632)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(4,123)
<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		291,168
<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	<u>7,239</u>	5,992
<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>		
		16,605
<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		840,013
Increase in net pension liability		(391,872)
Change in pension/OPEB expense related to deferred items related to the pension/OPEB plans		<u>(1,017,336)</u>
Change in net position of governmental activities		<u><u>\$ 687,174</u></u>

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	Business-type Activities - Enterprise Funds			Governmental
	Water Supply System	Wastewater	Total	Internal Service Funds
Assets:				
Current Assets -				
Cash and cash equivalents	\$ 95,067	\$ 417,910	\$ 512,977	\$ 188,188
Investments	1,696,262	2,917,134	4,613,396	965,319
Accounts and interest receivable	450,700	417,138	867,838	2,703
Due from other governmental units	-	444,669	444,669	-
Inventories	-	-	-	1,433
Prepaid expenses	11,355	4,186	15,541	97,389
Total Current Assets	<u>2,253,384</u>	<u>4,201,037</u>	<u>6,454,421</u>	<u>1,255,032</u>
Non-Current Assets -				
Property, plant, and equipment	20,693,265	35,651,651	56,344,916	2,174,183
Less - accumulated depreciation	<u>(10,333,121)</u>	<u>(12,286,456)</u>	<u>(22,619,577)</u>	<u>(1,727,685)</u>
Total Non-Current Assets	<u>10,360,144</u>	<u>23,365,195</u>	<u>33,725,339</u>	<u>446,498</u>
Total Assets	<u>12,613,528</u>	<u>27,566,232</u>	<u>40,179,760</u>	<u>1,701,530</u>
Deferred Outflows of Resources:				
Related to pension plan	68,218	54,542	122,760	33,926
Deferred charge on refunding	37,391	11,082	48,473	-
	<u>105,609</u>	<u>65,624</u>	<u>171,233</u>	<u>33,926</u>

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

	Business-type Activities - Enterprise Funds			Governmental
	Water Supply System	Wastewater	Total	Internal Service Funds
Liabilities:				
Current Liabilities -				
Accounts payable	\$ 41,628	\$ 126,486	\$ 168,114	\$ 31,872
Accrued expenses	13,325	3,962	17,287	1,063
Accrued interest	9,215	58,486	67,701	-
Due to other funds	-	-	-	84,317
Bonds payable (current portion)	71,020	696,087	767,107	-
Total Current Liabilities	135,188	885,021	1,020,209	117,252
Long-term Liabilities (net of current portion) -				
Advance from other funds	847,800	-	847,800	-
Net OPEB obligation	628,872	390,429	1,019,301	119,038
Net pension liability	1,047,658	837,617	1,885,275	521,008
Accrued vacation and sick	-	-	-	418,820
Bonds payable	1,078,565	8,565,241	9,643,806	-
Total Long-term Liabilities	3,602,895	9,793,287	13,396,182	1,058,866
Total Liabilities	3,738,083	10,678,308	14,416,391	1,176,118
Deferred Inflows of Resources:				
Related to pension plan	26,928	21,530	48,458	13,392
Related to OPEB plan	103,619	64,331	167,950	19,614
Total Deferred Inflows of Resources	130,547	85,861	216,408	33,006
Net Position:				
Net investment in capital assets	9,247,950	14,114,949	23,362,899	446,498
Restricted	6,000	-	6,000	-
Unrestricted (deficit)	(403,443)	2,752,738	2,349,295	79,834
Total Net Position	\$ 8,850,507	\$ 16,867,687	\$ 25,718,194	\$ 526,332

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Supply System	Wastewater	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 2,646,523	\$ 2,418,548	\$ 5,065,071	\$ 828,296
Rent income	-	-	-	600,354
Intergovernmental	-	663,260	663,260	-
Other	28,007	6,598	34,605	-
Total Operating Revenues	<u>2,674,530</u>	<u>3,088,406</u>	<u>5,762,936</u>	<u>1,428,650</u>
Operating Expenses:				
Personnel services	890,098	565,543	1,455,641	1,092,687
Supplies	129,022	142,665	271,687	53,984
Other services	514,002	1,346,143	1,860,145	146,617
Depreciation	527,686	1,018,715	1,546,401	113,668
Total Operating Expenses	<u>2,060,808</u>	<u>3,073,066</u>	<u>5,133,874</u>	<u>1,406,956</u>
Operating Income (Loss)	<u>613,722</u>	<u>15,340</u>	<u>629,062</u>	<u>21,694</u>
Non-Operating Revenues (Expenses):				
Investment income	63,944	145,427	209,371	43,442
Interest expenses	(53,648)	(237,196)	(290,844)	-
Total Non-Operating Revenues (Expenses)	<u>10,296</u>	<u>(91,769)</u>	<u>(81,473)</u>	<u>43,442</u>
Net Income (Loss) Before Transfers	624,018	(76,429)	547,589	65,136
Transfers:				
Transfers out	(48,531)	(48,531)	(97,062)	(48,531)
Change in Net Position	575,487	(124,960)	450,527	16,605
Net Position at beginning of year, as restated	<u>8,275,020</u>	<u>16,992,647</u>	<u>25,267,667</u>	<u>509,727</u>
Net Position end of year	<u>\$ 8,850,507</u>	<u>\$ 16,867,687</u>	<u>\$ 25,718,194</u>	<u>\$ 526,332</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, 2019**

	Business-type Activities - Enterprise Funds			Governmental
	Water Supply System	Wastewater	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash receipts from customers	\$ 2,625,701	\$ 3,250,631	\$ 5,876,332	\$ -
Cash receipts from interfund services	-	-	-	1,449,822
Cash payments to suppliers	(517,365)	(1,430,749)	(1,948,114)	(1,103,260)
Cash payments for interfund services	(112,816)	(93,640)	(206,456)	-
Cash payments to employees	(819,950)	(569,220)	(1,389,170)	(247,930)
Net Cash Provided by (Used for)				
Operating Activities	<u>1,175,570</u>	<u>1,157,022</u>	<u>2,332,592</u>	<u>98,632</u>
Cash Flows From Noncapital Financing Activities:				
Transfers from/to other funds	(48,531)	(48,531)	(97,062)	(48,531)
Due from/to other funds	-	-	-	85,171
Net Cash Provided by (Used for) Noncapital				
Financing Activities	<u>(48,531)</u>	<u>(48,531)</u>	<u>(97,062)</u>	<u>36,640</u>
Cash Flows From Capital and Related Financing Activities:				
Interest paid	(57,612)	(242,545)	(300,157)	-
Bond payments	(64,665)	(684,200)	(748,865)	-
Repayment of advances from other funds	(141,300)	-	(141,300)	-
Acquisition and construction of capital assets	(421,079)	(11,164)	(432,243)	-
Net Cash Used for Capital and Related				
Financing Activities	<u>(684,656)</u>	<u>(937,909)</u>	<u>(1,622,565)</u>	<u>-</u>
Cash Flows From Investing Activities:				
Net purchases of investments	<u>(363,303)</u>	<u>245,315</u>	<u>(117,988)</u>	<u>(36,930)</u>
Net Increase in Cash and Cash				
Equivalents for the year	79,080	415,897	494,977	98,342
Cash and Cash Equivalents at				
Beginning of Year	<u>15,987</u>	<u>2,013</u>	<u>18,000</u>	<u>89,846</u>
Cash and Cash Equivalents at End of Year	<u>\$ 95,067</u>	<u>\$ 417,910</u>	<u>\$ 512,977</u>	<u>\$ 188,188</u>

Continued

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

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water Supply System</u>	<u>Wastewater</u>	<u>Total</u>	<u>Internal Service Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss) for the year	\$ 613,722	\$ 15,340	\$ 629,062	\$ 21,694
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities -				
Depreciation	527,686	1,018,715	1,546,401	113,668
Change in assets and liabilities:				
Receivables	(48,829)	162,225	113,396	(922)
Due to/from other funds	-	-	-	22,094
Prepays and deposits	1,808	494	2,302	(38,520)
Inventories	-	-	-	(316)
Net OPEB liability	22,605	(71,730)	(49,125)	(116,407)
Net pension liability	(12,209)	38,781	26,572	91,449
Deferred outflows/inflows related to pension and OPEB plans	59,088	28,399	87,487	(1,292)
Accounts payable/accrued expenses	11,699	(35,202)	(23,503)	7,184
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,175,570</u>	<u>\$ 1,157,022</u>	<u>\$ 2,332,592</u>	<u>\$ 98,632</u>

Concluded

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	<u>Employee Retirement Systems</u>		<u>Retirees'</u>		<u>Tax</u>
	<u>Police and</u>	<u>Other City</u>	<u>Health</u>		<u>Agency</u>
	<u>Firefighters</u>	<u>Employees</u>	<u>Care</u>	<u>Total</u>	<u>Fund</u>
Assets:					
Cash and cash equivalents	\$ 8,118	\$ 5,126	\$ 258	\$ 13,502	\$ 3,329
Investments, at fair value -					
Marketable CD's	623,212	330,002	463,003	1,416,217	-
U.S. government securities	1,238,532	1,896,907	1,401,266	4,536,705	-
Cash/money market funds	2,174,286	1,323,975	949,687	4,447,948	-
Asset backed securities	253,575	338,788	262,705	855,068	-
Corporate bonds	1,476,791	2,088,384	1,860,113	5,425,288	-
Mutual funds	193,023	274,074	117,803	584,900	-
Stocks	7,731,703	10,480,174	8,987,502	27,199,379	-
Total Investments	<u>13,691,122</u>	<u>16,732,304</u>	<u>14,042,079</u>	<u>44,465,505</u>	<u>-</u>
Receivables -					
Taxes	-	-	-	-	102,905
Members	12,143	13,269	-	25,412	-
Interest and dividends	22,187	30,913	30,429	83,529	-
Total Receivables	<u>34,330</u>	<u>44,182</u>	<u>30,429</u>	<u>108,941</u>	<u>102,905</u>
Prepayments	-	-	80,812	80,812	-
Total Assets	<u>13,733,570</u>	<u>16,781,612</u>	<u>14,153,578</u>	<u>44,668,760</u>	<u>\$ 106,234</u>
Liabilities:					
Accounts payable	17,007	24,102	173,282	214,391	\$ -
Due to other governmental units	-	-	-	-	106,234
Total Liabilities	<u>17,007</u>	<u>24,102</u>	<u>173,282</u>	<u>214,391</u>	<u>\$ 106,234</u>
Net Position:					
Restricted for pension benefits	13,716,563	16,757,510	-	30,474,073	
Restricted for other postemployment benefits	-	-	13,980,296	13,980,296	
	<u>\$ 13,716,563</u>	<u>\$ 16,757,510</u>	<u>\$ 13,980,296</u>	<u>\$ 44,454,369</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, 2019**

	Employee Retirement Systems		Retirees'	Total
	Police and Firefighters	Other City Employees	Health Care	
Additions:				
Contributions -				
Member contributions	\$ 156,546	\$ 180,875	\$ -	\$ 337,421
Employer contributions	1,230,551	1,017,228	-	2,247,779
Total Contributions	<u>1,387,097</u>	<u>1,198,103</u>	<u>-</u>	<u>2,585,200</u>
Investment Income -				
Interest/dividends	216,096	332,941	326,706	875,743
Net appreciation	538,411	718,343	677,014	1,933,768
Total Investment Income	<u>754,507</u>	<u>1,051,284</u>	<u>1,003,720</u>	<u>2,809,511</u>
Less investment expenses	(64,440)	(88,200)	(86,331)	(238,971)
Net investment income	<u>690,067</u>	<u>963,084</u>	<u>917,389</u>	<u>2,570,540</u>
Other -				
Miscellaneous	-	-	61,122	61,122
Total Additions	<u>2,077,164</u>	<u>2,161,187</u>	<u>978,511</u>	<u>5,216,862</u>
Deductions:				
Retirement benefit payments	1,596,305	1,710,234	-	3,306,539
Employee refunds	-	25,273	-	25,273
Health/life insurance	-	-	1,252,097	1,252,097
Administration	29,635	26,044	-	55,679
Total Deductions	<u>1,625,940</u>	<u>1,761,551</u>	<u>1,252,097</u>	<u>4,639,588</u>
Net increase (decrease) in net position	451,224	399,636	(273,586)	577,274
Net Position:				
Beginning of year	<u>13,265,339</u>	<u>16,357,874</u>	<u>14,253,882</u>	<u>43,877,095</u>
End of year	<u>\$ 13,716,563</u>	<u>\$ 16,757,510</u>	<u>\$ 13,980,296</u>	<u>\$ 44,454,369</u>

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

COMPONENT UNITS

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2019**

	<u>Housing Commission</u>	<u>Local Development Finance Authority District No. 1</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 279,667	\$ 15,657	\$ 295,324
Investments	505,538	-	505,538
Receivables	5,245	-	5,245
Prepays and deposits	20,241	-	20,241
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	104,253	-	104,253
Assets being depreciated	<u>1,683,939</u>	<u>-</u>	<u>1,683,939</u>
Total Assets	<u>2,598,883</u>	<u>15,657</u>	<u>2,614,540</u>
Liabilities:			
Payables and accrued liabilities	112,175	-	112,175
Unearned revenue	1,809	-	1,809
Advances and deposits	42,587	-	42,587
Non-current liabilities			
Due within one year	676	-	676
Due in more than one year	<u>7,557</u>	<u>-</u>	<u>7,557</u>
Total Liabilities	<u>164,804</u>	<u>-</u>	<u>164,804</u>
Net Position:			
Net investment in capital assets	1,788,192	-	1,788,192
Unrestricted	<u>645,887</u>	<u>15,657</u>	<u>661,544</u>
Total Net Position	<u>\$ 2,434,079</u>	<u>\$ 15,657</u>	<u>\$ 2,449,736</u>

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, 2019**

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	\$ 913,712	\$ 476,699	\$ 266,995	\$ 75,021
Local Development Finance Authority				
District No. 1				
Governmental Activities:				
Interest on long-term debt	-	-	-	-
Total Component Units	<u>\$ 913,712</u>	<u>\$ 476,699</u>	<u>\$ 266,995</u>	<u>\$ 75,021</u>

General Revenues:
 Unrestricted investment income

Change in net position

Net position at beginning of year

Net position at end of year

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

<u>Net (Expense) Revenue and Change in Net Position</u>		
<u>Housing Commission</u>	<u>Local Development Finance Authority District No. 1</u>	<u>Total</u>
\$(94,997)	\$ -	\$(94,997)
-	-	<u>-</u>
		(94,997)
<u>10,531</u>	<u>-</u>	<u>10,531</u>
(84,466)	-	(84,466)
<u>2,518,545</u>	<u>15,657</u>	<u>2,534,202</u>
<u>\$ 2,434,079</u>	<u>\$ 15,657</u>	<u>\$ 2,449,736</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019

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, 2019

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.

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.

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

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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, 2019

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, with the exception of fuel, which is recorded as an expenditure when used.

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, 2019

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:

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

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

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, 2019

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, 2019

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, 2019, the City did not incur any expenditures over that amount.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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	\$ 2,415	\$ 100	\$ -	\$ 2,515
Deposits with Financial Institutions	<u>3,716,596</u>	<u>800,762</u>	<u>16,831</u>	<u>4,534,189</u>
Investments -				
Cash with Brokers	-	-	3,950,203	3,950,203
Money Market Funds	-	-	497,745	497,745
Marketable CDs	737,646	-	1,416,217	2,153,863
Commercial Paper	1,401,138	-	-	1,401,138
Municipal Bonds	5,023,480	-	-	5,023,480
U.S. Government Securities	5,628,819	-	4,536,705	10,165,524
Asset Backed Securities	406,792	-	855,068	1,261,860
Stocks	-	-	27,199,379	27,199,379
Corporate Bond/Notes	-	-	5,425,288	5,425,288
Mutual Funds	-	-	584,900	584,900
Total Investments	<u>13,197,875</u>	<u>-</u>	<u>44,465,505</u>	<u>57,663,380</u>
Grand Total	<u>\$ 16,916,886</u>	<u>\$ 800,862</u>	<u>\$ 44,482,336</u>	<u>\$ 62,200,084</u>
Reconciliation to Statements of Net Position				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 2,415	\$ 100	\$ -	\$ 2,515
Deposits with Financial Institutions	<u>3,716,596</u>	<u>295,224</u>	<u>16,831</u>	<u>4,028,651</u>
Total Cash and Cash Equivalents	<u>3,719,011</u>	<u>295,324</u>	<u>16,831</u>	<u>4,031,166</u>
Reported as Investments -				
Deposits with Financial Institutions	-	505,538	-	505,538
Cash with Brokers	-	-	3,950,203	3,950,203
Money Market Funds	-	-	497,745	497,745
Marketable CDs	737,646	-	1,416,217	2,153,863
Commercial Paper	1,401,138	-	-	1,401,138
Municipal Bonds	5,023,480	-	-	5,023,480
U.S. Government Securities	5,628,819	-	4,536,705	10,165,524
Asset Backed Securities	406,792	-	855,068	1,261,860
Stocks	-	-	27,199,379	27,199,379
Corporate Bond/Notes	-	-	5,425,288	5,425,288
Mutual Funds	-	-	584,900	584,900
Total Investments	<u>13,197,875</u>	<u>505,538</u>	<u>44,465,505</u>	<u>58,168,918</u>
Grand Total – Statements of Net Position	<u>\$ 16,916,886</u>	<u>\$ 800,862</u>	<u>\$ 44,482,336</u>	<u>\$ 62,200,084</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the book value of the City's deposits, excluding the Housing Commission, was \$3,749,084 with a corresponding bank balance of \$4,622,396, of which \$852,301 was covered by depository insurance with the remaining \$3,770,095 uninsured and uncollateralized.

The Housing Commission's deposits had a book and bank balance of \$785,005, 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).

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

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

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, 2019, the credit quality ratings of City's investments in Corporate Bonds/Notes, Municipal Bonds, and Asset Backed Securities had the following ratings:

<u>Fair Value</u>	<u>Rating Agency</u>	<u>Rating</u>
\$ 1,394,493	Moody's	A1
1,536,723	Moody's	A2
1,210,263	Moody's	A3
2,045,719	Moody's	AA1
362,690	Moody's	AA2
586,316	Moody's	AA3
700,541	Moody's	AAA
244,539	Moody's	BAA1
166,918	Moody's	BAA2
1,401,138	Moody's	P-1
2,501,948	S & P	AA
<u>960,478</u>	N/A	N/A*
<u>\$ 13,111,766</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, 2019

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

The City has the following recurring fair value measurements as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial Paper	\$ -	\$ 1,401,138	\$ -	\$ 1,401,138
Municipal Bonds	-	5,023,480	-	5,023,480
U.S. Governmental Securities	-	10,165,524	-	10,165,524
Asset-backed Securities	-	1,261,860	-	1,261,860
Stocks	27,199,379	-	-	27,199,379
Corporate Bonds/Notes	-	5,425,288	-	5,425,288
Mutual Funds	<u>584,900</u>	<u>-</u>	<u>-</u>	<u>584,900</u>
	<u>\$ 27,784,279</u>	<u>\$ 23,277,290</u>	<u>\$ -</u>	<u>51,061,569</u>
Cash Held with Brokers				3,950,203
Marketable CDs				2,153,863
Money Market Fund Measured at Amortized Cost				<u>497,745</u>
				<u>\$ 57,663,380</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, 2019.

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 June 30, 2019, 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	\$ 251,631	AAAm	S & P	33
Wells Fargo 100% Treasury Money Market	<u>246,114</u>	AAAm	S & P	41
	<u>\$ 497,745</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.

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, 2019, \$57,663,380 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 \$2,153,863 were federally insured.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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, 2019, the City had investments of 5.0% or more of the total investments as follows:

	<u>Fiduciary Funds</u>
U.S. Treasury Notes	10.2 %

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>5-10</u>	<u>>10</u>
U.S. Government Securities	\$ 10,165,524	\$ 1,846,593	\$ 3,315,667	\$ 5,003,264	\$ -
Commercial Paper	1,401,138	1,401,138	-	-	-
Municipal Bonds	5,023,480	4,623,068	400,412	-	-
Corporate Bonds/Notes	5,425,288	824,208	3,655,731	945,349	-
Asset Backed Securities	1,261,860	-	420,230	314,810	526,820
Marketable CD's	2,153,863	1,662,269	491,594	-	-
Total Investments	<u>\$25,431,153</u>	<u>\$ 10,357,276</u>	<u>\$ 8,283,634</u>	<u>\$ 6,263,423</u>	<u>\$ 526,820</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, 2019, the City had negotiable Certificates of Deposit in the amount of \$2,153,863.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - RECEIVABLES:

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

	Governmental Activities	Business-type Activities
Property taxes	\$ 56,129	\$ -
Interest and accounts	424,586	867,838
Due from other governmental units	413,375	444,669
	894,090	1,312,507
Less - allowance for uncollectible	(117,771)	-
	\$ 776,319	\$ 1,312,507

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2019 was as follows:

	July 1, 2018 Balance	Additions	Adjustments/ Deletions	June 30, 2019 Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,008,970	\$ -	\$ -	\$ 1,008,970
Land improvements	532,370	-	-	532,370
Construction in progress	503,956	2,153,263	998,006	1,659,213
Total capital assets, not being depreciated	2,045,296	2,153,263	998,006	3,200,553
Capital assets, being depreciated:				
Buildings	7,117,886	-	-	7,117,886
Building improvements	1,362,423	12,581	-	1,375,004
Land improvements	10,956,947	259,236	-	11,216,183
Machinery and equipment	4,484,786	57,040	3,495	4,538,331
Vehicles	2,097,560	195,984	13,697	2,279,847
Bikepaths	1,182,123	-	-	1,182,123
Sidewalks	2,365,508	14,087	-	2,379,595
Streets	42,290,715	816,991	-	43,107,706
Total capital assets being depreciated	71,857,948	1,355,919	17,192	73,196,675
Less accumulated depreciation for:				
Buildings	3,697,027	118,491	-	3,815,518
Building improvements	586,633	63,548	-	650,181
Land improvements	3,589,213	311,248	-	3,900,461
Machinery and equipment	3,325,328	236,244	3,495	3,558,077
Vehicles	1,001,502	106,754	13,697	1,094,559
Bikepaths	390,859	42,048	-	432,907
Sidewalks	1,917,129	38,526	-	1,955,655
Streets	33,666,013	749,441	-	34,415,454
Total accumulated depreciation	48,173,704	1,666,300	17,192	49,822,812
Total capital assets being depreciated, net	23,684,244	(310,381)	-	23,373,863
Governmental activities capital assets, net	\$ 25,729,540	\$ 1,842,882	\$ 998,006	\$ 26,574,416

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

	Restated July 1, 2018 <u>Balance</u>	<u>Additions</u>	Adjustments/ <u>Deletions</u>	June 30, 2019 <u>Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Construction in progress	<u>42,078</u>	<u>1,079</u>	<u>42,078</u>	<u>1,079</u>
Total capital assets, not being depreciated	<u>50,078</u>	<u>1,079</u>	<u>42,078</u>	<u>9,079</u>
Capital assets, being depreciated:				
Buildings	32,681,592	-	-	32,681,592
Building improvements	774,909	253,585	-	1,028,494
Utility systems	18,954,273	37,606	-	18,991,879
Machinery and equipment	<u>3,451,821</u>	<u>182,051</u>	<u>-</u>	<u>3,633,872</u>
Total capital assets being depreciated	<u>55,862,595</u>	<u>473,242</u>	<u>-</u>	<u>56,335,837</u>
Less accumulated depreciation for:				
Buildings	9,731,849	997,313	-	10,729,162
Building improvements	456,596	30,107	-	486,703
Utility systems	8,518,830	375,556	-	8,894,386
Machinery and equipment	<u>2,365,901</u>	<u>143,425</u>	<u>-</u>	<u>2,509,326</u>
Total accumulated depreciation	<u>21,073,176</u>	<u>1,546,401</u>	<u>-</u>	<u>22,619,577</u>
Total capital assets being depreciated, net	<u>34,789,419</u>	<u>(1,073,159)</u>	<u>-</u>	<u>33,716,260</u>
Total capital assets, net	<u>\$ 34,839,497</u>	<u>\$ 1,072,078</u>	<u>\$ 42,078</u>	<u>\$ 33,725,339</u>

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

Governmental Activities:	
General Government	\$ 12,200
Public Safety	251,439
Public Works	1,065,896
Recreation and Cultural	<u>223,097</u>
Total depreciation expense - Governmental Activities	<u>\$ 1,552,632</u>
Business-type Activities:	
Water Supply System Fund	\$ 527,686
Wastewater Fund	<u>1,018,715</u>
Total depreciation expense - Business-type Activities	<u>\$ 1,546,401</u>

In addition, there was depreciation of \$113,668 in the Motor Pool Fund.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Housing Commission - Activity for the Housing Commission for the year ended June 30, 2019 was as follows:

	July 1, 2018			June 30, 2019
	<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>150,488</u>	<u>-</u>	<u>150,488</u>	<u>-</u>
Total capital assets, not being depreciated	<u>254,741</u>	<u>-</u>	<u>150,488</u>	<u>104,253</u>
Capital assets, being depreciated:				
Buildings and improvements	6,978,082	225,509	-	7,203,591
Furniture and equipment	<u>262,736</u>	<u>4,212</u>	<u>4,513</u>	<u>262,435</u>
Total capital assets, being depreciated	7,240,818	229,721	4,513	7,466,026
Less accumulated depreciation	<u>5,526,715</u>	<u>259,885</u>	<u>4,513</u>	<u>5,782,087</u>
Total capital assets being depreciated, net	<u>1,714,103</u>	<u>(30,164)</u>	<u>-</u>	<u>1,683,939</u>
Housing Commission capital assets, net	<u>\$ 1,968,844</u>	<u>\$(30,164)</u>	<u>\$ 150,488</u>	<u>\$ 1,788,192</u>

Depreciation expense for the year ended June 30, 2019 was \$259,885.

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	\$ 776,214	\$ 168,114
Accrued wages and fringe benefits	<u>52,406</u>	<u>17,287</u>
	<u>\$ 828,620</u>	<u>\$ 185,401</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:

The composition of interfund balances as of June 30, 2019 is as follows:

Due To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	\$ 242,574 (1)
	Healthcare Fund	84,000 (1)
Golf Fund	Employee Vacation & Sick Fund	<u>317 (1)</u>
		<u>\$ 326,891</u>

Advance To/From Other Funds -

General Fund	Water Supply System Fund	<u>\$ 847,800 (3)</u>
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Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Cemetery Perpetual Care Fund	\$ 15,000 (2)
Local Streets Fund	General Fund	100,000 (2)
Public Improvement Fund	General Fund	329,000 (2)
Park and Recreation Fund	General Fund	111,252 (2)
Building Authority Debt Fund	General Fund	72,532 (4)
	Wastewater Fund	48,531 (4)
	Water Supply System Fund	48,531 (4)
	Motor Pool Fund	48,531 (4)
Golf Course Fund	General Fund	<u>179,967 (2)</u>
		<u>\$ 953,344</u>

- (1) Amount due for reimbursement of costs
- (2) Annual appropriation
- (3) Appropriation for construction
- (4) Rent

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019:

	Restated Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Funds -					
Capital Leases	\$ 165,441	\$ -	\$ 30,033	\$ 135,408	\$ 31,487
2016 General Obligation					
Refunding Bonds	1,992,362	-	261,135	1,731,227	261,135
Bond Premium	<u>134,364</u>	<u>-</u>	<u>17,342</u>	<u>117,022</u>	<u>17,342</u>
Total Governmental Funds	<u>2,292,167</u>	<u>-</u>	<u>308,510</u>	<u>1,983,657</u>	<u>309,964</u>
Internal Service Funds -					
Accrued Vacation and Sick	<u>414,500</u>	<u>4,320</u>	<u>-</u>	<u>418,820</u>	<u>-</u>
Total Governmental Activities	<u>2,706,667</u>	<u>4,320</u>	<u>308,510</u>	<u>2,402,477</u>	<u>309,964</u>
<u>Business-type Activities:</u>					
Enterprise Funds -					
Wastewater Fund -					
2016 General Obligation					
Refunding Bond	336,000	-	19,200	316,800	19,200
Wastewater System Junior					
State Revolving Funds -					
Series 5303-01	1,675,000	-	110,000	1,565,000	110,000
Series 5366-01	6,870,000	-	415,000	6,455,000	425,000
Clean Water Program 2003	1,040,000	-	140,000	900,000	140,000
Bond Premium	<u>26,415</u>	<u>-</u>	<u>1,887</u>	<u>24,528</u>	<u>1,887</u>
Total Wastewater Fund	<u>9,947,415</u>	<u>-</u>	<u>686,087</u>	<u>9,261,328</u>	<u>696,087</u>
Water Fund -					
2016 General Obligation					
Refunding Bond	1,131,638	-	64,665	1,066,973	64,665
Bond Premium	<u>88,967</u>	<u>-</u>	<u>6,355</u>	<u>82,612</u>	<u>6,355</u>
Total Water Fund	<u>1,220,605</u>	<u>-</u>	<u>71,020</u>	<u>1,149,585</u>	<u>71,020</u>
Total Business-type Activities	<u>11,168,020</u>	<u>-</u>	<u>757,107</u>	<u>10,410,913</u>	<u>767,107</u>
Total Primary Government	<u>\$ 13,874,687</u>	<u>\$ 4,320</u>	<u>\$ 1,065,617</u>	<u>\$ 12,813,390</u>	<u>\$ 1,077,071</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

Governmental Activities:

Capital Leases -

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 \$11,026 at June 30, 2019. \$ 11,390

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% through May 2021. The assets had a net book value of \$126,818 at June 30, 2019. 124,018
\$ 135,408

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 3.00% to 4.00%, payable semi-annually. \$ 1,731,227

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 \$418,820 has been recorded as a long-term liability in the Employee Vacation and Sick Fund (Internal Service Fund).

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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. \$ 1,383,773

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 2.5%, payable semi-annually. 900,000

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

2009 Bonds (Series 5303-01) in the original amount of \$3,955,000 is due in annual installments ranging from \$95,000 to \$150,000 through October 1, 2030 with interest of 2.5%, payable semi-annually. 1,565,000

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. 6,455,000

\$ 10,303,773

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, 2019, the defeased bonds outstanding were \$2,600,000 and \$665,000 for the 2006 and 2005 Refunding Bonds, respectively.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

The annual requirements to pay the debt outstanding at June 30, 2019 (excluding accrued compensated absences) are as follows:

Year Ending June 30,	Governmental Activities			
	Capital Leases		Refunding Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 31,487	\$ 5,748	\$ 261,135	\$ 52,979
2021	33,013	4,222	276,135	44,920
2022	37,319	2,621	298,930	36,295
2023	33,589	942	63,928	30,851
2024	-	-	85,973	28,603
2025-2029	-	-	434,275	103,377
2030-2032	-	-	310,851	18,650
	<u>\$ 135,408</u>	<u>\$ 13,533</u>	<u>\$ 1,731,227</u>	<u>\$ 315,675</u>

Year Ending June 30,	Business-type Activities			
	State Revolving Fund/ Clean Water Bond		Refunding Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 680,000	\$ 214,436	\$ 83,865	\$ 46,546
2021	695,000	197,247	83,865	44,030
2022	720,000	179,562	81,071	41,556
2023	730,000	161,436	81,071	39,124
2024	750,000	142,935	109,027	36,272
2025-2029	3,370,000	453,592	550,725	131,098
2030-2032	1,975,000	71,188	394,149	23,650
	<u>\$ 8,920,000</u>	<u>\$ 1,420,396</u>	<u>\$ 1,383,773</u>	<u>\$ 362,276</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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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.

The membership at June 30, 2019 was comprised of 37 active participants, 53 retirees and beneficiaries, and 10 other vested inactive participants.

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

Pension Plan Investments - Policy and Rate of Return

Investment Policy - 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, 2019:

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

Rate of Return - For the year ended June 30, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 6.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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 GCERS are paid with plan assets.

For fiscal year 2019, the annual required contribution (actuarially determined) was \$615,978 (26.94% of valuation payroll) and the actual contribution was \$1,017,228.

Net Pension Liability of GCERS

The net pension liability of GCERS has been measured as of June 30, 2019 and is composed of the following:

	Total Pension Liability	GCERS' Net Position	Net Pension Liability
Beginning balance	\$ 26,305,228	\$ 16,357,874	\$ 9,947,354
Service cost	324,725	-	324,725
Interest on total pension liability	1,919,988	-	1,919,988
Net investment income	-	963,084	(963,084)
Expected and actual differences	284,447	-	284,447
Contributions from employer	-	1,017,228	(1,017,228)
Contributions from employees	-	180,875	(180,875)
Benefit payments	(1,735,507)	(1,735,507)	-
Administrative costs	-	(26,044)	26,044
Ending balance	<u>\$ 27,098,881</u>	<u>\$ 16,757,510</u>	<u>\$ 10,341,371</u>

GCERS fiduciary net position as a percentage of the total pension liability 61.84%

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,495,031 for GCERS in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for GCERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 198,251	\$ 247,519
Changes of assumptions	-	18,290
Net difference between projected and actual earnings on GCERS investments	<u>475,129</u>	<u>-</u>
	<u>\$ 673,380</u>	<u>\$ 265,809</u>

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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:

2020	\$	332,702
2021	(	14,627)
2022		40,969
2023		<u>48,527</u>
	<u>\$</u>	<u>407,571</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2019. The valuation used the following actuarial assumptions included in the measurement:

Salary Increases		4.00%
Investment Rate of Return		7.75%

Mortality Rates - 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, 2019 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, 2019

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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability of GCERS	\$ 13,295,853	\$ 10,341,871	\$ 7,834,276

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, 2019 was comprised of 23 active participants and 26 retirees and beneficiaries.

In general, all employees are eligible for normal retirement on attainment of age 55 and 5 years of service. The annual normal pension payable is equal to 2.50% 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, 2019:

Asset Class	Target Allocation
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, 2019

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

Rate of Return - For the year ended June 30, 2019, the annual money-weighted rate of return on POFRS investments, net of POFRS investment expense, was 4.30%. 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 2019, the annual required contribution (actuarially determined) was \$805,551 (41.50% of valuation payroll) and the actual contribution was \$1,230,551.

Net Pension Liability of POFRS

The net pension liability of POFRS has been measured as of June 30, 2019 and is composed of the following:

	<u>Total Pension Liability</u>	<u>POFRS' Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 25,504,045	\$ 13,265,339	\$ 12,238,706
Service cost	358,774	-	358,774
Interest on total pension liability	1,866,396	-	1,866,396
Net investment income	-	690,067	(690,067)
Expected and actual differences	(61,765)	-	(61,765)
Contributions from employer	-	1,230,551	(1,230,551)
Contributions from employees	-	156,546	(156,546)
Benefit payments	(1,596,305)	(1,596,305)	-
Administrative costs	<u>-</u>	<u>(29,635)</u>	<u>29,635</u>
Ending balance	<u>\$ 26,071,145</u>	<u>\$ 13,716,563</u>	<u>\$ 12,354,582</u>
POFRS fiduciary net position as a percentage of the total pension liability			52.61%

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the City recognized pension expense of \$1,833,392 for POFRS in the government-wide financial statements of the primary government. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for POFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 159,289
Changes of assumptions	31,670	-
Net difference between projected and actual earnings on POFRS investments	<u>740,405</u>	<u>-</u>
	<u>\$ 772,075</u>	<u>\$ 159,289</u>

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

2020	\$ 417,961
2021	52,162
2022	83,527
2023	<u>59,136</u>
	<u>\$ 612,786</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2019. The valuation used the following actuarial assumptions in the measurement:

Salary Increases	4.00%
Investment Rate of Return	7.75%

Mortality Rates - 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, 2019

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, 2019 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	\$ 15,241,449	\$ 12,354,582	\$ 9,915,426

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, 2019

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, 2018, 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, 2019 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, 2019

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

Rate of Return -

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB Plan investments, net of investment expense, is 6.81%. 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, 2019, the actuarially determined contribution was \$976,570. There were no contributions made during the year ended June 30, 2019. The actuarial valuation dated June 30, 2018 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, 2018, which used updated procedures to roll forward the estimated liability to June 30, 2019, 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	\$ 23,812,556	\$ 14,253,882	\$ 9,558,674
Service cost	287,727	-	287,727
Interest on total OPEB liability	1,749,778	-	1,749,778
Net investment income	-	917,389	(917,389)
Expected and actual differences	(2,064,539)	-	(2,064,539)
Benefit payments	(1,252,097)	(1,252,097)	-
Other	<u>-</u>	<u>61,122</u>	<u>(61,122)</u>
Ending balance	<u>\$ 22,533,425</u>	<u>\$ 13,980,296</u>	<u>\$ 8,553,129</u>
OPEB Plan fiduciary net position as a percentage of the total pension liability			62.04%

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the City recognized OPEB expense of \$472,764 for the OPEB Plan in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2019, the City reported deferred inflows of resources related to the OPEB Plan from the following sources:

Difference between expected and actual experience	\$ 1,327,181
Net difference between projected and actual earnings on OPEB Plan investments	82,117
	\$ 1,409,298

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

2020	\$(1,263,222)
2021	(132,663)
2022	(34,352)
2023	20,939
	\$(1,409,298)

Actuarial Assumptions -

The total OPEB liability was determined by an actuarial valuation at June 30, 2019. 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 4.50% 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, 2019

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.

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Net OPEB liability	<u>\$ 11,643,530</u>	<u>\$ 8,553,129</u>	<u>\$ 6,024,833</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 4.50% 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.

	1% Decrease <u>(5.00-4.00%)</u>	Current Discount Rate <u>(6.00-5.00%)</u>	1% Increase <u>(7.00-6.00%)</u>
Net OPEB liability	<u>\$ 4,836,842</u>	<u>\$ 8,553,129</u>	<u>\$ 10,041,882</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.

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Workers' Compensation -

The City participates in the Michigan Municipal Workers' Compensation Self-Insurance Fund administered by the Michigan Municipal League. The fund provides coverage of workers compensation claims subject to a maximum of \$2,000,000 per occurrence.

Health Insurance/Pharmacy Charges -

The City is self-insured for healthcare benefits with the administered services of the program being performed on a contracted basis by a third party. The City pays claims up to \$25,000 per contract, per year. Stop loss insurance has been purchased to insure the City against losses in excess of these limits. Based on past history, the City has estimated the accrual for healthcare claims, including an estimate for claims incurred but not reported (IBNR) of \$48,474, which is recorded as a current liability in the various funds.

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

	2019	2018
Unpaid claims, beginning of year	\$ 42,322	\$ 23,712
Insured claims (including IBNR's)	1,915,227	1,878,904
Claims Paid	(1,909,075)	(1,860,294)
Unpaid claims, end of year	\$ 48,474	\$ 42,322

NOTE 13 - SUMMARY OF INSPECTION DEPARTMENT:

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

Revenues:	\$ 106,673
Expenditures:	
Salaries and Wages	76,892
Benefits	5,968
Contractual Services	38,436
Supplies	4,232
Utilities	3,999
Maintenance	3,621
Other	19,435
	152,583
Revenues under expenditures	(45,910)
Over expenditure in prior years	(36,381)
Cumulative deficit	\$(82,291)

CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - FUND BALANCE/NET POSITION:

Restricted Fund Balance/Net Position -

The fund balances and net position of the Primary Government have been restricted for the following purposes at June 30, 2019:

Governmental Funds/Activities:

Cemetery -		
Perpetual Care - Expendable	\$	<u>276,083</u>
Streets -		
Motor Vehicle Highway		242,371
Major Street		736,268
Local Street		<u>471,007</u>
		<u>1,449,646</u>
Debt Service - Building Authority		<u>17</u>
Acquisition/Construction of Assets -		
Public Improvement		<u>585,441</u>
Public Safety -		
Public Education/DARE/Crime Scene Mapping		28,976
Drug Law Enforcement		<u>87,246</u>
		<u>116,222</u>
Recreation and Cultural -		
Beautification and Historical		<u>9,389</u>
Other -		
Community Investment		<u>25,352</u>
Total Restricted Fund Balance - Governmental Funds		2,462,150
Perpetual Care - Nonexpendable		<u>272,332</u>
Total Restricted Net Position - Governmental Activities	\$	<u><u>2,734,482</u></u>

Business-type Activities:

Waterfront improvements	\$	<u><u>6,000</u></u>
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CITY OF MARYSVILLE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Committed Fund Balance -

At June 30, 2019, City Council had committed the following fund balances:

Industrial Development - General Fund	\$ <u>220,282</u>
Capital Projects -	
General Fund	238,500
Ambulance	802,115
Building Authority	<u>17</u>
	<u>1,040,632</u>
Recreation and Cultural -	
General Fund	21,730
Parks and Recreation	105,744
Golf Course	<u>5,035</u>
	<u>132,509</u>
Total Committed Fund Balance	\$ <u>1,393,423</u>

ASSIGNED FUND BALANCE:

At June 30, 2019, City Council had assigned \$550,918 in the General Fund for 2019/2020 operations.

NOTE 15 - TAX ABATEMENTS:

The City has received reduced property tax revenues during 2019 as a result of industrial facilities tax exemptions (IFT's). The IFT's were entered into based upon the Industrial Development Districts Act, PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements amounted to approximately \$375,000 in reduced City tax revenues in the General Fund.

NOTE 16 - RESTATED NET POSITION/FUND BALANCE:

The Golf Course Fund was reclassified from an enterprise fund to a governmental fund as of July 1, 2018, since it requires a significant subsidy from the General Fund on an annual basis. As a result, the governmental activities net position increased by \$766,236 and the net position of the business-type activities and the enterprise fund decreased by \$700,586; the difference being inventory, which is recorded on the purchase method in the governmental funds, with the exception of fuel, which is recorded on the consumption method. The governmental fund fund balance increased by \$7,189.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARYSVILLE, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 6,329,000	\$ 6,354,000	\$ 6,417,350	\$ 63,350
Licenses and permits	300,000	300,000	263,224	(36,776)
Intergovernmental - Federal/State	1,585,500	1,933,500	1,960,592	27,092
Charges for services	411,200	411,200	421,055	9,855
Fines and forfeits	10,000	10,000	9,871	(129)
Interest and rents	96,582	96,582	284,685	188,103
Other	72,000	72,000	121,421	49,421
Total Revenues	<u>8,804,282</u>	<u>9,177,282</u>	<u>9,478,198</u>	<u>300,916</u>
Expenditures:				
Current -				
General Government:				
Legislative	21,042	21,042	17,038	4,004
Elections	20,151	20,151	20,128	23
City Manager	193,244	215,494	188,583	26,911
City Assessor/Clerk/Treasurer	415,912	415,912	374,825	41,087
Board of review	1,825	1,825	1,749	76
Community development	32,222	32,222	24,239	7,983
General administration	342,315	342,315	345,555	(3,240)
	<u>1,026,711</u>	<u>1,048,961</u>	<u>972,117</u>	<u>76,844</u>
Less: Reimbursement from other funds	<u>(107,100)</u>	<u>(150,596)</u>	<u>(105,554)</u>	<u>(45,042)</u>
Total General Government	<u>919,611</u>	<u>898,365</u>	<u>866,563</u>	<u>31,802</u>
Public Safety:				
Fire department	1,403,054	1,408,554	1,305,678	102,876
Police department	1,794,961	1,802,461	1,685,349	117,112
Public safety department	-	-	2,949	(2,949)
Emergency management	19,372	19,372	14,335	5,037
Building inspections	155,755	155,755	152,583	3,172
Total Public Safety	<u>3,373,142</u>	<u>3,386,142</u>	<u>3,160,894</u>	<u>225,248</u>
Public Works:				
Department of public works	704,865	711,865	647,037	64,828
Street lighting	161,200	161,200	174,649	(13,449)
Cemetery	161,100	161,100	140,336	20,764
Dial-A-Ride	94,400	94,400	71,795	22,605
Sanitation	645,000	645,000	613,657	31,343
	<u>1,766,565</u>	<u>1,773,565</u>	<u>1,647,474</u>	<u>126,091</u>
Less: Reimbursement from other funds	<u>(459,840)</u>	<u>(416,344)</u>	<u>(154,566)</u>	<u>(261,778)</u>
Total Public Works	<u>1,306,725</u>	<u>1,357,221</u>	<u>1,492,908</u>	<u>(135,687)</u>

Continued

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreational and Cultural:				
Parks	\$ 290,538	\$ 290,538	\$ 287,640	\$ 2,898
Beautification committee	16,145	16,145	2,394	13,751
Library	13,188	13,188	11,331	1,857
Historical commission	4,663	17,363	16,466	897
Total Recreational and Cultural	<u>324,534</u>	<u>337,234</u>	<u>317,831</u>	<u>19,403</u>
Other	<u>1,945,565</u>	<u>1,950,065</u>	<u>1,828,045</u>	<u>122,020</u>
Capital Outlay	<u>61,000</u>	<u>61,000</u>	<u>43,867</u>	<u>17,133</u>
Debt Service -				
Principal	66,135	66,135	68,527	(2,392)
Interest	39,189	39,189	40,060	(871)
Total Debt Service	<u>105,324</u>	<u>105,324</u>	<u>108,587</u>	<u>(3,263)</u>
Total Expenditures	<u>8,035,901</u>	<u>8,095,351</u>	<u>7,818,695</u>	<u>276,656</u>
Revenues over expenditures	<u>768,381</u>	<u>1,081,931</u>	<u>1,659,503</u>	<u>577,572</u>
Other Financing Sources (Uses):				
Sale of asset	-	-	134,031	134,031
Transfers In	15,000	15,000	15,000	-
Transfers Out	(606,840)	(794,340)	(792,751)	1,589
Total Other Financing Sources (Uses)	<u>(591,840)</u>	<u>(779,340)</u>	<u>(643,720)</u>	<u>135,620</u>
Net Change in Fund Balance	176,541	302,591	1,015,783	713,192
Fund Balance at beginning of year	<u>6,985,420</u>	<u>6,985,420</u>	<u>6,985,420</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 7,161,961</u>	<u>\$ 7,288,011</u>	<u>\$ 8,001,203</u>	<u>\$ 713,192</u>
Reconciliation of Budget-Basis to GAAP-Basis Reporting:				
Net Change in General Fund				
Fund Balance - Budgetary-Basis			\$ 1,015,783	
Perspective Difference -				
Other Budgeted Fund Net Change allocated to the General Fund for GAAP-Basis General Fund				
Industrial Development Fund			<u>(9,024)</u>	
Net Change in Fund Balance - GAAP-Basis			<u>\$ 1,006,759</u>	

Concluded

CITY OF MARYSVILLE, MICHIGAN

**LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 304,000	\$ 304,000	\$ 438,327	\$ 134,327
Interest	5,000	5,000	26,231	21,231
Other	<u>8,000</u>	<u>8,000</u>	<u>5,483</u>	<u>(2,517)</u>
Total Revenues	<u>317,000</u>	<u>317,000</u>	<u>470,041</u>	<u>153,041</u>
Expenditures:				
Current -				
Public Works:				
Routine maintenance	394,861	394,861	268,810	126,051
Traffic services maintenance	53,633	53,633	30,281	23,352
Winter maintenance	284,544	284,544	164,169	120,375
Administration/engineering	6,763	6,763	6,936	(173)
Construction	<u>80,000</u>	<u>80,000</u>	<u>218,227</u>	<u>(138,227)</u>
Total Expenditures	<u>819,801</u>	<u>819,801</u>	<u>688,423</u>	<u>131,378</u>
Revenues under expenditures	(502,801)	(502,801)	(218,382)	284,419
Other Financing Sources:				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	(402,801)	(402,801)	(118,382)	284,419
Fund Balance at beginning of year	<u>589,389</u>	<u>589,389</u>	<u>589,389</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 186,588</u>	<u>\$ 186,588</u>	<u>\$ 471,007</u>	<u>\$ 284,419</u>

CITY OF MARYSVILLE, MICHIGAN
GENERAL CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS

	<u>Annual money-weighted rate of return, net of investment expenses</u>
2019	6.19%
2018	8.79%
2017	9.22%
2016	-6.08%
2015	-2.99%
2014	14.84%

* 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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service Cost	\$ 324,725	\$ 282,730	\$ 254,227
Interest	1,919,988	1,920,369	1,957,280
Differences between expected and actual experience	284,447	(538,157)	(118,166)
Change in assumptions	-	-	(128,021)
Benefit payments, including refunds	<u>(1,735,507)</u>	<u>(1,646,537)</u>	<u>(1,613,209)</u>
 Change in total pension liability	793,653	18,405	352,111
 Total pension liability, beginning of year	<u>26,305,228</u>	<u>26,286,823</u>	<u>25,934,712</u>
 Total pension liability, end of year	<u><u>\$ 27,098,881</u></u>	<u><u>\$ 26,305,228</u></u>	<u><u>\$ 26,286,823</u></u>
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,017,228	\$ 1,027,450	\$ 480,103
Contributions - Member	180,875	184,393	175,201
Net investment income	963,084	1,318,432	1,331,409
Benefit payments, including refunds	(1,735,507)	(1,646,537)	(1,613,209)
Administrative expenses	(26,044)	(26,978)	(29,079)
Other	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in plan fiduciary net position	399,636	856,760	344,425
 Plan fiduciary net position, beginning of year	<u>16,357,874</u>	<u>15,501,114</u>	<u>15,156,689</u>
 Plan fiduciary net position, end of year	<u><u>\$ 16,757,510</u></u>	<u><u>\$ 16,357,874</u></u>	<u><u>\$ 15,501,114</u></u>
 City's Net Pension Liability - Ending	<u><u>\$ 10,341,371</u></u>	<u><u>\$ 9,947,354</u></u>	<u><u>\$ 10,785,709</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.84%	62.18%	58.97%
 Covered Employee Payroll	\$ 2,189,939	\$ 2,201,882	\$ 2,201,882
 City's Net Pension Liability as a Percentage of Covered Employee Payroll	472.2%	451.8%	489.8%

* 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>2016</u>	<u>2015</u>	<u>2014</u>
\$ 245,681	\$ 245,629	\$ 217,247
1,952,667	1,857,804	1,846,179
(523,380)	(595,306)	(333,882)
-	1,318,205	-
<u>(1,626,229)</u>	<u>(1,578,416)</u>	<u>(1,609,048)</u>
48,739	1,247,916	120,496
<u>25,885,973</u>	<u>24,638,057</u>	<u>24,517,561</u>
<u>\$ 25,934,712</u>	<u>\$ 25,885,973</u>	<u>\$ 24,638,057</u>

\$ 436,383	\$ 460,017	\$ 402,234
168,132	160,854	169,379
(1,003,759)	(527,782)	2,472,730
(1,626,229)	(1,578,416)	(1,609,048)
(18,980)	(15,535)	(17,149)
<u>(9,504)</u>	<u>(6,871)</u>	<u>(6,316)</u>
(2,053,957)	(1,507,733)	1,411,830
<u>17,210,646</u>	<u>18,718,379</u>	<u>17,306,549</u>
<u>\$ 15,156,689</u>	<u>\$ 17,210,646</u>	<u>\$ 18,718,379</u>
<u>\$ 10,778,023</u>	<u>\$ 8,675,327</u>	<u>\$ 5,919,678</u>

58.44%	66.49%	75.97%
\$ 2,079,266	\$ 2,100,013	\$ 1,962,528
518.4%	413.1%	301.6%

CITY OF MARYSVILLE, MICHIGAN

**GENERAL CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS**

	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 615,978	\$ 614,325	\$ 480,103	\$ 436,383	\$ 460,017
Contributions in relation to the actuarially determined contribution	1,017,228	1,027,450	480,103	436,383	460,017
Contribution Deficiency (Excess)	\$(401,250)	\$(413,125)	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,189,939	\$ 2,286,480	\$ 2,201,882	\$ 2,079,266	\$ 2,100,013
Contributions as a Percentage of Covered Employee Payroll	46.45%	44.94%	21.80%	20.99%	21.91%

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	26 years
Asset valuation method	5-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, and 8.0% for previous years
Retirement age	Earliest age participant becomes eligible for normal retirement
Mortality	RP 2000 projected to 2014 beginning with the 2017 valuation, RP2000 Combined Healthy Mortality Table for previous years

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 402,234	\$ 373,304	\$ 425,214	\$ 407,469	\$ 497,771
<u>402,234</u>	<u>373,304</u>	<u>425,214</u>	<u>407,469</u>	<u>497,771</u>
<u>\$ -</u>				
\$ 1,828,337	\$ 1,864,481	\$ 1,906,790	\$ 2,132,230	\$ 2,284,401
22.00%	20.02%	22.30%	19.11%	21.79%

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>
2019	4.30%
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**

	2019	2018	2017
Total Pension Liability:			
Service cost	\$ 358,774	\$ 346,030	\$ 324,912
Interest	1,866,396	1,884,136	1,843,364
Differences between expected and actual experience	(61,765)	(65,203)	(175,535)
Changes in assumptions	-	-	110,843
Benefit payments, including refunds	(1,596,305)	(1,598,676)	(1,577,427)
Change in total pension liability	567,100	566,287	526,157
Total pension liability, beginning of year	25,504,045	24,937,758	24,411,601
Total pension liability, end of year	\$ 26,071,145	\$ 25,504,045	\$ 24,937,758
Plan Fiduciary Net Position:			
Contributions - Employer	\$ 1,230,551	\$ 1,174,069	\$ 635,516
Contributions - Member	156,546	155,287	151,391
Net investment income	690,067	788,873	1,005,385
Benefit payments, including refunds	(1,596,305)	(1,598,676)	(1,577,427)
Administrative expenses	(29,635)	(25,231)	(28,899)
Other	-	-	-
Net change in plan fiduciary net position	451,224	494,322	185,966
Plan fiduciary net position, beginning of year	13,265,339	12,771,017	12,585,051
Plan fiduciary net position, end of year	\$ 13,716,563	\$ 13,265,339	\$ 12,771,017
City's Net Pension Liability - Ending	\$ 12,354,582	\$ 12,238,706	\$ 12,166,741
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.61%	52.01%	51.21%
Covered Employee Payroll	\$ 1,956,839	\$ 1,941,086	\$ 1,871,942
City's Net Pension Liability as a Percentage of Covered Employee Payroll	631.4%	630.5%	650.0%

* 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>2016</u>	<u>2015</u>	<u>2014</u>
\$ 303,047	\$ 300,240	\$ 304,469
1,832,666	1,708,579	1,684,480
(450,690)	87,539	(185,876)
-	1,048,328	-
<u>(1,538,400)</u>	<u>(1,551,525)</u>	<u>(1,428,491)</u>
146,623	1,593,161	374,582
<u>24,264,978</u>	<u>22,671,817</u>	<u>22,297,235</u>
<u>\$ 24,411,601</u>	<u>\$ 24,264,978</u>	<u>\$ 22,671,817</u>

\$ 575,476	\$ 583,248	\$ 544,898
148,911	143,863	162,383
(972,913)	(551,584)	2,128,427
(1,538,400)	(1,551,525)	(1,428,491)
(17,555)	(15,320)	(17,670)
<u>(7,943)</u>	<u>(6,431)</u>	<u>(5,900)</u>
(1,812,424)	(1,397,749)	1,383,647
<u>14,397,475</u>	<u>15,795,224</u>	<u>14,411,577</u>
<u>\$ 12,585,051</u>	<u>\$ 14,397,475</u>	<u>\$ 15,795,224</u>
<u>\$ 11,826,550</u>	<u>\$ 9,867,503</u>	<u>\$ 6,876,593</u>

51.55%	59.33%	69.67%
\$ 1,863,138	\$ 1,775,066	\$ 1,766,882
634.8%	555.9%	389.2%

CITY OF MARYSVILLE, MICHIGAN

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 805,551	\$ 760,944	\$ 635,516	\$ 575,476	\$ 583,248
Contributions in relation to the actuarially determined contribution	<u>1,230,551</u>	<u>1,174,069</u>	<u>635,516</u>	<u>575,476</u>	<u>583,248</u>
Contribution Deficiency (Excess)	<u><u>\$ (425,000)</u></u>	<u><u>\$ (413,125)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 1,956,839	\$ 1,941,086	\$ 1,871,942	\$ 1,863,138	\$ 1,775,066
Contributions as a Percentage of Covered Employee Payroll	62.88%	60.49%	33.95%	30.89%	32.86%

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	26 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 544,898	\$ 571,900	\$ 524,243	\$ 585,213	\$ 580,811
<u>544,898</u>	<u>571,900</u>	<u>524,243</u>	<u>585,213</u>	<u>580,811</u>
<u>\$ -</u>				
\$ 1,766,882	\$ 1,918,654	\$ 1,908,243	\$ 1,876,414	\$ 1,823,285
30.84%	29.81%	27.47%	31.19%	31.86%

CITY OF MARYSVILLE, MICHIGAN

**RETIREE HEALTH BENEFITS
SCHEDULE OF INVESTMENT RETURNS**

	<u>Annual money-weighted rate of return, net of investment expenses</u>
2019	6.81%
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>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:			
Service cost	\$ 287,727	\$ 314,689	\$ 313,221
Interest	1,749,778	1,763,693	1,688,589
Differences between expected and actual experience	(2,064,539)	(1,064,942)	99,513
Benefit payments, including refunds	(1,252,097)	(1,174,008)	(1,027,324)
Other changes	<u>-</u>	<u>27,555</u>	<u>-</u>
 Change in total OPEB liability	 (1,279,131)	 (133,013)	 1,073,999
 Total OPEB liability, beginning of year	 <u>23,812,556</u>	 <u>23,945,569</u>	 <u>22,871,570</u>
 Total OPEB liability, end of year	 <u>\$ 22,533,425</u>	 <u>\$ 23,812,556</u>	 <u>\$ 23,945,569</u>
 Plan Fiduciary Net Position:			
Contributions - Employer	\$ -	\$ -	\$ 810,015
Net investment income	917,389	1,289,567	1,273,677
Benefit payments, including refunds	(1,252,097)	(1,174,008)	(1,027,323)
Administrative expenses	-	(8,900)	(69,738)
Other	<u>61,122</u>	<u>47,670</u>	<u>-</u>
 Net change in plan fiduciary net position	 (273,586)	 154,329	 986,631
 Plan fiduciary net position, beginning of year	 <u>14,253,882</u>	 <u>14,099,553</u>	 <u>13,112,922</u>
 Plan fiduciary net position, end of year	 <u>\$ 13,980,296</u>	 <u>\$ 14,253,882</u>	 <u>\$ 14,099,553</u>
 City's Net OPEB Liability - Ending	 <u>\$ 8,553,129</u>	 <u>\$ 9,558,674</u>	 <u>\$ 9,846,016</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	 62.04%	 59.86%	 58.88%
 Covered Employee Payroll	 \$ 3,010,390	 \$ 3,408,007	 \$ 3,408,007
 City's Net OPEB Liability as a Percentage of Covered Employee Payroll	 284.1%	 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>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 976,570	\$ 1,105,558	\$ 810,015
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>810,015</u>
Contribution Deficiency (Excess)	<u><u>\$ 976,570</u></u>	<u><u>\$ 1,105,558</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 3,010,390	\$ 3,408,007	\$ 3,408,007
Contributions as a Percentage of Covered Employee Payroll	0.00%	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	6.00%, graded down to 4.50% in 0.10% increments over 10 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

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2019**

	General Fund (Budgetary-Basis)	Industrial Development	General Fund (GAAP-Basis)
Assets:			
Cash and cash equivalents	\$ 1,369,473	\$ 73,216	\$ 1,442,689
Investments	5,140,914	146,376	5,287,290
Receivables, net of allowance -			
Property taxes	41,129	-	41,129
Accounts and interest	219,350	690	220,040
Due from other governmental units	188,193	-	188,193
Due from other funds	326,574	-	326,574
Advance to other funds	847,800	-	847,800
Prepaid expenditures	85,134	-	85,134
Beneficial interest in assets held by others	25,352	-	25,352
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 8,243,919</u>	<u>\$ 220,282</u>	<u>\$ 8,464,201</u>
Liabilities:			
Accounts payable	\$ 143,168	\$ -	\$ 143,168
Accrued liabilities	32,944	-	32,944
Unearned revenue	15,663	-	15,663
Total Liabilities	<hr/> <u>191,775</u>	<hr/> <u>-</u>	<hr/> <u>191,775</u>
Deferred Inflows of Resources:			
Unavailable revenues -			
Property taxes	41,129	-	41,129
Other	9,812	-	9,812
Total Deferred Inflows of Resources	<hr/> <u>50,941</u>	<hr/> <u>-</u>	<hr/> <u>50,941</u>
Fund Balance:			
Nonspendable -			
Prepaid expenditures	85,134	-	85,134
Beneficial interest in assets held by others	25,352	-	25,352
Advance to other funds	847,800	-	847,800
Restricted	63,717	-	63,717
Committed	260,230	220,282	480,512
Assigned	550,918	-	550,918
Unassigned	6,168,052	-	6,168,052
Total Fund Balance	<hr/> <u>8,001,203</u>	<hr/> <u>220,282</u>	<hr/> <u>8,221,485</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<hr/> <u>\$ 8,243,919</u>	<hr/> <u>\$ 220,282</u>	<hr/> <u>\$ 8,464,201</u>

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund (Budgetary-Basis)</u>	<u>Industrial Development</u>	<u>General Fund (GAAP-Basis)</u>
Revenues:			
Taxes	\$ 6,417,350	\$ -	\$ 6,417,350
Licenses and permits	263,224	-	263,224
Intergovernmental - Federal/State	1,960,592	-	1,960,592
Charges for services	421,055	-	421,055
Fines and forfeits	9,871	-	9,871
Interest and rents	284,685	10,894	295,579
Other	121,421	-	121,421
Total Revenues	<u>9,478,198</u>	<u>10,894</u>	<u>9,489,092</u>
Expenditures:			
Current -			
General Government	866,563	19,918	886,481
Public Safety	3,160,894	-	3,160,894
Public Works	1,492,908	-	1,492,908
Recreation and Cultural	317,831	-	317,831
Other	1,828,045	-	1,828,045
Capital outlay	43,867	-	43,867
Debt Service -			
Principal	68,527	-	68,527
Interest	40,060	-	40,060
Total Expenditures	<u>7,818,695</u>	<u>19,918</u>	<u>7,838,613</u>
Revenues over (under) expenditures	<u>1,659,503</u>	<u>(9,024)</u>	<u>1,650,479</u>
Other Financing Sources (Uses):			
Sale of asset	134,031	-	134,031
Transfers in	15,000	-	15,000
Transfers out	(792,751)	-	(792,751)
Total Other Financing Sources (Uses)	<u>(643,720)</u>	<u>-</u>	<u>(643,720)</u>
Net Change in Fund Balances	1,015,783	(9,024)	1,006,759
Fund Balance at beginning of year	<u>6,985,420</u>	<u>229,306</u>	<u>7,214,726</u>
Fund Balance at end of year	<u>\$ 8,001,203</u>	<u>\$ 220,282</u>	<u>\$ 8,221,485</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Interest	\$ 2,000	\$ 2,000	\$ 10,894	\$ 8,894
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	(18,000)	(18,000)	(9,024)	8,976
Fund Balance at beginning of year	<u>229,306</u>	<u>229,306</u>	<u>229,306</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 211,306</u></u>	<u><u>\$ 211,306</u></u>	<u><u>\$ 220,282</u></u>	<u><u>\$ 8,976</u></u>

CITY OF MARYSVILLE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

Special Revenue Funds

	<u>Major Street</u>	<u>Drug Law Enforcement</u>	<u>Parks and Recreation</u>	<u>Golf Course</u>	<u>Ambulance</u>
Assets:					
Cash and cash equivalents	\$ 121,858	\$ 36,647	\$ 28,371	\$ 270,397	\$ 223,577
Investments	492,291	50,673	60,846	-	567,550
Accounts and interest receivable, net	6,084	255	-	450	84,040
Due from other governmental units	131,252	-	45,440	-	-
Due from other funds	-	-	-	317	-
Inventory	-	-	-	1,089	-
Prepaid expenditures	4,177	-	8,383	3,785	-
Beneficial interest in assets held by others	-	-	-	-	-
Total Assets	<u>\$ 755,662</u>	<u>\$ 87,575</u>	<u>\$ 143,040</u>	<u>\$ 276,038</u>	<u>\$ 875,167</u>
Liabilities:					
Accounts payable	\$ 14,478	\$ 329	\$ 13,491	\$ 15,763	\$ 35
Accrued liabilities	1,457	-	6,611	7,962	-
Advances and deposits	-	-	-	4,704	-
Due to other funds	-	-	-	242,574	-
Unearned revenue	-	-	17,194	-	-
Total Liabilities	<u>15,935</u>	<u>329</u>	<u>37,296</u>	<u>271,003</u>	<u>35</u>
Deferred Inflows of Resources:					
Unavailable revenues - Charges for services	<u>3,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,017</u>
Fund Balance:					
Nonspendable - Perpetual Care	-	-	-	-	-
Restricted	736,268	87,246	-	-	-
Committed	-	-	105,744	5,035	802,115
Total Fund Balance	<u>736,268</u>	<u>87,246</u>	<u>105,744</u>	<u>5,035</u>	<u>802,115</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 755,662</u>	<u>\$ 87,575</u>	<u>\$ 143,040</u>	<u>\$ 276,038</u>	<u>\$ 875,167</u>

Debt Service Fund	Capital Projects Funds		Permanent Fund	
Building Authority	Motor Vehicle Highway	Building Authority	Cemetery Perpetual Care	Total
\$ 17	\$ 205,268	\$ 17	\$ 151,740	\$ 1,037,892
-	36,663	-	108,221	1,316,244
-	440	-	784	92,053
-	-	-	-	176,692
-	-	-	-	317
-	-	-	-	1,089
-	-	-	-	16,345
-	-	-	287,670	287,670
<u>\$ 17</u>	<u>\$ 242,371</u>	<u>\$ 17</u>	<u>\$ 548,415</u>	<u>\$ 2,928,302</u>
\$ -	\$ -	\$ -	\$ -	\$ 44,096
-	-	-	-	16,030
-	-	-	-	4,704
-	-	-	-	242,574
-	-	-	-	17,194
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,598</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,476</u>
-	-	-	272,332	272,332
17	242,371	-	276,083	1,341,985
-	-	17	-	912,911
<u>17</u>	<u>242,371</u>	<u>17</u>	<u>548,415</u>	<u>2,527,228</u>
<u>\$ 17</u>	<u>\$ 242,371</u>	<u>\$ 17</u>	<u>\$ 548,415</u>	<u>\$ 2,928,302</u>

CITY OF MARYSVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds				
	Major Street	Drug Law Enforcement	Parks and Recreation	Golf Course	Ambulance
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental -					
Federal/State	756,170	-	-	-	-
Local	-	-	88,885	-	-
Charges for services	-	-	-	332,218	211,384
Interest and rent	34,028	4,077	4,635	157,741	29,287
Other	8,552	8,986	125,816	22,285	17,500
Total Revenues	<u>798,750</u>	<u>13,063</u>	<u>219,336</u>	<u>512,244</u>	<u>258,171</u>
Expenditures:					
Current -					
Public Safety	-	8,116	-	-	-
Public Works	801,625	-	-	-	-
Recreation and Culture	-	-	262,849	657,564	-
Capital outlay	-	-	-	-	160,038
Debit service -					
Principal	-	-	-	27,641	-
Interest and charges	-	-	-	9,160	-
Total Expenditures	<u>801,625</u>	<u>8,116</u>	<u>262,849</u>	<u>694,365</u>	<u>160,038</u>
Revenues over (under) expenditures	<u>(2,875)</u>	<u>4,947</u>	<u>(43,513)</u>	<u>(182,121)</u>	<u>98,133</u>
Other Financing Sources (Uses):					
Transfers in	-	-	111,252	179,967	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>111,252</u>	<u>179,967</u>	<u>-</u>
Net Change in Fund Balances	<u>(2,875)</u>	<u>4,947</u>	<u>67,739</u>	<u>(2,154)</u>	<u>98,133</u>
Fund Balances at beginning of year	<u>739,143</u>	<u>82,299</u>	<u>38,005</u>	<u>7,189</u>	<u>703,982</u>
Fund Balances at end of year	<u>\$ 736,268</u>	<u>\$ 87,246</u>	<u>\$ 105,744</u>	<u>\$ 5,035</u>	<u>\$ 802,115</u>

Debt Service Fund	Capital Projects Funds		Permanent Fund	
Building Authority	Motor Vehicle Highway	Building Authority	Cemetery Perpetual Care	Total
\$ -	\$ 96,953	\$ -	\$ -	\$ 96,953
-	-	-	-	756,170
-	-	-	-	88,885
-	-	-	-	543,602
-	6,495	-	22,900	259,163
-	-	-	-	183,139
<u>-</u>	<u>103,448</u>	<u>-</u>	<u>22,900</u>	<u>1,927,912</u>
-	-	-	-	8,116
-	-	-	-	801,625
-	-	-	-	920,413
-	10,117	-	-	170,155
195,000	-	-	-	222,641
23,125	-	-	-	32,285
<u>218,125</u>	<u>10,117</u>	<u>-</u>	<u>-</u>	<u>2,155,235</u>
<u>(218,125)</u>	<u>93,331</u>	<u>-</u>	<u>22,900</u>	<u>(227,323)</u>
218,125	-	-	-	509,344
-	-	-	(15,000)	(15,000)
<u>218,125</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>494,344</u>
-	93,331	-	7,900	267,021
17	149,040	17	540,515	2,260,207
<u>\$ 17</u>	<u>\$ 242,371</u>	<u>\$ 17</u>	<u>\$ 548,415</u>	<u>\$ 2,527,228</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 720,000	\$ 720,000	\$ 756,170	\$ 36,170
Interest	8,000	8,000	34,028	26,028
Other	<u>15,000</u>	<u>15,000</u>	<u>8,552</u>	<u>(6,448)</u>
Total Revenues	<u>743,000</u>	<u>743,000</u>	<u>798,750</u>	<u>55,750</u>
Expenditures:				
Current -				
Public Works:				
Routine maintenance	211,093	211,093	155,029	56,064
Traffic services maintenance	27,101	27,101	21,735	5,366
Winter maintenance	167,046	167,046	91,816	75,230
Administration/engineering	6,763	6,763	6,938	(175)
Construction	<u>758,780</u>	<u>758,780</u>	<u>526,107</u>	<u>232,673</u>
Total Expenditures	<u>1,170,783</u>	<u>1,170,783</u>	<u>801,625</u>	<u>369,158</u>
Net Change in Fund Balance	(427,783)	(427,783)	(2,875)	424,908
Fund Balance at beginning of year	<u>739,143</u>	<u>739,143</u>	<u>739,143</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 311,360</u>	<u>\$ 311,360</u>	<u>\$ 736,268</u>	<u>\$ 424,908</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Interest	\$ 700	\$ 700	\$ 4,077	\$ 3,377
Other	<u>5,000</u>	<u>5,000</u>	<u>8,986</u>	<u>3,986</u>
Total Revenues	5,700	5,700	13,063	7,363
Expenditures:				
Current -				
Public Safety:				
Supplies	<u>11,350</u>	<u>11,350</u>	<u>8,116</u>	<u>3,234</u>
Net Change in Fund Balance	(5,650)	(5,650)	4,947	10,597
Fund Balance at beginning of year	<u>82,299</u>	<u>82,299</u>	<u>82,299</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 76,649</u></u>	<u><u>\$ 76,649</u></u>	<u><u>\$ 87,246</u></u>	<u><u>\$ 10,597</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental - Local	\$ 43,000	\$ 43,000	\$ 88,885	\$ 45,885
Interest	100	100	4,635	4,535
Other	<u>112,041</u>	<u>112,041</u>	<u>125,816</u>	<u>13,775</u>
Total Revenues	155,141	155,141	219,336	64,195
Expenditures:				
Current -				
Recreation and culture	<u>265,393</u>	<u>266,393</u>	<u>262,849</u>	<u>3,544</u>
Revenues under expenditures	(110,252)	(111,252)	(43,513)	67,739
Other Financing Sources:				
Transfers in	<u>110,252</u>	<u>111,252</u>	<u>111,252</u>	<u>-</u>
Net Change in Fund Balance	-	-	67,739	67,739
Fund Balance at beginning of year	<u>38,005</u>	<u>38,005</u>	<u>38,005</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 38,005</u></u>	<u><u>\$ 38,005</u></u>	<u><u>\$ 105,744</u></u>	<u><u>\$ 67,739</u></u>

CITY OF MARYSVILLE, MICHIGAN

**GOLF COURSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 370,750	\$ 331,750	\$ 332,218	\$ 468
Interest and rent	163,600	157,600	157,741	141
Other	<u>4,300</u>	<u>4,300</u>	<u>22,285</u>	<u>17,985</u>
Total Revenues	<u>538,650</u>	<u>493,650</u>	<u>512,244</u>	<u>18,594</u>
Expenditures:				
Current -				
Recreation and culture	622,417	638,917	657,564	(18,647)
Debt service -				
Principal	25,200	25,200	27,641	(2,441)
Interest and charges	<u>9,500</u>	<u>9,500</u>	<u>9,160</u>	<u>340</u>
Total Expenditures	<u>657,117</u>	<u>673,617</u>	<u>694,365</u>	<u>(20,748)</u>
Revenues under expenditures	(118,467)	(179,967)	(182,121)	(2,154)
Other Financing Sources:				
Transfers in	<u>118,467</u>	<u>179,967</u>	<u>179,967</u>	<u>-</u>
Net Change in Fund Balance	-	-	(2,154)	(2,154)
Fund Balance at beginning of year	<u>7,189</u>	<u>7,189</u>	<u>7,189</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 7,189</u></u>	<u><u>\$ 7,189</u></u>	<u><u>\$ 5,035</u></u>	<u><u>\$(2,154)</u></u>

CITY OF MARYSVILLE, MICHIGAN

**AMBULANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 248,000	\$ 248,000	\$ 211,384	\$(36,616)
Interest	7,000	7,000	29,287	22,287
Other	-	-	17,500	17,500
	<u>255,000</u>	<u>255,000</u>	<u>258,171</u>	<u>3,171</u>
Expenditures:				
Capital Outlay	<u>170,000</u>	<u>170,000</u>	<u>160,038</u>	<u>9,962</u>
Net Change in Fund Balance	85,000	85,000	98,133	13,133
Fund Balance at beginning of year	<u>703,982</u>	<u>703,982</u>	<u>703,982</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 788,982</u></u>	<u><u>\$ 788,982</u></u>	<u><u>\$ 802,115</u></u>	<u><u>\$ 13,133</u></u>

CITY OF MARYSVILLE, MICHIGAN

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Equipment Rental</u>	<u>Healthcare</u>	<u>Employee Vacation and Sick</u>	<u>Total</u>
Assets:				
Current Assets -				
Cash and cash equivalents	\$ 107,185	\$ 926	\$ 80,077	\$ 188,188
Investments	217,717	409,677	337,925	965,319
Accounts and interest receivable	470	1,098	1,135	2,703
Due from other funds	-	-	-	-
Inventories	1,433	-	-	1,433
Prepaid expenses	3,170	94,219	-	97,389
Total Current Assets	<u>329,975</u>	<u>505,920</u>	<u>419,137</u>	<u>1,255,032</u>
Non-Current Assets -				
Property, plant, and equipment	2,174,183	-	-	2,174,183
Less - accumulated depreciation	<u>(1,727,685)</u>	<u>-</u>	<u>-</u>	<u>(1,727,685)</u>
Total Non-Current Assets	<u>446,498</u>	<u>-</u>	<u>-</u>	<u>446,498</u>
Total Assets	<u>776,473</u>	<u>505,920</u>	<u>419,137</u>	<u>1,701,530</u>
Deferred Outflows of Resources:				
Related to pension plan	<u>33,926</u>	<u>-</u>	<u>-</u>	<u>33,926</u>
Liabilities:				
Current Liabilities -				
Accounts payable	13,937	17,935	-	31,872
Accrued expenses	1,063	-	-	1,063
Due to other funds	<u>-</u>	<u>84,000</u>	<u>317</u>	<u>84,317</u>
Total Current Liabilities	<u>15,000</u>	<u>101,935</u>	<u>317</u>	<u>117,252</u>
Long-term Liabilities (net of current portion) -				
Net OPEB liability	119,038	-	-	119,038
Net pension liability	521,008	-	-	521,008
Accrued vacation and sick	<u>-</u>	<u>-</u>	<u>418,820</u>	<u>418,820</u>
Total Long-term Liabilities	<u>640,046</u>	<u>-</u>	<u>418,820</u>	<u>1,058,866</u>
Total Liabilities	<u>655,046</u>	<u>101,935</u>	<u>419,137</u>	<u>1,176,118</u>
Deferred Inflows of Resources:				
Related to pension plan	13,392	-	-	13,392
Related to OPEB plan	<u>19,614</u>	<u>-</u>	<u>-</u>	<u>19,614</u>
Total Deferred Inflows of Resources	<u>33,006</u>	<u>-</u>	<u>-</u>	<u>33,006</u>
Net Position:				
Net investment in capital assets	446,498	-	-	446,498
Unrestricted (deficit)	<u>(324,151)</u>	<u>403,985</u>	<u>-</u>	<u>79,834</u>
Total Net Position	<u>\$ 122,347</u>	<u>\$ 403,985</u>	<u>\$ -</u>	<u>\$ 526,332</u>

CITY OF MARYSVILLE, MICHIGAN

INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Equipment Rental	Healthcare	Employee Vacation and Sick	Total
Operating Revenues:				
Charges for services	\$ -	\$ 828,296	\$ -	\$ 828,296
Rent income	600,354	-	-	600,354
Total Operating Revenues	<u>600,354</u>	<u>828,296</u>	<u>-</u>	<u>1,428,650</u>
Operating Expenses:				
Personnel services	208,045	866,582	18,060	1,092,687
Supplies	53,984	-	-	53,984
Other services	146,617	-	-	146,617
Depreciation	113,668	-	-	113,668
Total Operating Expenses	<u>522,314</u>	<u>866,582</u>	<u>18,060</u>	<u>1,406,956</u>
Operating Income (Loss)	78,040	(38,286)	(18,060)	21,694
Non-Operating Revenues:				
Investment income	<u>7,533</u>	<u>17,849</u>	<u>18,060</u>	<u>43,442</u>
Net Income (Loss) Before Transfers	85,573	(20,437)	-	65,136
Transfers:				
Transfers out	<u>(48,531)</u>	<u>-</u>	<u>-</u>	<u>(48,531)</u>
Change in Net Position	37,042	(20,437)	-	16,605
Net Position at beginning of year	<u>85,305</u>	<u>424,422</u>	<u>-</u>	<u>509,727</u>
Net Position end of year	<u>\$ 122,347</u>	<u>\$ 403,985</u>	<u>\$ -</u>	<u>\$ 526,332</u>

CITY OF MARYSVILLE, MICHIGAN

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Equipment Rental	Healthcare	Employee Vacation and Sick	Total
Cash Flows From Operating Activities:				
Cash receipts from interfund services	\$ 600,133	\$ 849,689	\$ -	\$ 1,449,822
Cash payments to suppliers	(200,482)	(902,778)	-	(1,103,260)
Cash payments to employees	(234,190)	-	(13,740)	(247,930)
Net Cash Provided by (Used for) Operating Activities	165,461	(53,089)	(13,740)	98,632
Cash Flows From Noncapital Financing Activities:				
Transfers to other funds	(48,531)	-	-	(48,531)
Due from/to other funds	-	84,000	1,171	85,171
Net Cash Provided by (Used for) Noncapital Financing Activities	(48,531)	84,000	1,171	36,640
Cash Flows From Investing Activities:				
Net purchases of investments	(56,263)	(33,800)	53,133	(36,930)
Net Increase (Decrease) in Cash and Cash Equivalents for the year	60,667	(2,889)	40,564	98,342
Cash and Cash Equivalents at Beginning of Year	46,518	3,815	39,513	89,846
Cash and Cash Equivalents at End of Year	\$ 107,185	\$ 926	\$ 80,077	\$ 188,188
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 78,040	\$(38,286)	\$(18,060)	\$ 21,694
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation	113,668	-	-	113,668
Change in assets and liabilities:				
Receivables	(221)	(701)	-	(922)
Due from other funds	-	22,094	-	22,094
Prepaid expenses	(151)	(38,369)	-	(38,520)
Inventories	(316)	-	-	(316)
Net OPEB liability	(116,407)	-	-	(116,407)
Net pension liability	91,449	-	-	91,449
Deferred outflows/inflows related to the pension/OPEB plans	(1,292)	-	-	(1,292)
Accounts payable/accrued expenses	691	2,173	4,320	7,184
Net Cash Provided by (Used in) Operating Activities	\$ 165,461	\$(53,089)	\$(13,740)	\$ 98,632