

CITY OF MARYSVILLE, MICHIGAN

**ANNUAL FINANCIAL REPORT
with Supplementary Information**

**FOR THE YEAR ENDED
JUNE 30, 2015**

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

CERTIFIED PUBLIC ACCOUNTANTS



CITY OF MARYSVILLE, MICHIGAN

TABLE OF CONTENTS

JUNE 30, 2015

| | <u>Page Number</u> |
|--|--------------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 4 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 13 |
| Reconciliation of Balance Sheet for Governmental Funds to the Statement of Net Position | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Statement of Net Position - Proprietary Funds | 17 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | 19 |
| Statement of Cash Flows - Proprietary Funds | 20 |
| Statement of Fiduciary Net Position - Fiduciary Funds | 22 |
| Statement of Changes in Fiduciary Net Position - Fiduciary Funds | 23 |
| Combining Statement of Net Position - Discretely Presented Component Units | 24 |
| Combining Statement of Activities - Discretely Presented Component Units | 25 |
| Notes to Financial Statements | 27 |
| Required Supplementary Information: | |
| Budgetary Comparison Information - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | 60 |
| Employee Retirement Systems - General City Employees Retirement System - Schedule of Investment Returns | 62 |
| Schedule of Changes in Net Pension Liability and Related Ratios | 63 |
| Schedule of City Contributions | 64 |

CITY OF MARYSVILLE, MICHIGAN

TABLE OF CONTENTS JUNE 30, 2015

| | <u>Page Number</u> |
|--|--------------------|
| Required Supplementary Information - (cont'd): | |
| Police Officers and Firefighters Retirement System - | |
| Schedule of Investment Returns | 66 |
| Schedule of Changes in Net Pension Liability and Related Ratios | 67 |
| Schedule of City Contributions | 68 |
| Retiree Health Benefits - | |
| Schedule of Funding Progress | 70 |
| Schedule of Employer Contributions | 70 |
| Supplementary Information: | |
| General Fund - | |
| Combining Balance Sheet | 71 |
| Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance | 72 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Industrial Development Fund | 73 |
| Combining and Individual Fund Statements and Schedules Nonmajor Governmental Funds - | |
| Combining Balance Sheet | 74 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 76 |
| Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual | 78 |
| Internal Service Funds - | |
| Combining Statement of Net Position | 83 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position | 84 |
| Combining Statement of Cash Flows | 85 |
| Component Units - | |
| Local Development Finance Authority District No. 1 - | |
| Balance Sheet/Statement of Net Position | 86 |
| Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities | 87 |
| Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities | 87 |
| Local Development Finance Authority District No. 2 - | |
| Balance Sheet/Statement of Net Position | 88 |
| Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities | 89 |
| Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities | 89 |

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, 2015, 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 47 percent, respectively of the assets, net position, and revenues of the discretely presented component units. These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Marysville Housing Commission is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marysville, Michigan, as of June 30, 2015, 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.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As discussed in Note 16 to the financial statements, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. The Statements required the City to record their Net Pension Liability in the government-wide and proprietary fund financial statements and enhanced financial reporting of the City's Net Pension Liability and the related note disclosures of the Plan. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and the budgetary comparison information, retirement systems and retiree health benefits schedules, and other information on pages 60-70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marysville, Michigan's basic financial statements. The combining General Fund schedules, combining and individual nonmajor fund statements and schedules, and the fund financial statements of the Local Development Finance Authorities (the 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 and presented on pages 71-89 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015 on our consideration of the City of Marysville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marysville's internal control over financial reporting and compliance.


Certified Public Accountants

November 25, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Marysville's annual report is presented to offer readers a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information, which presents combining statements for the general fund, nonmajor governmental funds, internal service funds, and component unit information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The City has three types of funds:

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

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

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

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

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

FINANCIAL OVERVIEW (Government-wide financial analysis)

The City has combined total net position of \$43,043,949. This is an increase of \$1,234,430 over 2014. Government-type activities comprise \$16,361,439, and business-type activities make up \$26,682,510 of the total net position. In a condensed format, the table below shows net position at of the June 30, 2015 and 2014.

| | Governmental Activities | | Business-type Activities | |
|--|----------------------------|----------------------|-----------------------------|----------------------|
| | 2015 | Restated 2014 | 2015 | Restated 2014 |
| Assets | | | | |
| Current and other assets | \$ 12,915,156 | \$ 12,078,901 | \$ 2,294,691 | \$ 2,922,462 |
| Capital assets | <u>20,680,683</u> | <u>18,792,353</u> | <u>39,994,294</u> | <u>40,609,460</u> |
| Total Assets | <u>33,595,839</u> | <u>30,871,254</u> | <u>42,288,985</u> | <u>43,531,922</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charges on refunding Related to pensions | 31,213 | 37,455 | - | - |
| | <u>4,166,784</u> | <u>-</u> | <u>569,264</u> | <u>-</u> |
| Total Deferred Outflows of Resources | <u>4,197,997</u> | <u>37,455</u> | <u>-</u> | <u>-</u> |
| Liabilities | | | | |
| Current liabilities | 1,023,739 | 463,680 | 357,699 | 952,412 |
| Non-current liabilities | <u>20,084,787</u> | <u>15,174,590</u> | <u>15,721,695</u> | <u>16,040,430</u> |
| Total Liabilities | <u>21,108,526</u> | <u>15,638,270</u> | <u>16,079,394</u> | <u>16,992,842</u> |
| Deferred Inflows of Resources | | | | |
| Related to Pensions | <u>323,871</u> | <u>-</u> | <u>96,345</u> | <u>-</u> |
| Net Position | | | | |
| Net investment in capital assets | 17,982,888 | 15,908,810 | 26,108,342 | 25,771,607 |
| Restricted | 3,737,240 | 3,639,639 | 494,128 | 443,128 |
| Unrestricted | (5,358,689) | (4,278,010) | 80,040 | 324,345 |
| Total Net Position | <u>\$ 16,361,439</u> | <u>\$ 15,270,439</u> | <u>\$ 26,682,510</u> | <u>\$ 26,539,080</u> |

The City's governmental activities experienced an increase in net position of \$1,091,000 due to increased investment income over 2014 and capital contributions. The business-type activities experienced a change in net position of \$143,430: \$15,502 in the Water Supply System Fund, \$179,561 in the Wastewater Fund, and \$(51,633) in the Golf Course Fund.

The following table shows the changes in net position for 2015 and 2014:

| | Governmental Activities | | Business-type Activities | |
|--|----------------------------|-------------------|-----------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | | | | |
| Program Revenue | | | | |
| Charges for services | \$ 1,110,862 | \$ 965,345 | \$ 4,932,202 | \$ 5,077,470 |
| Operating grants and contributions | 985,226 | 1,005,120 | - | - |
| Capital grants and contributions | 1,654,581 | 828,958 | - | - |
| General Revenue | | | | |
| Property taxes | 6,257,422 | 6,300,140 | - | - |
| Franchise fees | 155,046 | 148,181 | - | - |
| Grants and contributions not restricted to specific programs | 964,808 | 952,532 | - | - |
| Unrestricted investment income | <u>171,650</u> | <u>84,995</u> | <u>145,408</u> | <u>56,641</u> |
| Total Revenue | <u>11,299,595</u> | <u>10,285,271</u> | <u>5,077,610</u> | <u>5,134,111</u> |
| Program Expenses | | | | |
| General government | 1,204,473 | 1,036,562 | - | - |
| Public safety | 4,912,051 | 4,029,934 | - | - |
| Public works | 3,429,909 | 3,498,819 | - | - |
| Recreation and culture | 540,890 | 567,572 | - | - |
| Interest on long-term debt | 116,311 | 129,864 | - | - |
| Water supply system | - | - | 1,930,100 | 1,594,914 |
| Wastewater | - | - | 2,398,278 | 2,324,828 |
| Golf Course | - | - | 610,763 | 552,004 |
| Total Program Expenses | <u>10,203,634</u> | <u>9,262,751</u> | <u>4,939,141</u> | <u>4,471,746</u> |
| Increase (Decrease) in Net Position before transfers | 1,095,961 | 1,022,520 | 138,469 | 662,365 |
| Transfers | (4,961) | (49,850) | 4,961 | 49,850 |
| Changes in Net Position | <u>\$ 1,091,000</u> | <u>\$ 972,670</u> | <u>\$ 143,430</u> | <u>\$ 712,215</u> |

Governmental Activities

Revenues for governmental activities totaled \$11.3 million in 2015, of which approximately \$6.3 million or 55% of total revenue was received from taxes followed by operating and capital grants and contributions of \$2.6 million or 23% of total revenue.

Business-type Activities

The City has three business-type activities: water supply, wastewater, and a golf course. The City operates its own water and sewage treatment facilities and a golf course. The water supply, wastewater, and golf course funds had a net change in net position of \$15,502, \$179,561, and \$(51,633), respectively.

FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund ended 2015 with a fund balance of \$6,731,114 of which \$1,488,496 was nonspendable, \$31,100 was restricted, \$954,048 was committed, and \$175,000 was assigned, with the remaining amount of \$4,082,470 classified as unassigned. This is an increase of \$432,922 from the prior year.

The City's other major governmental funds, the Motor Vehicle Highway Fund and the Public Improvement Fund, ended 2015 with fund balances of \$910,418 and \$106,675, respectively. This is an increase of \$75,619 for the Motor Vehicle Highway Fund due to the tax levy and transfer in from the General Fund and a decrease of \$295,558 in the Public Improvement Fund due to projects.

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

BUDGETARY HIGHLIGHTS

Over the course of the year, the City administration and City Council monitors the budget, and if necessary, amends the budget to take into account unanticipated events that occur during the year. The General Fund budgeted revenues increased by \$202,000, or 2.6%, for tax revenues coming in higher than originally anticipated. General Fund budgeted expenditures decreased by \$3,138.

The General Fund revenues for the year were over budget by \$89,933 or 1.1% due primarily to licenses and permits coming in over budget by \$125,451. The General Fund expenditures for the year were under budget by \$23,571 or 0.3%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had \$60.7 million dollars invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2015. The investment in capital assets includes land, building and building improvements, infrastructure (including bike paths, sidewalks, and streets), machinery and equipment, vehicles, and utility systems (water supply and wastewater systems). During the year the City added \$3,267,093 of capital assets in the governmental activities and \$960,515 in the business-type activities before taking into account depreciation. Depreciation for the year was \$1,375,887 for governmental activities and \$1,567,933 for business-type activities. The following table shows the capital assets at June 30, 2015 and 2014:

| | Governmental Activities | | Business-type Activities | |
|----------------------------|----------------------------|----------------------|-----------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 917,470 | \$ 917,470 | \$ 99,500 | \$ 99,500 |
| Land improvements | 7,118,162 | 6,327,679 | 682,254 | 676,320 |
| Buildings and improvements | 6,728,690 | 6,728,690 | 34,209,192 | 32,975,880 |
| Machinery and equipment | 3,219,537 | 3,269,437 | 3,841,216 | 3,846,179 |
| Vehicles | 2,083,890 | 1,450,770 | - | - |
| Infrastructure | 42,452,423 | 42,001,744 | - | - |
| Utility systems | - | - | 18,533,835 | 18,754,814 |
| Construction in progress | 1,492,132 | 130,970 | - | 61,828 |
| | <u>64,012,304</u> | <u>60,826,760</u> | <u>57,365,997</u> | <u>56,414,521</u> |
| Accumulated depreciation | (43,331,621) | (42,034,407) | (17,371,703) | (15,805,061) |
| | <u>\$ 20,680,683</u> | <u>\$ 18,792,353</u> | <u>\$ 39,994,294</u> | <u>\$ 40,609,460</u> |

The City's major additions were land improvements for Cuttle Creek of \$1,393,609, Chrysler Beach Restoration of \$515,250, street improvements of \$435,815, a fire truck for \$545,890, and other vehicles for \$87,230 in the governmental activities and Northeast Sanitation Sewer Station improvements of \$885,833 in the business-type activities.

Long-term Debt

At June 30, 2015, the City had \$35,806,482 in long-term debt, compared to \$31,215,020 at June 30, 2014.

| | Governmental Activities | | Business-type Activities | |
|-------------------------------|----------------------------|----------------------|-----------------------------|----------------------|
| | 2015 | Restated 2014 | 2015 | Restated 2014 |
| General Obligation Bonds | \$ 1,344,708 | \$ 1,388,798 | \$ 1,705,292 | \$ 1,761,202 |
| Building Authority | | | | |
| Refunding Bonds | 1,420,000 | 1,570,000 | - | - |
| Michigan Municipal Bond | | | | |
| Authority Loans | - | - | 705,000 | 960,000 |
| State Revolving Funds | - | - | 9,908,074 | 10,383,074 |
| Clean Water Program | - | - | 1,435,000 | 1,560,000 |
| Capital Lease | - | - | 132,586 | 173,577 |
| Bond Discount | (35,700) | (37,800) | - | - |
| Other Postemployment Benefits | 418,811 | 422,540 | (153,294) | (154,658) |
| Compensated Absences | 383,175 | 392,016 | - | - |
| Net Pension Liability | <u>16,553,793</u> | <u>11,439,036</u> | <u>1,989,037</u> | <u>1,357,235</u> |
| | <u>\$ 20,084,787</u> | <u>\$ 15,174,590</u> | <u>\$ 15,721,695</u> | <u>\$ 16,040,430</u> |

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

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

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

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

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

The City has also adopted a budget for fiscal year 2015-16, in which the General Fund has a balanced budget. The City's elected and appointed officials considered many factors when setting that budget, along with the tax rates and fees that will be charged for the City's activities. Revenues and transfers for the budgeted 2015-16 year increased by 3.7% or \$303,775 (not factoring any fund draws) and expenditures and transfers budgeted for the 2015-2016 year in the General Fund increased by 6.7% or \$514,819 from the amended 2014-2015 budget.

CONTACTING THE CITY'S MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2015

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business Type Activities | Total | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 39,466 | \$ 37,933 | \$ 77,399 | \$ 116,747 |
| Investments | 10,190,411 | 2,909,368 | 13,099,779 | 350,000 |
| Receivables (net of allowance) | 1,098,362 | 822,575 | 1,920,937 | 10,241 |
| Prepaid expenses | 80,324 | 9,784 | 90,108 | - |
| Internal balances | 1,502,216 | (1,502,216) | - | - |
| Due from component units | 2,150 | - | 2,150 | - |
| Inventory | 2,227 | 17,247 | 19,474 | - |
| Capital assets (net of accumulated depreciation) | | | | |
| Assets not being depreciated | 2,409,602 | 631,870 | 3,041,472 | 341,245 |
| Assets being depreciated | 18,271,081 | 39,362,424 | 57,633,505 | 2,011,541 |
| Total Assets | <u>33,595,839</u> | <u>42,288,985</u> | <u>75,884,824</u> | <u>2,829,774</u> |
| Deferred Outflows of Resources: | | | | |
| Deferred charges on refunding | 31,213 | - | 31,213 | - |
| Related to pensions | 4,166,784 | 569,264 | 4,736,048 | - |
| Total Deferred Outflows of Resources | <u>4,197,997</u> | <u>569,264</u> | <u>4,767,261</u> | <u>-</u> |
| Liabilities: | | | | |
| Payables and accrued liabilities | 957,262 | 265,733 | 1,222,995 | 55,862 |
| Accrued interest | 38,578 | 91,966 | 130,544 | - |
| Advances and deposits | - | - | - | 34,873 |
| Unearned revenue | 27,899 | - | 27,899 | 1,643 |
| Non-current liabilities - | | | | |
| Net OPEB obligation | 418,811 | (153,294) | 265,517 | - |
| Net pension liability | 16,553,793 | 1,989,037 | 18,542,830 | - |
| Due within one year | 216,989 | 559,106 | 776,095 | - |
| Due in more than one year | 2,895,194 | 13,326,846 | 16,222,040 | - |
| Total Liabilities | <u>21,108,526</u> | <u>16,079,394</u> | <u>37,187,920</u> | <u>92,378</u> |
| Deferred Inflows of resources: | | | | |
| Related to pensions | 323,871 | 96,345 | 420,216 | - |
| Net Position: | | | | |
| Net investment in capital assets | 17,982,888 | 26,108,342 | 44,091,230 | 2,352,786 |
| Restricted - | | | | |
| Nonexpendable | 262,638 | - | 262,638 | - |
| Expendable | | | | |
| General Government | 235,612 | - | 235,612 | - |
| Streets | 3,071,591 | - | 3,071,591 | - |
| Acquisition/construction of assets | 106,675 | 494,128 | 600,803 | - |
| Public Safety | 51,335 | - | 51,335 | - |
| Recreation and Cultural | 9,389 | - | 9,389 | - |
| Unrestricted | (5,358,689) | 80,040 | (5,278,649) | 384,610 |
| Total Net Position | <u>\$ 16,361,439</u> | <u>\$ 26,682,510</u> | <u>\$ 43,043,949</u> | <u>\$ 2,737,396</u> |

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

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

| Functions/Programs | Expenses | Program Revenues | | |
|-------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities: | | | | |
| General Government | \$ 1,204,473 | \$ 92,034 | \$ 5,309 | \$ - |
| Public Safety | 4,912,051 | 537,260 | 187,823 | - |
| Public Works | 3,429,909 | 340,691 | 750,759 | 1,654,581 |
| Recreation and Culture | 540,890 | 140,877 | 41,335 | - |
| Interest on Long Term Debt | 116,311 | - | - | - |
| Total governmental activities | <u>10,203,634</u> | <u>1,110,862</u> | <u>985,226</u> | <u>1,654,581</u> |
| Business type activities: | | | | |
| Water Supply System | 1,930,100 | 1,872,636 | - | - |
| Wastewater | 2,398,278 | 2,596,588 | - | - |
| Golf Course | 610,763 | 462,978 | - | - |
| Total business type activities | <u>4,939,141</u> | <u>4,932,202</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 15,142,775</u> | <u>\$ 6,043,064</u> | <u>\$ 985,226</u> | <u>\$ 1,654,581</u> |
| Component Units | | | | |
| Housing Commission | \$ 848,873 | \$ 399,489 | \$ 230,050 | \$ 167,712 |
| Local Development Finance Authority | | | | |
| District No. 1 | 3,300 | - | - | - |
| District No. 2 | 2,571 | - | - | - |
| Total Component Units | <u>\$ 854,744</u> | <u>\$ 399,489</u> | <u>\$ 230,050</u> | <u>\$ 167,712</u> |

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

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

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

Net (Expense) Revenue and Change in Net Position

Primary Government

| Governmental Activities | Business Type Activities | Total | Component Units |
|----------------------------|-----------------------------|----------------------|---------------------|
| \$(1,107,130) | \$ - | \$(1,107,130) | \$ - |
| (4,186,968) | - | (4,186,968) | - |
| (683,878) | - | (683,878) | - |
| (358,678) | - | (358,678) | - |
| (116,311) | - | (116,311) | - |
| <u>(6,452,965)</u> | <u>-</u> | <u>(6,452,965)</u> | <u>-</u> |
| - | (57,464) | (57,464) | - |
| - | 198,310 | 198,310 | - |
| - | (147,785) | (147,785) | - |
| <u>-</u> | <u>(6,939)</u> | <u>(6,939)</u> | <u>-</u> |
| <u>(6,452,965)</u> | <u>(6,939)</u> | <u>(6,459,904)</u> | <u>-</u> |
| - | - | - | (51,622) |
| - | - | - | (3,300) |
| - | - | - | (2,571) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(57,493)</u> |
| 6,257,422 | - | 6,257,422 | 915,692 |
| 155,046 | - | 155,046 | - |
| 964,808 | - | 964,808 | - |
| 171,650 | 145,408 | 317,058 | 1,671 |
| (4,961) | 4,961 | - | - |
| <u>7,543,965</u> | <u>150,369</u> | <u>7,694,334</u> | <u>917,363</u> |
| 1,091,000 | 143,430 | 1,234,430 | 859,870 |
| <u>15,270,439</u> | <u>26,539,080</u> | <u>41,809,519</u> | <u>1,877,526</u> |
| <u>\$ 16,361,439</u> | <u>\$ 26,682,510</u> | <u>\$ 43,043,949</u> | <u>\$ 2,737,396</u> |

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

| | General | Capital Projects Funds | | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------------|--------------------|--------------------------|--------------------------|
| | | Motor Vehicle Highway | Public Improvement | | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 2,041 | \$ 2,337 | \$ 48 | \$ 12,372 | \$ 16,798 |
| Investments | 5,472,887 | 915,614 | 12,795 | 3,119,072 | 9,520,368 |
| Receivables, net of allowance - | | | | | |
| Property taxes | 24,860 | - | - | - | 24,860 |
| Interest and accounts | 96,468 | 2,062 | 132 | 86,197 | 184,859 |
| Due from other governmental units | 178,952 | - | 561,570 | 147,361 | 887,883 |
| Due from other funds | 84,770 | 38,000 | - | - | 122,770 |
| Due from component units | 2,150 | - | - | - | 2,150 |
| Prepaid expenditures | 75,496 | - | - | 3,076 | 78,572 |
| Advance to other funds | 1,413,000 | - | - | - | 1,413,000 |
| Total Assets | \$ 7,350,624 | \$ 958,013 | \$ 574,545 | \$ 3,368,078 | \$ 12,251,260 |
| Liabilities: | | | | | |
| Accounts payable | \$ 197,791 | \$ 47,595 | \$ 332,692 | \$ 25,453 | \$ 603,531 |
| Accrued liabilities | 124,562 | - | - | 20,117 | 144,679 |
| Due to other funds | 246,300 | - | - | - | 246,300 |
| Unearned revenue | 7,917 | - | - | 19,982 | 27,899 |
| Total Liabilities | 576,570 | 47,595 | 332,692 | 65,552 | 1,022,409 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenues - | | | | | |
| Property taxes | 24,860 | - | - | - | 24,860 |
| Grants | 18,080 | - | 135,178 | - | 153,258 |
| Charges for services | - | - | - | 32,213 | 32,213 |
| Total Deferred Inflows of Resources | 42,940 | - | 135,178 | 32,213 | 210,331 |
| Fund Balances: | | | | | |
| Nonspendable - | | | | | |
| Prepaid expenditures | 75,496 | - | - | 3,076 | 78,572 |
| Advance to other funds | 1,413,000 | - | - | - | 1,413,000 |
| Perpetual Care | - | - | - | 262,638 | 262,638 |
| Restricted | 31,100 | 910,418 | 106,675 | 2,426,409 | 3,474,602 |
| Committed | 954,048 | - | - | 578,190 | 1,532,238 |
| Assigned | 175,000 | - | - | - | 175,000 |
| Unassigned | 4,082,470 | - | - | - | 4,082,470 |
| Total Fund Balances | 6,731,114 | 910,418 | 106,675 | 3,270,313 | 11,018,520 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 7,350,624 | \$ 958,013 | \$ 574,545 | \$ 3,368,078 | \$ 12,251,260 |

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, 2015**

| | | |
|--|--|---------------|
| Fund Balances - total governmental funds | | \$ 11,018,520 |
|--|--|---------------|

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

| | | |
|--------------------------|---|-------------|
| Capital assets | | 61,957,346 |
| Accumulated depreciation | (| 41,692,705) |

Certain pension contributions and changes in pension plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position.

| | | |
|--------------------------------|---|-----------|
| Deferred outflows of resources | | 4,053,940 |
| Deferred inflows of resources | (| 304,773) |

Other long - term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.

| | | | |
|------------------------------------|---------------|--|---------|
| Delinquent personal property taxes | \$ 24,860 | | |
| Grants | 153,258 | | |
| Charges for services | <u>32,213</u> | | 210,331 |

Internal Service Fund used by management to charge cost of the City's motor pool activities and accrued vacation and sick benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

466,018

Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | | | |
|-------------------------|------------------|---|-------------|
| Bonds payable | (2,764,708) | | |
| Postemployment benefits | (451,355) | | |
| Net pension liability | (16,159,510) | | |
| Accrued interest | <u>(38,578)</u> | (| 19,414,151) |

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).

35,700

Losses on refunding are not reported in the governmental funds, where they are capitalized and amortized from net position

31,213

| | | |
|---|--|----------------------|
| Net Position of governmental activities | | <u>\$ 16,361,439</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, 2015**

| | General | Capital Projects Funds | | Other Governmental Fund | Total Governmental Funds |
|---|---------------------|--------------------------|-----------------------|-------------------------------|--------------------------------|
| | | Motor Vehicle Highway | Public Improvement | | |
| Revenues: | | | | | |
| Taxes | \$ 6,153,596 | \$ 102,400 | \$ - | \$ - | \$ 6,255,996 |
| Licenses and permits | 405,151 | - | - | - | 405,151 |
| Intergovernmental - | | | | | |
| Federal/State | 1,008,862 | - | 1,654,581 | 750,759 | 3,414,202 |
| Local | - | - | - | 41,335 | 41,335 |
| Charges for services | 380,563 | - | - | 225,772 | 606,335 |
| Fines and forfeits | 9,780 | - | - | - | 9,780 |
| Interest and rent | 118,212 | 6,701 | 11,445 | 43,092 | 179,450 |
| Other | 57,425 | - | 2,000 | 177,813 | 237,238 |
| Total Revenues | <u>8,133,589</u> | <u>109,101</u> | <u>1,668,026</u> | <u>1,238,771</u> | <u>11,149,487</u> |
| Expenditures: | | | | | |
| Current - | | | | | |
| General Government | 837,793 | - | - | - | 837,793 |
| Public Safety | 2,964,734 | - | - | 4,466 | 2,969,200 |
| Public Works | 1,336,477 | - | - | 598,358 | 1,934,835 |
| Recreation and Cultural | 240,384 | - | - | 219,627 | 460,011 |
| Other Activities | 1,524,957 | - | - | - | 1,524,957 |
| Capital outlay | 96,402 | 58,482 | 2,263,584 | 546,712 | 2,965,180 |
| Debt service - | | | | | |
| Principal | 44,090 | - | - | 150,000 | 194,090 |
| Interest | 56,040 | - | - | 60,818 | 116,858 |
| Total Expenditures | <u>7,100,877</u> | <u>58,482</u> | <u>2,263,584</u> | <u>1,579,981</u> | <u>11,002,924</u> |
| Revenues over (under) expenditures | <u>1,032,712</u> | <u>50,619</u> | <u>(595,558)</u> | <u>(341,210)</u> | <u>146,563</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 1,225 | 125,000 | 300,000 | 586,933 | 1,013,158 |
| Transfers out | (601,015) | (100,000) | - | (270,247) | (971,262) |
| Total Other Financing Sources (Uses) | <u>(599,790)</u> | <u>25,000</u> | <u>300,000</u> | <u>316,686</u> | <u>41,896</u> |
| Net Change in Fund Balances | 432,922 | 75,619 | (295,558) | (24,524) | 188,459 |
| Fund Balances at beginning of year | <u>6,298,192</u> | <u>834,799</u> | <u>402,233</u> | <u>3,294,837</u> | <u>10,830,061</u> |
| Fund Balances at end of year | <u>\$ 6,731,114</u> | <u>\$ 910,418</u> | <u>\$ 106,675</u> | <u>\$ 3,270,313</u> | <u>\$ 11,018,520</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, 2015**

| | | |
|---|----|------------|
| Net change in fund balances - total governmental funds | \$ | 188,459 |
| <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 | | 3,235,444 |
| Depreciation expense | (| 1,270,590) |
| <p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| | | 150,108 |
| <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 | \$ | 194,090 |
| Amortization of bond discount | (| 2,100) |
| Amortization of deferred charge on refunding | (| 6,242) |
| Decrease in accrued interest | | 8,889 |
| | | 194,637 |
| <p>Internal service funds used by management to charge costs of the City's motor pool activities and vacation and sick activities. The net revenues (expenses) attributable to those funds is reported with governmental activities.</p> | | |
| | (| 170,728) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p> | | |
| Decrease in postemployment benefits payable | | 4,019 |
| Increase in net pension liability | (| 4,989,516) |
| Change in deferred outflows/inflows of resources as a result in changes of assumptions, differences between projected and actual earnings, and proportionate share differences | | 3,749,167 |
| | | 3,749,167 |
| Change in net position of governmental activities | \$ | 1,091,000 |

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

CITY OF MARYSVILLE, MICHIGAN

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2015

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|--|---|--------------|----------------|---------------|--|
| | Water Supply System | Wastewater | Golf Course | Total | Activities Internal Service Funds |
| Assets: | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 9,855 | \$ 80 | \$ 27,998 | \$ 37,933 | \$ 22,668 |
| Investments | 471,541 | 2,437,827 | - | 2,909,368 | 670,043 |
| Accounts and interest receivable | 357,155 | 464,171 | 1,249 | 822,575 | 760 |
| Due from other funds | - | - | - | - | 18,746 |
| Inventories | - | - | 17,247 | 17,247 | 2,227 |
| Prepaid expenses | 3,845 | 2,951 | 2,988 | 9,784 | 1,752 |
| Total Current Assets | 842,396 | 2,905,029 | 49,482 | 3,796,907 | 716,196 |
| Non-Current Assets: | | | | | |
| Property, plant and equipment | 19,871,323 | 35,269,924 | 2,224,751 | 57,365,998 | 2,054,958 |
| Less - accumulated depreciation | (8,204,131) | (8,233,321) | (934,252) | (17,371,704) | (1,638,916) |
| Property, Plant and Equipment, net | 11,667,192 | 27,036,603 | 1,290,499 | 39,994,294 | 416,042 |
| Net OPEB asset | 83,631 | 89,066 | - | 172,697 | 32,544 |
| Total Non-Current Assets | 11,750,823 | 27,125,669 | 1,290,499 | 40,166,991 | 448,586 |
| Total Assets | 12,593,219 | 30,030,698 | 1,339,981 | 43,963,898 | 1,164,782 |
| Deferred Outflows of Resources: | | | | | |
| Related to pension plan | 264,571 | 201,879 | 102,814 | 569,264 | 112,844 |

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

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|---|---|----------------------|-------------------|----------------------|------------------------------|
| | Water Supply System | Wastewater | Golf Course | Total | Internal Service Funds |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 112,241 | \$ 88,186 | \$ 18,254 | \$ 218,681 | \$ 10,608 |
| Accrued expenses | 14,875 | 12,340 | 19,837 | 47,052 | 4,444 |
| Accrued interest | 13,189 | 78,777 | - | 91,966 | - |
| Due to other funds | 31,660 | 56,012 | 1,544 | 89,216 | - |
| Capital lease payable (current portion) | - | - | 43,195 | 43,195 | - |
| Bonds payable (current portion) | 43,111 | 472,800 | - | 515,911 | - |
| Total Current Liabilities | <u>215,076</u> | <u>708,115</u> | <u>82,830</u> | <u>1,006,021</u> | <u>15,052</u> |
| Long-Term Liabilities (net of current portion): | | | | | |
| Advance from other funds | 1,413,000 | - | - | 1,413,000 | - |
| Net OPEB obligation | - | - | 19,403 | 19,403 | - |
| Net pension liability | 924,424 | 705,376 | 359,237 | 1,989,037 | 394,283 |
| Capital lease payable | - | - | 89,391 | 89,391 | - |
| Accrued vacation and sick | - | - | - | - | 383,175 |
| Bonds payable | 1,271,768 | 11,965,687 | - | 13,237,455 | - |
| Total Long-Term Liabilities | <u>3,609,192</u> | <u>12,671,063</u> | <u>468,031</u> | <u>16,748,286</u> | <u>777,458</u> |
| Total Liabilities | <u>3,824,268</u> | <u>13,379,178</u> | <u>550,861</u> | <u>17,754,307</u> | <u>792,510</u> |
| Deferred Inflows of Resources: | | | | | |
| Related to pension plan | 44,777 | 34,167 | 17,401 | 96,345 | 19,098 |
| Net Position: | | | | | |
| Net investment in capital assets | 10,352,313 | 14,598,116 | 1,157,913 | 26,108,342 | 416,042 |
| Restricted | 6,000 | 488,128 | - | 494,128 | - |
| Unrestricted | (1,369,568) | 1,732,988 | (283,380) | 80,040 | 49,976 |
| Total Net Position | <u>\$ 8,988,745</u> | <u>\$ 16,819,232</u> | <u>\$ 874,533</u> | <u>\$ 26,682,510</u> | <u>\$ 466,018</u> |

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|--|---|----------------------|-------------------|----------------------|--|
| | Water Supply System | Wastewater | Golf Course | Total | Activities Internal Service Funds |
| Operating Revenues: | | | | | |
| Charges for services - | | | | | |
| Service fees | \$ 1,864,439 | \$ 2,600,176 | \$ 312,819 | \$ 4,777,434 | \$ - |
| Rent income | - | - | 148,992 | 148,992 | 449,327 |
| Other | 8,197 | 160 | 1,167 | 9,524 | 106 |
| Total Operating Revenues | <u>1,872,636</u> | <u>2,600,336</u> | <u>462,978</u> | <u>4,935,950</u> | <u>449,433</u> |
| Operating Expenses: | | | | | |
| Personnel services | 750,180 | 516,940 | 346,364 | 1,613,484 | 249,020 |
| Supplies | 136,262 | 101,794 | 68,655 | 306,711 | 78,130 |
| Other services | 425,103 | 482,561 | 133,493 | 1,041,157 | 166,509 |
| Depreciation | 537,119 | 976,699 | 54,115 | 1,567,933 | 105,297 |
| Total Operating Expenses | <u>1,848,664</u> | <u>2,077,994</u> | <u>602,627</u> | <u>4,529,285</u> | <u>598,956</u> |
| Operating Income (Loss) | <u>23,972</u> | <u>522,342</u> | <u>(139,649)</u> | <u>406,665</u> | <u>(149,523)</u> |
| Non-Operating Revenues (Expenses): | | | | | |
| Loss on sale of assets | - | - | (3,748) | (3,748) | (376) |
| Investment income | 121,048 | 24,360 | - | 145,408 | 26,028 |
| Interest expenses | <u>(81,436)</u> | <u>(320,284)</u> | <u>(8,136)</u> | <u>(409,856)</u> | <u>-</u> |
| Total Non-Operating Revenues (Expenses) | <u>39,612</u> | <u>(295,924)</u> | <u>(11,884)</u> | <u>(268,196)</u> | <u>25,652</u> |
| Net Income (Loss) Before Transfers | <u>63,584</u> | <u>226,418</u> | <u>(151,533)</u> | <u>138,469</u> | <u>(123,871)</u> |
| Transfers: | | | | | |
| Transfers from other funds | - | - | 99,900 | 99,900 | - |
| Transfers to other funds | <u>(48,082)</u> | <u>(46,857)</u> | <u>-</u> | <u>(94,939)</u> | <u>(46,857)</u> |
| | <u>(48,082)</u> | <u>(46,857)</u> | <u>99,900</u> | <u>4,961</u> | <u>(46,857)</u> |
| Change in Net Position | 15,502 | 179,561 | (51,633) | 143,430 | (170,728) |
| Net Assets at beginning of year, restated | <u>8,973,243</u> | <u>16,639,671</u> | <u>926,166</u> | <u>26,539,080</u> | <u>636,746</u> |
| Net Position end of year | <u>\$ 8,988,745</u> | <u>\$ 16,819,232</u> | <u>\$ 874,533</u> | <u>\$ 26,682,510</u> | <u>\$ 466,018</u> |

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, 2015**

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|---|---|---------------------|------------------|---------------------|------------------------------|
| | Water Supply System | Wastewater | Golf Course | Total | Internal Service Funds |
| Cash Flows From Operating Activities: | | | | | |
| Cash receipts from customers | \$ 1,889,599 | \$ 2,624,004 | \$ 461,729 | \$ 4,975,332 | \$ - |
| Cash receipts from interfund services | - | - | - | - | 432,991 |
| Cash payments to suppliers | (1,110,615) | (494,882) | (210,253) | (1,815,750) | (241,125) |
| Cash payments for interfund services | (71,640) | (49,271) | - | (120,911) | - |
| Cash payments to employees | (678,717) | (455,034) | (313,754) | (1,447,505) | (223,785) |
| Net Cash Provided by (Used for) | | | | | |
| Operating Activities | <u>28,627</u> | <u>1,624,817</u> | <u>(62,278)</u> | <u>1,591,166</u> | <u>(31,919)</u> |
| Cash Flows From Noncapital Financing Activities: | | | | | |
| Transfers from/to other funds | (48,082) | (46,857) | 99,900 | 4,961 | (46,857) |
| Due from/to other funds | (93,345) | 193,586 | 33,049 | 133,290 | - |
| Net Cash Provided by (Used for) Noncapital | | | | | |
| Financing Activities | <u>(141,427)</u> | <u>146,729</u> | <u>132,949</u> | <u>138,251</u> | <u>(46,857)</u> |
| Cash Flows From Capital and Related | | | | | |
| Financing Activities: | | | | | |
| Interest paid | (81,856) | (325,463) | (8,136) | (415,455) | - |
| Bond payments | (43,110) | (867,800) | - | (910,910) | - |
| Capital lease payments | - | - | (40,991) | (40,991) | - |
| Repayment of advances from other funds | (63,925) | - | - | (63,925) | - |
| Proceeds from sale of assets | - | - | 4,000 | 4,000 | 2,500 |
| Acquisition and construction of capital assets | (61,654) | (888,851) | (10,010) | (960,515) | (31,649) |
| Net Cash Used for Capital and Related | | | | | |
| Financing Activities | <u>(250,545)</u> | <u>(2,082,114)</u> | <u>(55,137)</u> | <u>(2,387,796)</u> | <u>(29,149)</u> |
| Cash Flows From Investing Activities: | | | | | |
| Sales of investments | <u>358,360</u> | <u>287,097</u> | <u>-</u> | <u>645,457</u> | <u>93,470</u> |
| Net Increase (Decrease) in Cash and Cash | | | | | |
| Equivalents for the year | (4,985) | (23,471) | 15,534 | (12,922) | (14,455) |
| Cash and Cash Equivalents at | | | | | |
| Beginning of Year | <u>14,840</u> | <u>23,551</u> | <u>12,464</u> | <u>50,855</u> | <u>37,123</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 9,855</u> | <u>\$ 80</u> | <u>\$ 27,998</u> | <u>\$ 37,933</u> | <u>\$ 22,668</u> |

Continued

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

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|--|---|---------------------|--------------------|---------------------|------------------------------|
| | Water Supply System | Wastewater | Golf Course | Total | Internal Service Funds |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | | |
| Operating income (loss) for the year | \$ 23,972 | \$ 522,342 | \$(139,649) | \$ 406,665 | \$(149,523) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities - | | | | | |
| Depreciation | 537,119 | 976,699 | 54,115 | 1,567,933 | 105,297 |
| Change in assets and liabilities - | | | | | |
| Receivables | 16,963 | 23,668 | (1,249) | 39,382 | 2,304 |
| Due to/from other funds | - | - | - | - | (18,746) |
| Prepays and deposits | 4,319 | 1,564 | 3,116 | 8,999 | 904 |
| Inventories | - | - | (2,946) | (2,946) | 4,459 |
| Net OPEB asset | 745 | 793 | - | 1,538 | 290 |
| Net pension liability | 293,636 | 224,057 | 114,109 | 631,802 | 125,241 |
| Deferred outflows/inflows related to pension plan | (219,794) | (167,712) | (85,413) | (472,919) | (93,746) |
| Accounts payable/accrued expenses | (628,333) | 43,406 | (4,361) | (589,288) | (8,399) |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 28,627</u> | <u>\$ 1,624,817</u> | <u>\$(62,278)</u> | <u>\$ 1,591,166</u> | <u>\$(31,919)</u> |

Concluded

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

| | <u>Employee Retirement Systems</u> | | <u>Retiree's</u> | | <u>Tax</u> |
|--|------------------------------------|----------------------|----------------------|----------------------|-------------------|
| | <u>Police and</u> | <u>Other City</u> | <u>Health</u> | <u>Total</u> | <u>Agency</u> |
| | <u>Firefighters</u> | <u>Employees</u> | <u>Care</u> | | <u>Fund</u> |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 6,790 | \$ 6,168 | \$ 158 | \$ 13,116 | \$ 90 |
| Investments, at fair value | | | | | |
| U.S. government securities | - | - | 1,083,115 | 1,083,115 | - |
| Cash/money market funds | 923,249 | 875,083 | 445,498 | 2,243,830 | - |
| Asset backed securities | - | - | 621,609 | 621,609 | - |
| Corporate bonds | - | - | 1,783,253 | 1,783,253 | - |
| Mutual funds | 9,099,063 | 10,658,894 | 182,345 | 19,940,302 | - |
| Stocks | 4,362,406 | 5,658,808 | 8,869,270 | 18,890,484 | - |
| Total Investments | <u>14,384,718</u> | <u>17,192,785</u> | <u>12,985,090</u> | <u>44,562,593</u> | <u>-</u> |
| Receivables - | | | | | |
| Taxes | - | - | - | - | 94,199 |
| Members | 11,431 | 13,052 | - | 24,483 | - |
| Interest and dividends | 4,365 | 4,591 | 24,592 | 33,548 | - |
| | <u>15,796</u> | <u>17,643</u> | <u>24,592</u> | <u>58,031</u> | <u>94,199</u> |
| Due from other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>352,000</u> |
| Prepayments | <u>-</u> | <u>-</u> | <u>66,416</u> | <u>66,416</u> | <u>-</u> |
| Total Assets | <u>14,407,304</u> | <u>17,216,596</u> | <u>13,076,256</u> | <u>44,700,156</u> | <u>\$ 446,289</u> |
| Liabilities: | | | | | |
| Accounts payable | 9,829 | 5,950 | 52,380 | 68,159 | \$ 2,573 |
| Due to other governmental units | - | - | - | - | 443,716 |
| Due to other funds | - | - | 158,000 | 158,000 | - |
| | <u>9,829</u> | <u>5,950</u> | <u>210,380</u> | <u>226,159</u> | <u>\$ 446,289</u> |
| Net Position: | | | | | |
| Restricted for pension benefits | 14,397,475 | 17,210,646 | - | 31,608,121 | |
| Restricted for other postemployment benefits | <u>-</u> | <u>-</u> | <u>12,865,876</u> | <u>12,865,876</u> | |
| | <u>\$ 14,397,475</u> | <u>\$ 17,210,646</u> | <u>\$ 12,865,876</u> | <u>\$ 44,473,997</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, 2015**

| | Employee Retirement Systems | | Retiree's | |
|---------------------------------|-----------------------------|-------------------------|----------------|---------------|
| | Police and Firefighters | Other City Employees | Health Care | Total |
| Additions: | | | | |
| Contributions - | | | | |
| Member contributions | \$ 143,863 | \$ 160,854 | \$ - | \$ 304,717 |
| Employer contributions | 583,248 | 460,017 | 738,423 | 1,781,688 |
| Total Contributions | 727,111 | 620,871 | 738,423 | 2,086,405 |
| Investment income - | | | | |
| Interest/dividends | 1,018,324 | 1,275,892 | 298,528 | 2,592,744 |
| Net appreciation (depreciation) | (1,499,536) | (1,729,618) | 184,199 | (3,044,955) |
| Total investment income (loss) | (481,212) | (453,726) | 482,727 | (452,211) |
| Less investment expenses | (70,372) | (74,056) | (88,222) | (232,650) |
| Net investment income (loss) | (551,584) | (527,782) | 394,505 | (684,861) |
| Total Additions | 175,527 | 93,089 | 1,132,928 | 1,401,544 |
| Deductions: | | | | |
| Retirement benefit payments | 1,551,525 | 1,578,416 | - | 3,129,941 |
| Health/life insurance | - | - | 1,270,549 | 1,270,549 |
| Professional fees | 15,320 | 15,535 | 750 | 31,605 |
| Other | 6,431 | 6,871 | - | 13,302 |
| Total Deductions | 1,573,276 | 1,600,822 | 1,271,299 | 4,445,397 |
| Net decrease | (1,397,749) | (1,507,733) | (138,371) | (3,043,853) |
| Net position - | | | | |
| Beginning of year | 15,795,224 | 18,718,379 | 13,004,247 | 47,517,850 |
| End of year | \$ 14,397,475 | \$ 17,210,646 | \$ 12,865,876 | \$ 44,473,997 |

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, 2015**

| | Housing Commission | Local Development Finance Authority District No. 1 | Local Development Finance Authority District No. 2 | Total |
|--|-----------------------|---|---|---------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 101,090 | \$ 15,657 | \$ - | \$ 116,747 |
| Investments | 350,000 | - | - | 350,000 |
| Receivables | 10,241 | - | - | 10,241 |
| Capital assets (net of accumulated depreciation) | | | | |
| Assets not being depreciated | 341,245 | - | - | 341,245 |
| Assets being depreciated | 2,011,541 | - | - | 2,011,541 |
| Total Assets | 2,814,117 | 15,657 | - | 2,829,774 |
| Liabilities: | | | | |
| Payables and accrued liabilities | 55,862 | - | - | 55,862 |
| Unearned revenue | 1,643 | - | - | 1,643 |
| Advances and deposits | 34,873 | - | - | 34,873 |
| Total Liabilities | 92,378 | - | - | 92,378 |
| Net Position: | | | | |
| Net investment in capital assets | 2,352,786 | - | - | 2,352,786 |
| Unrestricted | 368,953 | 15,657 | - | 384,610 |
| Total Net Position | \$ 2,721,739 | \$ 15,657 | \$ - | \$ 2,737,396 |

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, 2015**

| 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 | \$ 848,873 | \$ 399,489 | \$ 230,050 | \$ 167,712 |
| Local Development Finance Authority | | | | |
| District No. 1 | | | | |
| Governmental activities: | | | | |
| Community and Economic Development | 2,572 | - | - | - |
| Interest on Long Term Debt | 728 | - | - | - |
| | <u>3,300</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| District No. 2 | | | | |
| Governmental activities: | | | | |
| Community and Economic Development | 2,571 | - | - | - |
| Total Component Units | <u>\$ 854,744</u> | <u>\$ 399,489</u> | <u>\$ 230,050</u> | <u>\$ 167,712</u> |

General Revenues:

Property taxes
Unrestricted investment income
Total general revenues

Change in net position

Net position at beginning of year, restated

Net position at end of year

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

Net (Expense) Revenue and Change in Net Position

| <u>Housing Commission</u> | <u>Local Development Finance Authority District No. 1</u> | <u>Local Development Finance Authority District No. 2</u> | <u>Total</u> |
|-------------------------------|---|---|---------------------|
| \$(51,622) | | | \$(51,622) |
| | \$(2,572) | | |
| | <u>(728)</u> | | |
| | <u>(3,300)</u> | | (3,300) |
| | | <u>\$(2,571)</u> | <u>(2,571)</u> |
| | | | <u>(57,493)</u> |
| - | 83,098 | 832,594 | 915,692 |
| <u>1,671</u> | <u>-</u> | <u>-</u> | <u>1,671</u> |
| <u>1,671</u> | <u>83,098</u> | <u>832,594</u> | <u>917,363</u> |
| (49,951) | 79,798 | 830,023 | 859,870 |
| <u>2,771,690</u> | <u>(64,141)</u> | <u>(830,023)</u> | <u>1,877,526</u> |
| <u>\$ 2,721,739</u> | <u>\$ 15,657</u> | <u>\$ -</u> | <u>\$ 2,737,396</u> |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

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

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

BLENDED COMPONENT UNIT -

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

DISCRETELY PRESENTED COMPONENT UNITS -

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

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

Marysville Housing Commission
1100 New York
Marysville, Michigan 48040

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. (Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.) Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

Governmental Fund Types -

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

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

Proprietary Fund Type -

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

Fiduciary Fund Types -

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

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

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

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

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

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

Deposits and Investments -

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

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

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

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

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

Inventories and Prepaid Items -

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

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

Property Tax Calendar -

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

Capital Assets -

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

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

Compensated Absences -

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

Long-Term Obligations -

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

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

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. The City has the following items that qualify for reporting in this category: Deferred charges on refunding, pension related changes in assumptions, differences between expected and actual experience, and the net difference between expected and actual plan investment earnings, which are all reported on the government-wide statements of net position. The deferred charges on refunding result from the difference in the carrying value of refunded debt and its reacquisition price; this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension related deferred outflows of resources are amortized over the expected remaining service lives of the participants, with the exception of the net difference between expected and actual plan investment earnings which are amortized over five (5) years.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

Fund Balance -

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

Nonspendable fund balance – the portion of fund balance that is not in a spendable form or because it must remain intact.

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

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

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

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

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

Estimates -

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

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.

CITY OF MARYSVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

GASB Statement No. 72, *Fair Value Measurements and Application*, was issued in February 2015 and will become effective for the City's June 30, 2016 fiscal year. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statements users about the impact of fair value measurements on the City's financial position.

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

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

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued in August 2015 and will become effective for the City's June 30, 2016 fiscal year. The statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements, including the tax being abated, the authority under which abatements are provided, the gross dollar amount of taxes abated during the period, and commitments made by the government.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

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

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

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

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

Excess of Expenditures Over Appropriations -

| <u>Fund/Function/Activity</u> | <u>Appropriations</u> | <u>Expended</u> | <u>Variance</u> |
|----------------------------------|-----------------------|-----------------|-----------------|
| General Fund (Budgetary-basis) - | | | |
| General Government - | | | |
| Elections | \$ 16,041 | \$ 18,128 | \$ 2,087 |
| City Manager | 154,737 | 157,310 | 2,573 |
| City Assessor/Clerk/Treasurer | 375,841 | 378,163 | 2,322 |
| Public Safety - | | | |
| Fire Department | 1,313,459 | 1,313,503 | 44 |
| Other | 1,498,345 | 1,524,957 | 26,612 |
| Debt Service - | | | |
| Interest | 55,355 | 56,040 | 685 |
| Drug Law Enforcement Fund - | | | |
| Public Safety | 3,880 | 4,466 | 586 |

Unrestricted Net Position Deficit -

The Golf Course Fund of the primary government had an unrestricted net position deficit of \$33,348 at June 30, 2015.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Carrying Amount -

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

| | <u>Primary Government</u> | <u>Component Units</u> | <u>Fiduciary Funds</u> | <u>Reporting Entity</u> |
|--|-------------------------------|----------------------------|----------------------------|-----------------------------|
| Petty Cash and Cash on Hand | \$ 2,205 | \$ 100 | \$ - | \$ 2,305 |
| Deposits with Financial Institutions - | | | | |
| Checking/Money Market | 75,194 | 43,143 | 13,206 | 131,543 |
| Savings/Certificates of Deposit | - | 423,504 | - | 423,504 |
| Total Deposits | <u>75,194</u> | <u>466,647</u> | <u>13,206</u> | <u>555,047</u> |
| Investments - | | | | |
| Cash/Money Market Funds | - | - | 2,243,830 | 2,243,830 |
| Marketable CD's | 250,063 | - | - | 250,063 |
| U.S. Government Securities | 12,567,260 | - | 1,083,115 | 13,650,375 |
| Asset Backed Securities | - | - | 621,609 | 621,609 |
| Stocks - U.S. Market | - | - | 18,890,484 | 18,890,484 |
| Corporate Bond/Notes | 282,456 | - | 1,783,253 | 2,065,709 |
| Mutual Funds | - | - | 19,940,302 | 19,940,302 |
| Total Investments | <u>13,099,779</u> | <u>-</u> | <u>44,562,593</u> | <u>57,662,372</u> |
| Grand Total | <u>\$ 13,177,178</u> | <u>\$ 466,747</u> | <u>\$ 44,575,799</u> | <u>\$ 58,219,724</u> |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

| | Primary Government | Component Units | Fiduciary Funds | Reporting Entity |
|--|-----------------------|--------------------|--------------------|---------------------|
| Reconciliation to Statements of Net Position | | | | |
| Reported as Cash and Cash Equivalents - | | | | |
| Petty Cash | \$ 2,205 | \$ 100 | \$ - | \$ 2,305 |
| Deposits with Financial Institutions | 75,194 | 116,647 | 13,206 | 205,047 |
| Total Cash and Cash Equivalents | 77,399 | 116,747 | 13,206 | 207,352 |
| Reported as Investments - | | | | |
| Deposits with Financial Institutions | - | 350,000 | - | 350,000 |
| Cash/Money Market Funds | - | - | 2,243,830 | 2,243,830 |
| Marketable CD's | 250,063 | - | - | 250,063 |
| U.S. Government Securities | 12,567,260 | - | 1,083,115 | 13,650,375 |
| Asset Backed Securities | - | - | 621,609 | 621,609 |
| Stocks - U.S. Market | - | - | 18,890,484 | 18,890,484 |
| Corporate Bond/Notes | 282,456 | - | 1,783,253 | 2,065,709 |
| Mutual Funds | - | - | 19,940,302 | 19,940,302 |
| Total Investments | 13,099,779 | 350,000 | 44,562,593 | 58,012,372 |
| Grand Total – Statements of Net Position | \$ 13,177,178 | \$ 466,747 | \$ 44,575,799 | \$ 58,219,724 |

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 custodial credit risk assumed by the City, as of June 30, 2015, the book value of the City's deposits, excluding the Housing Commission, was \$104,057 with a corresponding bank balance of \$1,648,934, of which \$263,004 was covered by depository insurance with the remaining \$1,385,930 uninsured and uncollateralized.

The book balance and bank balance of the Housing Commission's deposits was \$450,990, which was insured and/or collateralized. In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. All deposits were fully insured or collateralized.

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Investments -

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

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

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

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

State law limits investments in commercial paper to the top two ratings issued by a nationally recognized statistical rating organization. The City Employees' Retirement System and the Police Officers' and Firefighters' Retirement System specifies that all debt securities must have a qualifying rating of Baa/BBB or above by at least two of its major rating agencies at the time of issue. The Retiree's Healthcare System specifies that all debt securities must have an investment grade rating of bbb or better by Standard & Poor. The overall rating of the portfolio should be AA or better. As of June 30, 2015, the credit quality ratings of City's investments in Corporate Bonds and Asset Backed Securities had the following Moody's ratings:

| Fair Value | Rating |
|--------------|-----------|
| \$ 336,755 | A1 |
| 459,902 | A2 |
| 399,412 | A3 |
| 120,952 | AA2 |
| 242,015 | AA3 |
| 398,690 | AAA |
| 164,208 | BAA1 |
| 565,384 | Not Rated |
| \$ 2,687,318 | |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Custodial Credit Risk - Investments - is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments that are in the possession of another party. The City's policy requires securities be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts. As of June 30, 2015, \$57,662,372 of investments was held in third-party safekeeping not in the City's name, however, evidenced by safekeeping receipts. Marketable CD's with a carrying amount of \$250,063 were federally insured.

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

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

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

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

As of June 30, 2015, the City had investments of 5% or more of the total investments as follows:

| | Primary Government | Fiduciary |
|----------------------------------|-----------------------|-----------|
| Ginnie Mae | 10.7% | 1.0% |
| American Europacific Growth Fund | - | 8.5 |
| JP Morgan Alerian MLP Index | - | 5.2 |
| Templeton Inst. Funds | - | 9.0 |

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

| Investment Type | Fair Value | <1 | 1-5 | 6-10 | >10 |
|----------------------------|---------------|------------|--------------|--------------|--------------|
| U.S. Government Securities | \$ 13,650,375 | \$ 245,483 | \$ 884,770 | \$ 6,109,226 | \$ 6,410,896 |
| Corporate Bonds/Notes | 2,065,709 | 24,060 | 1,598,585 | 160,608 | 282,456 |
| Asset Backed Securities | 621,609 | - | - | 110,669 | 510,940 |
| Marketable CD's | 250,063 | 250,063 | - | - | - |
| Total Investments | \$ 16,587,756 | \$ 519,606 | \$ 2,483,355 | \$ 6,380,503 | \$ 7,204,292 |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Negotiability - Negotiable certificate of deposits are usually in bearer form, and have secondary markets that are easily transferable and highly liquid. As of June 30, 2015, the City had negotiable Certificate of Deposits in the amount of \$250,063.

NOTE 4 - RECEIVABLES:

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

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|------------------------------------|------------------------------------|-------------------------------------|
| Property Taxes | \$ 49,860 | \$ - |
| Interest and accounts | 227,413 | 882,575 |
| Due from other governmental units | <u>887,883</u> | <u>-</u> |
| | 1,165,156 | 882,575 |
| Less - allowance for uncollectible | <u>(66,794)</u> | <u>-</u> |
| | <u>\$ 1,098,362</u> | <u>\$ 882,575</u> |

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2015 was as follows:

| | <u>July 1, 2014 Balance</u> | <u>Additions</u> | <u>Adjustments/ Deletions</u> | <u>June 30, 2015 Balance</u> |
|---|---------------------------------|---------------------|-----------------------------------|----------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 917,470 | \$ - | \$ - | \$ 917,470 |
| Construction in progress | <u>130,970</u> | <u>2,151,454</u> | <u>790,292</u> | <u>1,492,132</u> |
| Total capital assets, not being depreciated | <u>1,048,440</u> | <u>2,151,454</u> | <u>790,292</u> | <u>2,409,602</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 6,099,980 | - | - | 6,099,980 |
| Building improvements | 628,710 | - | - | 628,710 |
| Land improvements | 6,327,679 | 790,483 | - | 7,118,162 |
| Machinery and equipment | 3,269,437 | 31,649 | 81,549 | 3,219,537 |
| Vehicles | 1,450,770 | 633,120 | - | 2,083,890 |
| Bikepaths | 794,584 | - | - | 794,584 |
| Sidewalks | 2,307,236 | 14,864 | - | 2,322,100 |
| Streets | <u>38,899,924</u> | <u>435,815</u> | <u>-</u> | <u>39,335,739</u> |
| Total capital assets being depreciated | <u>59,778,320</u> | <u>1,905,931</u> | <u>81,549</u> | <u>61,602,702</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,880,982 | 99,948 | - | 2,980,930 |
| Building improvements | 530,330 | 14,076 | - | 544,406 |
| Land improvements | 2,484,923 | 206,860 | - | 2,691,783 |
| Machinery and equipment | 2,524,452 | 156,491 | 78,673 | 2,602,270 |
| Vehicles | 890,026 | 60,534 | - | 950,560 |
| Bikepaths | 274,339 | 29,130 | - | 303,469 |
| Sidewalks | 1,758,803 | 39,946 | - | 1,798,749 |
| Streets | <u>30,690,552</u> | <u>768,902</u> | <u>-</u> | <u>31,459,454</u> |
| Total accumulated depreciation | <u>42,034,407</u> | <u>1,375,887</u> | <u>78,673</u> | <u>43,331,621</u> |
| Total capital assets being depreciated, net | <u>17,743,913</u> | <u>530,044</u> | <u>2,876</u> | <u>18,271,081</u> |
| Governmental activities capital assets, net | <u>\$ 18,792,353</u> | <u>\$ 2,681,498</u> | <u>\$ 793,168</u> | <u>\$ 20,680,683</u> |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

| | July 1, 2014 | | Adjustments/ | June 30, 2015 |
|---|----------------------|-------------------|-------------------|----------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> |
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 99,500 | \$ - | \$ - | \$ 99,500 |
| Land improvements | 532,370 | - | - | 532,370 |
| Construction in progress | 61,828 | 885,833 | 947,661 | - |
| Total capital assets, not being depreciated | <u>693,698</u> | <u>885,833</u> | <u>947,661</u> | <u>631,870</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 26,217,915 | 1,012,333 | (6,204,036) | 33,434,284 |
| Building improvements | 6,757,965 | - | 5,983,057 | 774,908 |
| Land Improvements | 143,950 | 5,934 | - | 149,884 |
| Utility systems | 18,754,814 | - | 220,979 | 18,533,835 |
| Machinery and equipment | 3,846,179 | 4,076 | 9,039 | 3,841,216 |
| Total capital assets being depreciated | <u>55,720,823</u> | <u>1,022,343</u> | <u>9,039</u> | <u>56,734,127</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,048,058 | 998,760 | - | 7,046,818 |
| Building improvements | 355,165 | 25,778 | - | 380,943 |
| Land Improvements | 65,780 | 6,514 | - | 72,294 |
| Utility systems | 7,052,579 | 365,735 | - | 7,418,314 |
| Machinery and equipment | 2,283,479 | 171,146 | 1,291 | 2,453,334 |
| Total accumulated depreciation | <u>15,805,061</u> | <u>1,567,933</u> | <u>1,291</u> | <u>17,371,703</u> |
| Total capital assets being depreciated, net | <u>39,915,762</u> | <u>(545,590)</u> | <u>7,748</u> | <u>39,362,424</u> |
| Total capital assets, net | <u>\$ 40,609,460</u> | <u>\$ 340,243</u> | <u>\$ 955,409</u> | <u>\$ 39,994,294</u> |

The Business-type capital assets include \$286,626 of capitalized interest. Interest of \$409,856 was incurred in 2015 and expensed.

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

| | |
|---|---------------------|
| Governmental activities: | |
| General Government | \$ 12,898 |
| Public Safety | 169,897 |
| Public Works | 1,040,776 |
| Recreation and Cultural | <u>47,019</u> |
| Total depreciation expense-governmental activities | <u>\$ 1,270,590</u> |
| Business-type activities: | |
| Golf Course | \$ 54,115 |
| Water Supply System Fund | 537,119 |
| Wastewater Fund | <u>976,699</u> |
| Total depreciation expense-business-type activities | <u>\$ 1,567,933</u> |

In addition there was depreciation of \$105,297 in the Motor Pool Fund.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Housing Commission - Activity for the Housing Commission for the year ended March 31, 2015 was as follows:

| | April 1, 2014 | | | March 31, 2015 | |
|---|---------------------|--------------------|------------------|---------------------|--|
| | <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>-</u> | <u>236,992</u> | <u>-</u> | <u>236,992</u> | |
| | <u>104,253</u> | <u>236,992</u> | <u>-</u> | <u>341,245</u> | |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 6,600,058 | - | 66,766 | 6,533,292 | |
| Furniture and equipment | <u>240,377</u> | <u>-</u> | <u>73,107</u> | <u>167,270</u> | |
| Total Capital Assets being depreciated | 6,840,435 | - | 139,873 | 6,700,562 | |
| Less accumulated depreciation | <u>4,510,394</u> | <u>256,545</u> | <u>77,918</u> | <u>4,689,021</u> | |
| Total capital assets being depreciated, net | <u>2,330,041</u> | <u>(256,545)</u> | <u>61,955</u> | <u>2,011,541</u> | |
| Housing Commission capital assets, net | <u>\$ 2,434,294</u> | <u>\$(19,553)</u> | <u>\$ 61,955</u> | <u>\$ 2,352,786</u> | |

Depreciation expense for the year ended March 31, 2015 was \$256,545.

NOTE 6 - PAYABLES:

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

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------------------|------------------------------------|-------------------------------------|
| Accounts payable/accrued liabilities | \$ 614,139 | \$ 218,681 |
| Accrued wages and fringe benefits | 149,123 | 47,052 |
| Due from fiduciary funds | <u>194,000</u> | <u>-</u> |
| | <u>\$ 957,262</u> | <u>\$ 265,733</u> |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of June 30, 2015 is as follows:

Due To/From Other Funds -

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------------|----------------------------|--------------------|
| General Fund | Wastewater Fund | \$ 55,812 (1) |
| | Golf Fund | 698 (1) |
| | Water Supply System Fund | 28,260 (1) |
| Motor Vehicle Highway Fund | General Fund | 38,000 (1) |
| Employee Vacation and Sick Fund | General Fund | 8,300 (1) |
| | Water Supply System Fund | 3,400 (1) |
| | Wastewater Fund | 200 (1) |
| | Golf Fund | 846 (1) |
| | Retirees' Health Care Fund | 6,000 (1) |
| Agency Fund | General Fund | 200,000 (1) |
| | Retirees' Health Care Fund | <u>152,000 (1)</u> |
| | | <u>\$ 493,516</u> |

Advance To/From Other Funds -

| | | |
|--------------|--------------------------|-------------------------|
| General Fund | Water Supply System Fund | <u>\$ 1,413,000 (3)</u> |
|--------------|--------------------------|-------------------------|

Due To/From Primary Government & Component Units -

| | | |
|--------------|--------------------|---------------------|
| General Fund | Housing Commission | <u>\$ 2,150 (5)</u> |
|--------------|--------------------|---------------------|

The amount due for the Housing Commission does not agree with the liabilities reported in the Housing Commission since the Housing Commission is reported as of March 31, 2015.

Transfers From/To Other Funds -

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|------------------------------|---|---------------------|
| General Fund | Water Supply System | \$ 1,225 (5) |
| Local Streets Fund | Major Streets Fund | 200,000 (2) |
| | Motor Vehicle Highway Fund | 100,000 (2) |
| Public Improvement Fund | General Fund | 300,000 (2) |
| Motor Vehicle Highway Fund | General Fund | 125,000 (2) |
| Park and Recreation Fund | General Fund | 76,115 (2) |
| Building Authority Debt Fund | Building Authority Capital Project Fund | 70,247 (4) |
| | Wastewater Fund | 46,857 (4) |
| | Water Supply System Fund | 46,857 (4) |
| | Motor Pool Fund | 46,857 (4) |
| Golf Course Fund | General Fund | <u>99,900 (2)</u> |
| | | <u>\$ 1,113,058</u> |

- (1) Cash Flow
- (2) Annual Appropriation
- (3) Advances for Construction

- (4) Rent
- (5) Reimbursement of Costs

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015:

| | Restated Balance July 1, 2014 | Additions | Reductions | Balance June 30, 2015 | Due Within One Year |
|----------------------------------|--|---------------------|---------------------|-----------------------------|------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Governmental Funds - | | | | | |
| Building Authority Refunding | | | | | |
| Bonds | \$ 1,570,000 | \$ - | \$ 150,000 | \$ 1,420,000 | \$ 175,000 |
| 2006 General Obligation Bond | 1,388,798 | - | 44,090 | 1,344,708 | 44,089 |
| Net OPEB Obligation | 455,374 | 617,866 | 621,885 | 451,355 | - |
| Net Pension Liability | 11,169,994 | 4,989,516 | - | 16,159,510 | - |
| Deferred Amounts for | | | | | |
| Bond Discount | (37,800) | - | (2,100) | (35,700) | (2,100) |
| Total Governmental Funds | <u>14,546,366</u> | <u>5,607,382</u> | <u>813,875</u> | <u>19,339,873</u> | <u>216,989</u> |
| Internal Service Funds - | | | | | |
| Net OPEB Obligation | (32,834) | 21,903 | 21,613 | (32,544) | - |
| Accrued Vacation and Sick | 392,016 | 37,895 | 46,736 | 383,175 | - |
| Net Pension Liability | <u>269,042</u> | <u>125,241</u> | <u>-</u> | <u>394,283</u> | <u>-</u> |
| Total Internal Service Funds | <u>628,224</u> | <u>185,039</u> | <u>68,349</u> | <u>744,914</u> | <u>-</u> |
| Total Governmental Activities | <u>15,174,590</u> | <u>5,792,421</u> | <u>882,224</u> | <u>20,084,787</u> | <u>216,989</u> |
| <u>Business-type Activities:</u> | | | | | |
| Enterprise Funds - | | | | | |
| Wastewater Fund - | | | | | |
| Michigan Municipal Bond | | | | | |
| Authority Wastewater Loans - | | | | | |
| Phase I 1993 | 30,000 | - | 30,000 | - | - |
| Phase II 1996 | 930,000 | - | 225,000 | 705,000 | 230,000 |
| 2006 General Obligation Bond | 403,213 | - | 12,800 | 390,413 | 12,800 |
| Wastewater System Junior | | | | | |
| State Revolving Funds - | | | | | |
| Series 5303-01 | 2,090,000 | - | 100,000 | 1,990,000 | 100,000 |
| Series 5366-01 | 8,293,074 | - | 375,000 | 7,918,074 | - |
| Clean Water Program | | | | | |
| 2003 | 1,560,000 | - | 125,000 | 1,435,000 | 130,000 |
| Net OPEB Obligation | (89,859) | 33,127 | 32,334 | (89,066) | - |
| Net Pension Liability | <u>481,319</u> | <u>224,057</u> | <u>-</u> | <u>705,376</u> | <u>-</u> |
| Total Wastewater Fund | <u>13,697,747</u> | <u>257,184</u> | <u>900,134</u> | <u>13,054,797</u> | <u>472,800</u> |
| Water Fund - | | | | | |
| 2006 General Obligation Bond | 1,357,989 | - | 43,110 | 1,314,879 | 43,111 |
| Net OPEB Obligation | (84,376) | 55,962 | 55,217 | (83,631) | - |
| Net Pension Liability | <u>630,788</u> | <u>293,636</u> | <u>-</u> | <u>924,424</u> | <u>-</u> |
| Total Water Fund | <u>1,904,401</u> | <u>349,598</u> | <u>98,327</u> | <u>2,155,672</u> | <u>43,111</u> |
| Golf Fund - | | | | | |
| Capital Lease | 173,577 | - | 40,991 | 132,586 | 43,195 |
| Net OPEB Obligation | 19,577 | 7,200 | 7,374 | 19,403 | - |
| Net Pension Liability | <u>245,128</u> | <u>114,109</u> | <u>-</u> | <u>359,237</u> | <u>-</u> |
| Total Golf Fund | <u>438,282</u> | <u>121,309</u> | <u>48,365</u> | <u>511,226</u> | <u>43,195</u> |
| Total Business-type Activities | <u>16,040,430</u> | <u>728,091</u> | <u>1,046,826</u> | <u>15,721,695</u> | <u>559,106</u> |
| Total Primary Government | <u>\$ 31,215,020</u> | <u>\$ 6,520,512</u> | <u>\$ 1,929,050</u> | <u>\$ 35,806,482</u> | <u>\$ 776,095</u> |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

Governmental Activities -

Bonds -

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

\$ 1,420,000

On December 19, 2006, the City issued \$3,500,000, 2006 General Obligation capital improvements bonds. The bonds were used for construction of various capital improvements within governmental activities and water and wastewater systems. Principal and interest is payable from lawfully available monies of the City including ad valorem taxes, which may be levied in an amount sufficient to pay the annual obligations. The bonds are apportioned to each fund/activity based on their percentage of improvements completed with the bonds. The bonds are due in annual installments ranging from \$100,000 to \$250,000 through October 2031, plus interest ranging from 3.90% to 4.05% payable semi-annually of which the General Fund is responsible for 44.1%, the Wastewater Fund for 12.8%, and the Water Supply System for 43.1% of the payments.

1,344,708

\$ 2,764,708

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 \$383,175 has been recorded as a long-term liability in the accrued vacation and sick fund (Internal Service Fund).

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Business-type Activities -

Bonds/Loans -

Michigan Municipal Bond Authority Wastewater Loans were obtained for the purpose of separating the City's sanitary and storm sewer system. The debt and related interest is being repaid through operating revenues of the wastewater fund. The Phase II loan in the original amount of \$3,950,000 is due in annual installments ranging from \$230,000 to \$240,000 through October 1, 2017, plus interest of 2.25 percent, payable semi-annually. \$ 705,000

The Clean Water Program Loan for the purpose of eliminating discharge into the St. Clair River in the original amount of \$2,550,000 is due in annual installments ranging from \$130,000 to \$160,000 through October 1, 2024, plus interest of 2.50% payable semi-annually. 1,435,000

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

2009 Bonds (Series 5303-01) in the original amount of \$3,955,000 is due in annual installments ranging from \$95,000 to \$150,000 through October 1, 2030 with interest of 2.50% payable semi-annually. 1,990,000

2010 Bonds (Series 5366-01) in the original amount of \$15,260,000 with interest of 2.5%. As of June 30, 2014 the City had spent \$15,123,074, of which \$6,104,000 was forgivable. Principal payments began in October 2012 with annual installments of \$375,000 to \$575,000 through October 2031. 7,918,074

On December 19, 2006, the City issued \$3,500,000, 2006 General Obligation capital improvements bonds (See detailed explanation regarding the bonds under Governmental-type Activities). The bonds are due in annual installments ranging from \$100,000 to \$250,000 and \$43,111 to \$107,777 for the water supply system) through October 2031, plus interest ranging from 3.90% to 4.05% payable semi-annually, of which the Wastewater Fund is responsible for 12.8%, the Water Supply System Fund for 43.1%, and the General Fund for 44.1%. 1,705,292

Capital Lease -

The City entered into a lease purchase agreement for grounds equipment in the amount of \$216,569. Payments are due in monthly installments of \$4,094, including interest of 5.25 percent through May 2018. The assets had a net book value of \$159,692 at June 30, 2015. 132,586

\$ 13,885,952

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Other Postemployment Benefits - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the Net OPEB Obligation (Asset) as reported in the proprietary funds and business-type activities in the amount of \$(153,294) and governmental activities in the amount of \$418,811, including \$(32,544) related to the internal service funds. The governmental activities portion is generally liquidated by the General Fund or other governmental fund where the employee is charged. See Note 10 for additional information.

Net Pension Liability - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, the Net Pension Liability is reported in the proprietary funds and business-type activities in the amount of \$1,989,037 and governmental activities in the government-wide financial statement in the amount of \$16,553,793, including \$394,283 related to the internal service funds. See Note 9 for additional information. The governmental activities' portion is generally liquidated by the General Fund of other governmental fund where the employee is charged.

The annual requirements to pay the debt outstanding at June 30, 2015 (excluding Net Pension Liability, Net OPEB Obligation and accrued compensated absences):

| Year Ending June 30, | Governmental Activities | | | |
|-------------------------|-------------------------|-------------------|---------------------|-------------------|
| | Refunding Bonds | | G.O. Bonds | |
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 175,000 | \$ 54,093 | \$ 44,089 | \$ 53,072 |
| 2017 | 180,000 | 47,218 | 44,089 | 51,308 |
| 2018 | 200,000 | 39,968 | 44,089 | 49,545 |
| 2019 | 200,000 | 32,218 | 66,132 | 47,340 |
| 2020 | 200,000 | 24,343 | 66,132 | 44,695 |
| 2021-2025 | 465,000 | 20,890 | 374,756 | 182,032 |
| 2026-2030 | - | - | 484,978 | 96,031 |
| 2031-2032 | - | - | 220,443 | 8,928 |
| | <u>\$ 1,420,000</u> | <u>\$ 218,730</u> | <u>\$ 1,344,708</u> | <u>\$ 532,951</u> |

| Year Ending June 30, | Business-type Activities | | | | | | | |
|-------------------------|-----------------------------------|------------------|---------------------|-------------------|---|-------------------|-------------------|------------------|
| | Municipal Bond Authority Loans | | G.O. Bond | | State Revolving Fund/ Clean Water Bond | | Capital Lease | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$ 230,000 | \$ 13,275 | \$ 55,911 | \$ 67,303 | \$ 230,000 | \$ 82,686 | \$ 43,195 | \$ 5,931 |
| 2017 | 235,000 | 8,044 | 55,911 | 65,067 | 235,000 | 76,873 | 45,518 | 3,608 |
| 2018 | 240,000 | 2,700 | 55,911 | 62,830 | 245,000 | 70,873 | 43,873 | 1,160 |
| 2019 | - | - | 83,868 | 60,035 | 250,000 | 64,686 | - | - |
| 2020 | - | - | 83,868 | 56,680 | 255,000 | 58,373 | - | - |
| 2021-2025 | - | - | 475,244 | 230,843 | 1,370,000 | 192,086 | - | - |
| 2026-2030 | - | - | 615,022 | 121,782 | 690,000 | 62,750 | - | - |
| 2031-2032 | - | - | 279,557 | 11,323 | 150,000 | 1,875 | - | - |
| | <u>\$ 705,000</u> | <u>\$ 24,019</u> | <u>\$ 1,705,292</u> | <u>\$ 675,863</u> | <u>\$ 3,425,000</u> | <u>\$ 610,202</u> | <u>\$ 132,586</u> | <u>\$ 10,699</u> |

The above annual requirements do not include the State Revolving Fund Bonds, Series 5366-01 since payments have not been finalized as of June 30, 2015.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

COMPONENT UNITS -

| | Balance July 1, 2014 | <u>Additions</u> | <u>Deductions</u> | Balance June 30, 2015 | Due Within One Year |
|---|----------------------------|------------------|-------------------|-----------------------------|------------------------|
| Local Development Finance Authority - District No. 1 | | | | | |
| Land Contracts | \$ 34,736 | \$ - | \$ 34,736 | \$ - | \$ - |
| Notes Payable | <u>29,405</u> | <u>-</u> | <u>29,405</u> | <u>-</u> | <u>-</u> |
| | <u>64,141</u> | <u>-</u> | <u>64,141</u> | <u>-</u> | <u>-</u> |
| Local Development Finance Authority - District No. 2 | | | | | |
| County Promissory Note | 321,251 | - | 321,251 | - | - |
| Notes Payable | <u>573,854</u> | <u>-</u> | <u>573,854</u> | <u>-</u> | <u>-</u> |
| | <u>895,105</u> | <u>-</u> | <u>895,105</u> | <u>-</u> | <u>-</u> |
| Total Component Units | <u>\$ 959,246</u> | <u>\$ -</u> | <u>\$ 959,246</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 9 - RETIREMENT PLANS:

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

- General City Employee Retirement System
- Police Officers and Firefighters Retirement System

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

General City Employee Retirement System -

Plan Description

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

The membership at June 30, 2015 was comprised of 38 active participants, 51 retirees and beneficiaries, and 11 other vested inactive participants.

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

Pension Plan Investments - Policy and Rate of Return

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that manages risk through diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2015:

| <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, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.99) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Contributions and Funding Policy

Participants contribute 8% of compensation with the remaining amount contributed by the City based on actuarially determined amounts. Most administrative costs of the plan are paid with plan assets.

For fiscal year 2015, the annual required contribution (actuarially determined) and actual contribution was \$460,017 (23.44% of actual payroll).

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Net Pension Liability of the GCERS

The net pension liability of the GCERS has been measured as of June 30, 2015 and is composed of the following:

| | <u>Total Pension Liability</u> | <u>Plan's Net Position</u> | <u>Net Pension Liability</u> |
|-------------------------------------|------------------------------------|--------------------------------|----------------------------------|
| Beginning balance | \$ 24,638,057 | \$ 18,718,379 | \$ 5,919,678 |
| Service cost | 245,629 | - | 245,629 |
| Interest on total pension liability | 1,857,804 | - | 1,857,804 |
| Net investment income | - | (527,782) | 527,782 |
| Expected and actual differences | (595,306) | - | (595,306) |
| Contributions from employer | - | 460,017 | (460,017) |
| Contributions from employees | - | 160,854 | (160,854) |
| Assumption changes | 1,318,205 | - | 1,318,205 |
| Benefit payments | (1,578,416) | (1,578,416) | - |
| Administrative costs | - | (22,406) | 22,406 |
| | <u>\$ 25,885,973</u> | <u>\$ 17,210,646</u> | <u>\$ 8,675,327</u> |

Plan fiduciary net position as a percentage of the total pension liability 66.49%

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

For the year ended June 30, 2015, the City recognized pension expense of \$1,152,998 for the GCERS in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the GCERS from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected actual experience | \$ - | \$ 420,216 |
| Changes of assumptions | 930,498 | - |
| Net difference between projected and actual earnings on pension plan investments | <u>1,552,386</u> | <u>-</u> |
| | <u>\$ 2,482,884</u> | <u>\$ 420,216</u> |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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:

| | <u>Deferred Outflows Of Resources</u> | <u>Deferred Inflows of Resources</u> |
|------|---|--|
| 2016 | \$ 775,804 | \$ 175,090 |
| 2017 | 775,804 | 175,090 |
| 2018 | 543,181 | 70,036 |
| 2019 | <u>388,095</u> | <u>-</u> |
| | <u>\$ 2,482,884</u> | <u>\$ 420,216</u> |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2015. The valuation used the following actuarial assumptions, included in the measurement:

| | |
|---------------------------|-------|
| Salary increases | 4.00% |
| Investment rate of return | 7.75% |

Mortality rates were based on the RP 2014 Health Annuitant Mortality Table in 2015 and on the RP2000 combined Healthy Mortality Table in previous years.

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

Projected Cash Flows - Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2015 for each asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the GCERS, calculated using the discount rate of 7.75 percent, as well as what the GCERS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

| | 1% Decrease <u>(6.75%)</u> | Current Discount Rate <u>(7.75%)</u> | 1 % Increase <u>(8.75%)</u> |
|------------------------------------|-------------------------------|--|--------------------------------|
| Net pension liability of the GCERS | \$ <u>11,635,268</u> | \$ <u>8,675,327</u> | \$ <u>6,186,474</u> |

Police Officer's and Firefighter's Retirement System

Plan Description

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

The membership at June 30, 2015 was comprised of 22 active participants and 31 retirees and beneficiaries.

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

Pension Plan Investments - Policy and Rate of Return

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that manages risk through diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2015:

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (3.68) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Contributions and Funding Policy

Participants contribute 8% of compensation with the remaining amount contributed by the City based on actuarially determined amounts. Most administrative costs of the plan are paid with plan assets.

For fiscal year 2015, the annual required contribution (actuarially determined) and actual contribution was \$583,248 (33.01% of actual payroll).

Net Pension Liability of the POFRS

The net pension liability of the POFRS has been measured as of June 30, 2015 and is composed of the following:

| | Total Pension Liability | Plan's Net Position | Net Pension Liability |
|--|----------------------------|------------------------|--------------------------|
| Beginning balance | \$ 22,671,817 | \$ 15,795,224 | \$ 6,876,593 |
| Service cost | 300,240 | - | 300,240 |
| Interest on total pension liability | 1,708,579 | - | 1,708,579 |
| Net investment income | - | (551,584) | 551,584 |
| Expected and actual differences | 87,539 | - | 87,539 |
| Contributions from employer | - | 583,248 | (583,248) |
| Contributions from employees | - | 143,863 | (143,863) |
| Assumption changes | 1,048,328 | - | 1,048,328 |
| Benefit payments | (1,551,525) | (1,551,525) | - |
| Administrative costs | - | (21,751) | 21,751 |
| | <u>\$ 24,264,978</u> | <u>\$ 14,397,475</u> | <u>\$ 9,867,503</u> |
| Ending balance | | | |
| Plan fiduciary net position as a percentage of the total pension liability | | | 59.33% |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, the City recognized pension expense of \$1,320,994 for the POFRS in the government-wide financial statements of the primary government. At June 30, 2015, the City reported deferred outflows of resources related to pensions for the POFRS from the following sources:

| | | |
|--|-----------|------------------|
| Differences between expected actual experience | \$ | 66,188 |
| Changes of assumptions | | 792,638 |
| Net difference between projected and actual earnings on pension plan investments | | <u>1,394,338</u> |
| | <u>\$</u> | <u>2,253,164</u> |

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

| | | |
|------|-----------|------------------|
| 2016 | \$ | 625,626 |
| 2017 | | 625,626 |
| 2018 | | 625,626 |
| 2019 | | <u>376,286</u> |
| | <u>\$</u> | <u>2,253,164</u> |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2015. The valuation used the following actuarial assumptions in the measurement:

| | | |
|---------------------------|--|-------|
| Salary increases | | 4.00% |
| Investment rate of return | | 7.75% |

Mortality rates were based on the RP 2014 Health Annuitant Mortality Table in 2015 and on the RP2000 combined Healthy Mortality Table in previous years.

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Projected Cash Flows - Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2015 for each asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the POFRS, calculated using the discount rate of 7.75 percent, as well as what the POFRS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1 % Increase (8.75%)</u> |
|------------------------------------|--------------------------------|--|---------------------------------|
| Net pension liability of the POFRS | \$ 12,685,769 | \$ 9,867,503 | \$ 7,504,670 |

NOTE 10 - POSTEMPLOYMENT BENEFITS:

Plan Description

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

Summary of Significant Accounting Policies

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

Contribution and Funding Policy

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. During the year ended June 30, 2015, actuarially determined and actual contributions of \$738,423 were made. The actuarial valuation dated June 30, 2013 determined a required contribution of 19.80% (7.24% for normal costs and 12.56% for the amortization of unfunded actuarial liabilities) of covered payroll using an assumed rate of increase of health care costs as follows:

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

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

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

The required contribution was determined as part of the June 30, 2013 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumption includes (a) 8% net investment rate of return, (b) projected salary increase of 4.0% and (c) projected health care cost increase of 8.0% reduced to 4.0% in .5% increments over 8 years. The Plans unfunded actuarial accrued liability is being amortized by level percent of payroll over an open period of 30 years.

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

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

Annual OPEB Cost and Net OPEB Obligation

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

| | |
|---|-------------------|
| Annual required contribution | \$ 738,423 |
| Interest on net OPEB obligation | 21,430 |
| Adjustments to annual required contribution | (23,795) |
| Annual OPEB cost (expense) | <u>736,058</u> |
| Contributions made | (738,423) |
| Decrease in net OPEB obligation | (2,365) |
| Net OPEB obligation - beginning of year | <u>267,882</u> |
| Net OPEB obligation - end of year | <u>\$ 265,517</u> |

Schedule of Funding Progress

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

Schedule of Employer Contributions

| Year Ended June 30, | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|------------------------|---------------------|---------------------------|------------------------|
| 2013 | \$ 976,681 | 103 % | \$ 491,508 |
| 2014 | 737,565 | 130 | 267,882 |
| 2015 | 736,058 | 100 | 265,517 |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 - DEFERRED COMPENSATION:

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

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

NOTE 12 - RISK MANAGEMENT:

General Liability and Property

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

Workers Compensation

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

Health Insurance/Pharmacy Charges

Effective September 2005, the City became self-insured for health care benefits with the administered services of the program being performed on a contracted basis by a third party. The City pays claims up to \$25,000 per contract, per year. Stop loss insurance has been purchased to insure the City against losses in excess of these limits. Based on past history, the City has estimated the accrual for health care claims, including an estimate for claims incurred but not reported (IBNR) of \$57,387, which is recorded as a current liability in the various funds.

Effective November 1, 2005, the City is self-insured for Pharmacy Charges with the administrative services of the program being performed on a contractual basis by a third party. There were not significant accrued claims, including an estimate for claims incurred but not reported (IBNR) at June 30, 2015.

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

| | Health Care | | Pharmacy | |
|-----------------------------------|------------------|------------------|-------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Unpaid claims, beginning of year | \$ 31,849 | \$ 98,652 | \$ - | \$ - |
| Insured claims (including IBNR's) | 1,542,458 | 1,279,899 | 516,163 | 469,565 |
| Claims Paid | (1,516,920) | (1,346,702) | (516,163) | (469,565) |
| Unpaid claims, end of year | <u>\$ 57,387</u> | <u>\$ 31,849</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 13 - MAJOR TAXPAYER:

The City is economically dependent upon ZF Marysville, LLC that has real and personal property within the City with a taxable value of \$60,298,200. This represents approximately 13.2 percent of the taxable value for the City.

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 14 - SUMMARY OF INSPECTION DEPARTMENT:

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

| | |
|---------------------------------|----------------------------|
| Revenues: | \$ <u>244,965</u> |
| Expenditures: | |
| Salaries and Wages | 34,774 |
| Benefits | 2,853 |
| Contractual Services | 44,163 |
| Supplies | 7,765 |
| Utilities | 4,115 |
| Maintenance | 760 |
| Miscellaneous | <u>1,440</u> |
| | <u>95,870</u> |
| Revenues over expenditures | 149,095 |
| Over expenditure in prior years | <u>(243,135)</u> |
| Remaining deficit | <u><u>\$ (94,040)</u></u> |

NOTE 15 - 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, 2015:

| | |
|--|----------------------------|
| Governmental Funds/Activities: | |
| General Government – | |
| Perpetual Care – Expendable | \$ <u>235,612</u> |
| Streets – | |
| Motor Vehicle Highway | 910,418 |
| Major Street | 841,937 |
| Local Street | <u>1,319,236</u> |
| | <u>3,071,591</u> |
| Acquisition/construction of assets – | |
| Public Improvement | <u>106,675</u> |
| Public Safety – | |
| Public Education/Bike Rodeo/Explorers | 21,711 |
| Drug Law Enforcement | <u>29,624</u> |
| | <u>51,335</u> |
| Recreation and Cultural – Beautification and Historical | <u>9,389</u> |
| Total Restricted Fund Balance – Governmental Funds | 3,474,602 |
| Perpetual Care – Nonexpendable | <u>262,638</u> |
| Total Restricted Net Position – Governmental Activities | <u><u>\$ 3,737,240</u></u> |
| Business-Type Activities: | |
| Waterfront improvements | \$ 6,000 |
| Acquisition/construction of assets | <u>488,128</u> |
| Total Restricted Net Position – Business-Type Activities | <u><u>\$ 494,128</u></u> |

CITY OF MARYSVILLE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 - FUND BALANCE/NET POSITION - (cont'd):

COMMITTED FUND BALANCE:

At June 30, 2015, City Council had committed the following fund balances:

| | |
|---------------------------------------|---------------------|
| Industrial Development – General Fund | <u>\$ 273,562</u> |
| Capital Projects – | |
| General Fund | 233,850 |
| Ambulance | 286,938 |
| Building Authority | <u>77,381</u> |
| | <u>598,169</u> |
| Fringe Benefits – General Fund | <u>425,000</u> |
| Tax Tribunal – General Fund | <u>2,288</u> |
| Recreation and Cultural – | |
| General Fund | 19,348 |
| Parks and Recreation | <u>213,871</u> |
| | <u>233,219</u> |
| Total Committed Fund Balance | <u>\$ 1,532,238</u> |

ASSIGNED FUND BALANCE:

At June 30, 2015, City Council had assigned \$175,000 of the General Fund balance for construction of capital assets.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT:

Primary Government -

During the year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The statements require the net pension liability and related deferred outflows of resources and deferred inflows of resources for the City to be reported on the statement of net position within the note disclosures. The effect of implementing this statement decreased net position at June 30, 2014 of governmental activities by \$11,439,036, including \$269,042 relating to the Internal Services Funds, and business-type activities and the proprietary funds by \$1,357,235 (\$630,788 for Water Supply System Fund, \$481,319 for Wastewater Fund, and \$245,128 for Golf Course Fund).

Component Unit - Housing Commission -

The Housing Commission had reported capital assets in the prior year that, upon re-evaluation in 2015, should have been classified as expenses. The beginning net position decreased by \$23,626 as a result.

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, 2015

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|--------------------|-------------------|-------------------|---|
| Revenues: | | | | |
| Taxes | \$ 5,941,800 | \$ 6,143,800 | \$ 6,153,596 | \$ 9,796 |
| Licenses and permits | 279,700 | 279,700 | 405,151 | 125,451 |
| Intergovernmental - Federal/State | 1,003,100 | 1,003,100 | 1,008,862 | 5,762 |
| Charges for services | 352,400 | 352,400 | 380,563 | 28,163 |
| Fines and forfeits | 15,000 | 15,000 | 9,780 | (5,220) |
| Interest and rents | 178,075 | 178,075 | 112,631 | (65,444) |
| Other | 66,000 | 66,000 | 57,425 | (8,575) |
| Total Revenues | <u>7,836,075</u> | <u>8,038,075</u> | <u>8,128,008</u> | <u>89,933</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General Government - | | | | |
| Legislative | 17,274 | 17,274 | 17,225 | 49 |
| Elections | 16,041 | 16,041 | 18,128 | (2,087) |
| City Manager | 154,737 | 154,737 | 157,310 | (2,573) |
| City Assessor/Clerk/Treasurer | 354,841 | 375,841 | 378,163 | (2,322) |
| Board of review | 1,820 | 1,820 | 1,454 | 366 |
| Cemetery | 126,004 | 126,004 | 112,919 | 13,085 |
| Community development | 61,273 | 61,273 | 28,302 | 32,971 |
| General administration | 332,515 | 332,515 | 262,653 | 69,862 |
| | <u>1,064,505</u> | <u>1,085,505</u> | <u>976,154</u> | <u>109,351</u> |
| Less: Reimbursement from other funds | <u>(278,777)</u> | <u>(351,777)</u> | <u>(158,281)</u> | <u>(193,496)</u> |
| Total General Government | <u>785,728</u> | <u>733,728</u> | <u>817,873</u> | <u>(84,145)</u> |
| Public Safety - | | | | |
| Fire department | 1,288,459 | 1,313,459 | 1,313,503 | (44) |
| Police department | 1,555,199 | 1,560,199 | 1,546,535 | 13,664 |
| Emergency management | 11,105 | 11,105 | 8,826 | 2,279 |
| Building inspections | 85,128 | 100,128 | 95,870 | 4,258 |
| | <u>2,939,891</u> | <u>2,984,891</u> | <u>2,964,734</u> | <u>20,157</u> |
| Public Works - | | | | |
| Department of public works | 701,688 | 701,688 | 640,393 | 61,295 |
| Street lighting | 235,750 | 235,750 | 228,546 | 7,204 |
| Dial-A-Ride | 66,000 | 66,000 | 64,416 | 1,584 |
| Sanitation | 620,000 | 620,000 | 553,675 | 66,325 |
| | <u>1,623,438</u> | <u>1,623,438</u> | <u>1,487,030</u> | <u>136,408</u> |
| Less: Reimbursement from other funds | <u>(91,995)</u> | <u>(241,995)</u> | <u>(150,553)</u> | <u>(91,442)</u> |
| Total Public Works | <u>1,531,443</u> | <u>1,381,443</u> | <u>1,336,477</u> | <u>44,966</u> |

Continued

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| Recreational and Cultural- | | | | |
| Parks | \$ 258,368 | \$ 258,368 | \$ 207,846 | \$ 50,522 |
| Beautification committee | 16,130 | 16,130 | 11,745 | 4,385 |
| Library | 17,253 | 17,253 | 14,724 | 2,529 |
| Historical commission | 6,675 | 6,675 | 6,069 | 606 |
| | <u>298,426</u> | <u>298,426</u> | <u>240,384</u> | <u>58,042</u> |
| Other | <u>1,498,345</u> | <u>1,498,345</u> | <u>1,524,957</u> | <u>(26,612)</u> |
| Capital Outlay | <u>20,000</u> | <u>108,250</u> | <u>96,402</u> | <u>11,848</u> |
| Debt Service - | | | | |
| Principal | 33,833 | 44,090 | 44,090 | - |
| Interest | - | 55,355 | 56,040 | (685) |
| | <u>33,833</u> | <u>99,445</u> | <u>100,130</u> | <u>(685)</u> |
| Total Expenditures | <u>7,107,666</u> | <u>7,104,528</u> | <u>7,080,957</u> | <u>23,571</u> |
| Revenues over expenditures | <u>728,409</u> | <u>933,547</u> | <u>1,047,051</u> | <u>113,504</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In - | | | | |
| Water | - | - | 1,225 | 1,225 |
| Transfers Out - | | | | |
| Motor Vehicle Highway | (125,000) | (125,000) | (125,000) | - |
| Public Improvement | (300,000) | (300,000) | (300,000) | - |
| Parks and Recreation | (76,115) | (76,115) | (76,115) | - |
| Golf Course | (73,600) | (99,900) | (99,900) | - |
| | <u>(574,715)</u> | <u>(601,015)</u> | <u>(599,790)</u> | <u>1,225</u> |
| Net Change in Fund Balance | 153,694 | 332,532 | 447,261 | 114,729 |
| Fund Balance at beginning of year | <u>6,010,291</u> | <u>6,010,291</u> | <u>6,010,291</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 6,163,985</u> | <u>\$ 6,342,823</u> | <u>\$ 6,457,552</u> | <u>\$ 114,729</u> |

Reconciliation of Budget-Basis to GAAP-Basis Reporting:

| | |
|---|-------------------|
| Net Change in General Fund | |
| Fund Balance - Budgetary-Basis | \$ 447,261 |
| Perspective difference - | |
| Other Budgeted Fund Net Change allocated to the General Fund for GAAP-Basis General Fund | |
| Industrial Development Fund | (14,339) |
| Net Change in Fund Balance - GAAP-Basis | <u>\$ 432,922</u> |

CITY OF MARYSVILLE, MICHIGAN

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

| | <u>2015</u> | <u>2014</u> | <u>2013-2005*</u> |
|---|-------------|-------------|-------------------|
| Annual money-weighted rate of return, net of investment expenses | -2.99% | 14.84% | 0% |

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

CITY OF MARYSVILLE, MICHIGAN

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

| | 2015 | 2014 | 2013* | 2012-2006* |
|---|---------------------|---------------------|---------------------|-------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 245,629 | \$ 217,247 | \$ - | \$ - |
| Interest | 1,857,804 | 1,846,179 | - | - |
| Differences between expected and actual experience | (595,306) | (333,882) | - | - |
| Change in assumptions | 1,318,205 | - | - | - |
| Benefit payments, including refunds | (1,578,416) | (1,609,048) | - | - |
| | 1,247,916 | 120,496 | - | - |
| Change in total pension liability | | | | |
| Total pension liability, beginning of year | 24,638,057 | 24,517,561 | - | - |
| Total pension liability, end of year | \$ 25,885,973 | \$ 24,638,057 | \$ 24,517,561 | \$ - |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 460,017 | \$ 402,234 | \$ - | \$ - |
| Contributions - Member | 160,854 | 169,379 | - | - |
| Net investment income | (527,782) | 2,472,730 | - | - |
| Benefit payments, including refunds | (1,578,416) | (1,609,048) | - | - |
| Administrative expenses | (15,535) | (17,149) | - | - |
| Other | (6,871) | (6,316) | - | - |
| | (1,507,733) | 1,411,830 | - | - |
| Net change in plan fiduciary net position | | | | |
| Plan fiduciary net position, beginning of year | 18,718,379 | 17,306,549 | - | - |
| Plan fiduciary net position, end of year | \$ 17,210,646 | \$ 18,718,379 | \$ 17,306,549 | \$ - |
| City's Net Pension Liability - Ending | \$ 8,675,327 | \$ 5,919,678 | \$ 7,211,012 | \$ - |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 66.49% | 75.97% | 70.59% | 0.00% |
| Covered Employee Payroll | \$ 2,100,013 | \$ 1,962,528 | \$ 1,828,337 | |
| City's Net Pension Liability as a Percentage of Covered Employee Payroll | 413.1% | 301.6% | 394.4% | 0.00% |

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

CITY OF MARYSVILLE, MICHIGAN

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

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contributions | \$ 460,017 | \$ 402,234 | \$ 373,304 | \$ 425,214 | \$ 407,469 |
| Contributions in relation to the actuarially determined contribution | <u>460,017</u> | <u>402,234</u> | <u>373,304</u> | <u>425,214</u> | <u>407,469</u> |
| Contribution Deficiency (Excess) | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| Covered Payroll | \$ 2,100,013 | \$ 1,828,337 | \$ 1,864,481 | \$ 1,906,790 | \$ 2,132,230 |
| Contributions as a Percentage of Covered Employee Payroll | 21.91% | 22.00% | 20.02% | 22.30% | 19.11% |

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 | 29 years |
| Asset valuation method | 5-year smoothed market value |
| Salary increases | 4.00% |
| Investment rate of return | 7.75% for 2014 and thereafter, 8.0% for previous years |
| Retirement age | Earliest age participant becomes eligible for normal retirement |
| Mortality | RP2014 Healthy Annuitant Mortality Table in 2015 RP2000 Combined Healthy Mortality Table for previous years |

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|----------------|----------------|----------------|----------------|----------------|
| \$ 497,771 | \$ 443,123 | \$ 340,030 | \$ 431,758 | \$ 402,441 |
| <u>497,771</u> | <u>443,123</u> | <u>340,030</u> | <u>431,758</u> | <u>402,441</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 2,284,401 | \$ 2,242,526 | \$ 2,118,567 | \$ 2,278,405 | \$ 2,153,245 |
| 21.79% | 19.76% | 16.05% | 18.95% | 18.69% |

CITY OF MARYSVILLE, MICHIGAN
POLICE OFFICERS AND FIREFIGHTERS RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

| | 2015 | 2014 | 2013-2006* |
|---|--------|--------|------------|
| Annual money-weighted rate of return, net of investment expenses | -3.68% | 15.35% | 0.00% |

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

CITY OF MARYSVILLE, MICHIGAN

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

| | 2015 | 2014 | 2013* | 2012-2006* |
|--|---------------------|---------------------|---------------------|-------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 300,240 | \$ 304,469 | \$ - | \$ - |
| Interest | 1,708,579 | 1,684,480 | - | - |
| Differences between expected and actual experience | 87,539 | (185,876) | - | - |
| Changes in assumptions | 1,048,328 | - | - | - |
| Benefit payments, including refunds | (1,551,525) | (1,428,491) | - | - |
| Change in total pension liability | 1,593,161 | 374,582 | - | - |
| Total pension liability, beginning of year | 22,671,817 | 22,297,235 | - | - |
| Total pension liability, end of year | \$ 24,264,978 | \$ 22,671,817 | \$ 22,297,235 | \$ - |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | \$ 583,248 | \$ 544,898 | \$ - | \$ - |
| Contributions - Member | 143,863 | 162,383 | - | - |
| Net investment income | (551,584) | 2,128,427 | - | - |
| Benefit payments, including refunds | (1,551,525) | (1,428,491) | - | - |
| Administrative expenses | (15,320) | (17,670) | - | - |
| Other | (6,431) | (5,900) | - | - |
| Net change in plan fiduciary net position | (1,397,749) | 1,383,647 | - | - |
| Plan fiduciary net position, beginning of year | 15,795,224 | 14,411,577 | - | - |
| Plan fiduciary net position, end of year | \$ 14,397,475 | \$ 15,795,224 | \$ 14,411,577 | \$ - |
| City's Net Pension Liability - Ending | \$ 9,867,503 | \$ 6,876,593 | \$ 7,885,658 | \$ - |
| Plan Fiduciary Net Position as a % of Total Pension Liability | 59.33% | 69.67% | 64.63% | 0.00% |
| Covered Employee Payroll | \$ 1,775,066 | \$ 1,766,882 | \$ 1,918,654 | \$ - |
| City's Net Pension Liability as a % of Covered Employee Payroll | 555.9% | 389.2% | 411.0% | 0.0% |

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

CITY OF MARYSVILLE, MICHIGAN

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

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contributions | \$ 583,248 | \$ 544,898 | \$ 571,900 | \$ 528,398 | \$ 577,252 |
| Contributions in relation to the actuarially determined contribution | <u>583,248</u> | <u>544,898</u> | <u>571,900</u> | <u>528,398</u> | <u>577,252</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | 1,775,066 | \$ 1,918,654 | \$ 1,908,243 | \$ 1,876,414 | \$ 1,823,285 |
| Contributions as a Percentage of Covered Employee Payroll | 32.86% | 28.40% | 29.97% | 28.16% | 31.66% |

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 | 29 years |
| Asset valuation method | 5-year smoothed market value |
| Salary increases | 4.00% |
| Investment rate of return | 7.75% for 2014 and thereafter, 8.0% for previous years |
| Retirement age | Earliest age participant becomes eligible for normal retirement |
| Mortality | RP 2000 Combined Healthy Mortality Table in 2015 RP 2000 Healthy Annuitant Mortality for previous years |

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|----------------|----------------|----------------|----------------|----------------|
| \$ 580,811 | \$ 491,172 | \$ 468,500 | \$ 491,802 | \$ 536,961 |
| <u>580,811</u> | <u>491,172</u> | <u>468,500</u> | <u>491,802</u> | <u>536,961</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,882,693 | \$ 1,817,138 | \$ 1,696,850 | \$ 1,742,742 | \$ 1,639,076 |
| 30.85% | 27.03% | 27.61% | 28.22% | 32.76% |

CITY OF MARYSVILLE, MICHIGAN

RETIREE HEALTH BENEFITS

Schedule of Funding Progress

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

Schedule of Employer Contributions

| <u>Year Ended June 30,</u> | <u>Annual Required Contributions</u> | <u>Percentage Contributed</u> |
|------------------------------------|--|-----------------------------------|
| 2009 | \$ 1,275,546 | 95.32% |
| 2010 | 1,309,301 | 77.39% |
| 2011 | 1,242,823 | 83.78% |
| 2012 | 984,011 | 102.59% |
| 2013 | 981,285 | 102.59% |
| 2014 | 741,904 | 129.56% |
| 2015 | 738,423 | 100.00% |

SUPPLEMENTARY INFORMATION

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2015**

| | General Fund (Budgetary - Basis) | Industrial Development | General Fund (GAAP-Basis) |
|---|--|-----------------------------|------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets: | | | |
| Cash and cash equivalents | \$ 1,441 | \$ 600 | \$ 2,041 |
| Investments | 5,200,566 | 272,321 | 5,472,887 |
| Receivables, net of allowance - | | | |
| Property taxes | 24,860 | - | 24,860 |
| Accounts and interest | 95,827 | 641 | 96,468 |
| Due from other governmental units | 178,952 | - | 178,952 |
| Due from other funds | 84,770 | - | 84,770 |
| Due from component units | 2,150 | - | 2,150 |
| Advance to other funds | 1,413,000 | - | 1,413,000 |
| Prepaid expenditures | 75,496 | - | 75,496 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 7,077,062</u> | <u>\$ 273,562</u> | <u>\$ 7,350,624</u> |
| Liabilities: | | | |
| Accounts payable | \$ 197,791 | \$ - | \$ 197,791 |
| Accrued liabilities | 124,562 | - | 124,562 |
| Due to other funds | 246,300 | - | 246,300 |
| Unearned revenue | 7,917 | - | 7,917 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>576,570</u> | <u>-</u> | <u>576,570</u> |
| Deferred Inflows of Resources: | | | |
| Unavailable revenues - | | | |
| Property taxes | 24,860 | - | 24,860 |
| Other | 18,080 | - | 18,080 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Deferred Inflows of Resources | <u>42,940</u> | <u>-</u> | <u>42,940</u> |
| Fund Balance: | | | |
| Nonspendable - | | | |
| Prepaid expenditures | 75,496 | - | 75,496 |
| Advance to other funds | 1,413,000 | - | 1,413,000 |
| Restricted | 31,100 | - | 31,100 |
| Committed | 680,486 | 273,562 | 954,048 |
| Assigned | 175,000 | - | 175,000 |
| Unassigned | 4,082,470 | - | 4,082,470 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balance | <u>6,457,552</u> | <u>273,562</u> | <u>6,731,114</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 7,077,062</u> | <u>\$ 273,562</u> | <u>\$ 7,350,624</u> |

CITY OF MARYSVILLE, MICHIGAN

**GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

| | General Fund (Budgetary - Basis) | Industrial Development | General Fund (GAAP - Basis) |
|--|--|-----------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Taxes | \$ 6,153,596 | \$ - | \$ 6,153,596 |
| Licenses and permits | 405,151 | - | 405,151 |
| Intergovernmental - Federal/State | 1,008,862 | - | 1,008,862 |
| Charges for services | 380,563 | - | 380,563 |
| Fines and forfeits | 9,780 | - | 9,780 |
| Interest and rents | 112,631 | 5,581 | 118,212 |
| Other | 57,425 | - | 57,425 |
| Total Revenues | <u>8,128,008</u> | <u>5,581</u> | <u>8,133,589</u> |
| Expenditures: | | | |
| Current - | | | |
| General Government | 817,873 | 19,920 | 837,793 |
| Public Safety | 2,964,734 | - | 2,964,734 |
| Public Works | 1,336,477 | - | 1,336,477 |
| Recreation and Cultural | 240,384 | - | 240,384 |
| Other | 1,524,957 | - | 1,524,957 |
| Capital outlay | 96,402 | - | 96,402 |
| Debt Service - | | | |
| Principal | 44,090 | - | 44,090 |
| Interest | 56,040 | - | 56,040 |
| Total Expenditures | <u>7,080,957</u> | <u>19,920</u> | <u>7,100,877</u> |
| Revenues over (under) expenditures | <u>1,047,051</u> | <u>(14,339)</u> | <u>1,032,712</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 1,225 | - | 1,225 |
| Transfers out | <u>(601,015)</u> | <u>-</u> | <u>(601,015)</u> |
| | <u>(599,790)</u> | <u>-</u> | <u>(599,790)</u> |
| Net Change in Fund Balances | 447,261 | (14,339) | 432,922 |
| Fund Balance at beginning of year | <u>6,010,291</u> | <u>287,901</u> | <u>6,298,192</u> |
| Fund Balance at end of year | <u>\$ 6,457,552</u> | <u>\$ 273,562</u> | <u>\$ 6,731,114</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, 2015

| | Original/ Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------------------|---------------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Interest | \$ 9,000 | \$ 5,581 | \$(3,419) |
| Expenditures: | | | |
| Current - | | | |
| General Government - | | | |
| Professional fees | <u> 20,000</u> | <u> 19,920</u> | <u> 80</u> |
| Net Change in Fund Balance | (11,000) | (14,339) | (3,339) |
| Fund Balance at beginning of year | <u> 287,901</u> | <u> 287,901</u> | <u> -</u> |
| Fund Balance at end of year | <u><u> 276,901</u></u> | <u><u> 273,562</u></u> | <u><u> \$(3,339)</u></u> |

CITY OF MARYSVILLE, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

Special Revenue Funds

| | <u>Major Street</u> | <u>Local Street</u> | <u>Drug Law Enforcement</u> | <u>Parks and Recreation</u> | <u>Ambulance</u> |
|---|-------------------------|-------------------------|---------------------------------|---------------------------------|-------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 931 | \$ 1,451 | \$ 872 | \$ 4,669 | \$ 532 |
| Investments | 766,339 | 1,257,501 | 21,740 | 250,764 | 252,351 |
| Accounts and interest receivable, net | 4,412 | 5,786 | 7,012 | 701 | 66,949 |
| Due from other governmental units | 78,056 | 69,305 | - | - | - |
| Prepaid expenditures | - | - | - | 3,076 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 849,738</u> | <u>\$ 1,334,043</u> | <u>\$ 29,624</u> | <u>\$ 259,210</u> | <u>\$ 319,832</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 4,456 | \$ 11,090 | \$ - | \$ 9,226 | \$ 681 |
| Accrued liabilities | 3,345 | 3,717 | - | 13,055 | - |
| Unearned revenue | - | - | - | 19,982 | - |
| Total Liabilities | <u>7,801</u> | <u>14,807</u> | <u>-</u> | <u>42,263</u> | <u>681</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenues - charges for services | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,213</u> |
| Fund Balance: | | | | | |
| Nonspendable - | | | | | |
| Prepaid expenditures | - | - | - | 3,076 | - |
| Perpetual Care | - | - | - | - | - |
| Restricted | 841,937 | 1,319,236 | 29,624 | - | - |
| Committed | - | - | - | 213,871 | 286,938 |
| Total Fund Balance | <u>841,937</u> | <u>1,319,236</u> | <u>29,624</u> | <u>216,947</u> | <u>286,938</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 849,738</u> | <u>\$ 1,334,043</u> | <u>\$ 29,624</u> | <u>\$ 259,210</u> | <u>\$ 319,832</u> |

| <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Permanent Fund</u> | |
|-------------------------------|----------------------------------|--|---------------------|
| <u>Building Authority</u> | <u>Building Authority</u> | <u>Cemetery Perpetual Care</u> | <u>Total</u> |
| \$ - | \$ 1,407 | \$ 2,510 | \$ 12,372 |
| - | 75,779 | 494,598 | 3,119,072 |
| - | 195 | 1,142 | 86,197 |
| - | - | - | 147,361 |
| - | - | - | 3,076 |
| <u>\$ -</u> | <u>\$ 77,381</u> | <u>\$ 498,250</u> | <u>\$ 3,368,078</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 25,453 |
| - | - | - | 20,117 |
| - | - | - | 19,982 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>65,552</u> |
| | | | |
| - | - | - | 32,213 |
| | | | |
| - | - | - | 3,076 |
| - | - | 262,638 | 262,638 |
| - | - | 235,612 | 2,426,409 |
| - | 77,381 | - | 578,190 |
| <u>-</u> | <u>77,381</u> | <u>498,250</u> | <u>3,270,313</u> |
| | | | |
| <u>\$ -</u> | <u>\$ 77,381</u> | <u>\$ 498,250</u> | <u>\$ 3,368,078</u> |

CITY OF MARYSVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

Special Revenue Funds

| | <u>Major Street</u> | <u>Local Street</u> | <u>Drug Law Enforcement</u> | <u>Parks and Recreation</u> | <u>Ambulance</u> |
|--|-------------------------|-------------------------|---------------------------------|---------------------------------|-------------------|
| Revenues: | | | | | |
| Intergovernmental - | | | | | |
| Federal/State | \$ 486,978 | \$ 263,781 | \$ - | \$ - | \$ - |
| Local | - | - | - | 41,335 | - |
| Charges for services | - | - | - | - | 218,352 |
| Interest and rent | 7,822 | 8,102 | 435 | 2,340 | 10,055 |
| Other | 12,718 | 13,461 | 10,942 | 140,692 | - |
| Total Revenues | <u>507,518</u> | <u>285,344</u> | <u>11,377</u> | <u>184,367</u> | <u>228,407</u> |
| Expenditures: | | | | | |
| Current - | | | | | |
| Public Safety | - | - | 4,466 | - | - |
| Public Works | 220,844 | 377,438 | - | - | - |
| Recreation and Culture | - | - | - | 219,627 | - |
| Capital outlay | - | - | - | - | 546,712 |
| Debit service - | | | | | |
| Principal | - | - | - | - | - |
| Interest and charges | - | - | - | - | - |
| Total Expenditures | <u>220,844</u> | <u>377,438</u> | <u>4,466</u> | <u>219,627</u> | <u>546,712</u> |
| Revenues over (under) expenditures | <u>286,674</u> | <u>(92,094)</u> | <u>6,911</u> | <u>(35,260)</u> | <u>(318,305)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | - | 300,000 | - | 76,115 | - |
| Transfers out | <u>(200,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(200,000)</u> | <u>300,000</u> | <u>-</u> | <u>76,115</u> | <u>-</u> |
| Net Change in Fund Balances | 86,674 | 207,906 | 6,911 | 40,855 | (318,305) |
| Fund Balances at beginning of year | <u>755,263</u> | <u>1,111,330</u> | <u>22,713</u> | <u>176,092</u> | <u>605,243</u> |
| Fund Balances at end of year | <u>\$ 841,937</u> | <u>\$ 1,319,236</u> | <u>\$ 29,624</u> | <u>\$ 216,947</u> | <u>\$ 286,938</u> |

| <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Permanent Fund</u> | |
|-------------------------------|----------------------------------|--|---------------------|
| <u>Building Authority</u> | <u>Building Authority</u> | <u>Cemetery Perpetual Care</u> | <u>Total</u> |
| \$ - | \$ - | \$ - | \$ 750,759 |
| - | - | - | 41,335 |
| - | - | 7,420 | 225,772 |
| - | 5,709 | 8,629 | 43,092 |
| - | - | - | 177,813 |
| <u>-</u> | <u>5,709</u> | <u>16,049</u> | <u>1,238,771</u> |
| - | - | - | 4,466 |
| - | 76 | - | 598,358 |
| - | - | - | 219,627 |
| - | - | - | 546,712 |
| 150,000 | - | - | 150,000 |
| 60,818 | - | - | 60,818 |
| <u>210,818</u> | <u>76</u> | <u>-</u> | <u>1,579,981</u> |
| <u>(210,818)</u> | <u>5,633</u> | <u>16,049</u> | <u>(341,210)</u> |
| 210,818 | - | - | 586,933 |
| - | (70,247) | - | (270,247) |
| <u>210,818</u> | <u>(70,247)</u> | <u>-</u> | <u>316,686</u> |
| - | (64,614) | 16,049 | (24,524) |
| - | 141,995 | 482,201 | 3,294,837 |
| <u>\$ -</u> | <u>\$ 77,381</u> | <u>\$ 498,250</u> | <u>\$ 3,270,313</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, 2015**

| | Original/ Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------------------|-------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 445,000 | \$ 486,978 | \$ 41,978 |
| Interest | 17,000 | 7,822 | (9,178) |
| Other | 17,500 | 12,718 | (4,782) |
| | <u>479,500</u> | <u>507,518</u> | <u>28,018</u> |
| Expenditures: | | | |
| Current - | | | |
| Public Works- | | | |
| Routine maintenance | 208,765 | 97,556 | 111,209 |
| Traffic services maintenance | 25,023 | 11,325 | 13,698 |
| Winter maintenance | 101,800 | 90,815 | 10,985 |
| Administration/engineering | 11,739 | 9,471 | 2,268 |
| Construction | 168,000 | 11,677 | 156,323 |
| | <u>515,327</u> | <u>220,844</u> | <u>294,483</u> |
| Revenues over (under) expenditures | (35,827) | 286,674 | 322,501 |
| Other Financing (Uses): | | | |
| Transfers out | (200,000) | (200,000) | - |
| Net Change in Fund Balance | (235,827) | 86,674 | 322,501 |
| Fund Balance at beginning of year | <u>755,263</u> | <u>755,263</u> | - |
| Fund Balance at end of year | <u>\$ 519,436</u> | <u>\$ 841,937</u> | <u>\$ 322,501</u> |

CITY OF MARYSVILLE, MICHIGAN

**LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

| | Original/ Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------------------|---------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>(Negative)</u> |
| Revenues: | | | |
| Intergovernmental | \$ 188,000 | \$ 263,781 | \$ 75,781 |
| Interest | 25,000 | 8,102 | (16,898) |
| Other | <u>7,500</u> | <u>13,461</u> | <u>5,961</u> |
| Total Revenues | <u>220,500</u> | <u>285,344</u> | <u>64,844</u> |
| Expenditures: | | | |
| Current - | | | |
| Public Works- | | | |
| Routine maintenance | 337,374 | 180,087 | 157,287 |
| Traffic services maintenance | 30,097 | 14,939 | 15,158 |
| Winter maintenance | 164,328 | 161,024 | 3,304 |
| Administration/engineering | 11,739 | 9,471 | 2,268 |
| Construction | <u>182,000</u> | <u>11,917</u> | <u>170,083</u> |
| Total Expenditures | <u>725,538</u> | <u>377,438</u> | <u>348,100</u> |
| Revenues under expenditures | (505,038) | (92,094) | 412,944 |
| Other Financing Sources: | | | |
| Transfers in | <u>300,000</u> | <u>300,000</u> | <u>-</u> |
| Net Change in Fund Balance | (205,038) | 207,906 | 412,944 |
| Fund Balance at beginning of year | <u>1,111,330</u> | <u>1,111,330</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 906,292</u> | <u>\$ 1,319,236</u> | <u>\$ 412,944</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, 2015

| | Original/ Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------------------|-------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Interest | \$ 350 | \$ 435 | \$ 85 |
| Other | 4,500 | 10,942 | 6,442 |
| Total Revenues | <u>4,850</u> | <u>11,377</u> | <u>6,527</u> |
| Expenditures: | | | |
| Current - | | | |
| Public Safety- | | | |
| Supplies | <u>3,880</u> | <u>4,466</u> | <u>(586)</u> |
| Net Change in Fund Balance | 970 | 6,911 | 5,941 |
| Fund Balance at beginning of year | <u>22,713</u> | <u>22,713</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 23,683</u></u> | <u><u>\$ 29,624</u></u> | <u><u>\$ 5,941</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, 2015

| | Original/ Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------------------|------------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Intergovernmental - Local | \$ 43,000 | \$ 41,335 | \$(1,665) |
| Interest | - | 2,340 | 2,340 |
| Other | <u>153,950</u> | <u>140,692</u> | <u>(13,258)</u> |
| Total Revenues | <u>196,950</u> | <u>184,367</u> | <u>(12,583)</u> |
| Expenditures: | | | |
| Current - | | | |
| Recreation and culture- | | | |
| Salaries and wages | 53,700 | 39,917 | 13,783 |
| Fringe benefits | 51,245 | 42,975 | 8,270 |
| Materials and supplies | 6,840 | 11,041 | (4,201) |
| Program expense | 136,795 | 110,489 | 26,306 |
| Travel | 2,500 | 1,500 | 1,000 |
| Insurance | 6,770 | 6,790 | (20) |
| Contracted services | 1,765 | 2,815 | (1,050) |
| Maintenance | 6,500 | 2,459 | 4,041 |
| Miscellaneous | <u>6,950</u> | <u>1,641</u> | <u>5,309</u> |
| Total Expenditures | <u>273,065</u> | <u>219,627</u> | <u>53,438</u> |
| Revenues under expenditures | (76,115) | (35,260) | 40,855 |
| Other Financing Sources: | | | |
| Transfers in | <u>76,115</u> | <u>76,115</u> | <u>-</u> |
| Net Change in Fund Balance | - | 40,855 | 40,855 |
| Fund Balance at beginning of year | <u>176,092</u> | <u>176,092</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 176,092</u></u> | <u><u>\$ 216,947</u></u> | <u><u>\$ 40,855</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, 2015**

| | <u>Original/ Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|---------------------------------------|--------------------------|---|
| Revenues: | | | |
| Charges for services | \$ 263,200 | \$ 218,352 | \$(44,848) |
| Interest | <u>20,000</u> | <u>10,055</u> | <u>(9,945)</u> |
| Total Revenues | 283,200 | 228,407 | (54,793) |
| Expenditures: | | | |
| Capital Outlay | <u>600,000</u> | <u>546,712</u> | <u>53,288</u> |
| Net Change in Fund Balance | (316,800) | (318,305) | (1,505) |
| Fund Balance at beginning of year | <u>605,243</u> | <u>605,243</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 288,443</u></u> | <u><u>\$ 286,938</u></u> | <u><u>\$(1,505)</u></u> |

INTERNAL SERVICE FUNDS

CITY OF MARYSVILLE, MICHIGAN
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

| | Equipment Rental | Employee Vacation and Sick | Total |
|---|---------------------|----------------------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 12,266 | \$ 10,402 | \$ 22,668 |
| Investments | 316,016 | 354,027 | 670,043 |
| Accounts and interest receivable | 760 | - | 760 |
| Due from other funds | - | 18,746 | 18,746 |
| Inventories | 2,227 | - | 2,227 |
| Prepaid expenses | 1,752 | - | 1,752 |
| | <u>333,021</u> | <u>383,175</u> | <u>716,196</u> |
| Non-Current Assets: | | | |
| Property, Plant and Equipment, net | 416,042 | - | 416,042 |
| Net OPEB asset | 32,544 | - | 32,544 |
| | <u>448,586</u> | <u>-</u> | <u>448,586</u> |
| Total Non-Current Assets | <u>448,586</u> | <u>-</u> | <u>448,586</u> |
| Total Assets | <u>781,607</u> | <u>383,175</u> | <u>1,164,782</u> |
| Deferred Outflows of Resources: | | | |
| Related to pension plan | 112,844 | - | 112,844 |
| | <u>112,844</u> | <u>-</u> | <u>112,844</u> |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts payable | 10,608 | - | 10,608 |
| Accrued expenses | 4,444 | - | 4,444 |
| Total Current Liabilities | 15,052 | - | 15,052 |
| Long-Term Liabilities (net of current portion): | | | |
| Net pension liability | 394,283 | - | 394,283 |
| Accrued vacation and sick | - | 383,175 | 383,175 |
| | <u>394,283</u> | <u>383,175</u> | <u>777,458</u> |
| Total Liabilities | <u>409,335</u> | <u>383,175</u> | <u>792,510</u> |
| Deferred Inflows of Resources: | | | |
| Related to pension plan | 19,098 | - | 19,098 |
| | <u>19,098</u> | <u>-</u> | <u>19,098</u> |
| Net Position: | | | |
| Net investment in capital assets | 416,042 | - | 416,042 |
| Unrestricted | 49,976 | - | 49,976 |
| | <u>466,018</u> | <u>-</u> | <u>466,018</u> |
| Total Net Position | <u>\$ 466,018</u> | <u>\$ -</u> | <u>\$ 466,018</u> |

CITY OF MARYSVILLE, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Equipment Rental</u> | <u>Employee Vacation and Sick</u> | <u>Total</u> |
|--|-----------------------------|---|-------------------|
| Operating Revenues: | | | |
| Rent income | \$ 449,327 | \$ - | \$ 449,327 |
| Other | 106 | - | 106 |
| Total Operating Revenues | <u>449,433</u> | <u>-</u> | <u>449,433</u> |
| Operating Expenses: | | | |
| Personnel services | 242,604 | 6,416 | 249,020 |
| Supplies | 78,130 | - | 78,130 |
| Other services | 166,509 | - | 166,509 |
| Depreciation | 105,297 | - | 105,297 |
| Total Operating Expenses | <u>592,540</u> | <u>6,416</u> | <u>598,956</u> |
| Operating Loss | <u>(143,107)</u> | <u>(6,416)</u> | <u>(149,523)</u> |
| Non-Operating Revenues (Expenses): | | | |
| Loss on disposal of assets | (376) | - | (376) |
| Investment income | 19,612 | 6,416 | 26,028 |
| Total Non-Operating Revenues (Expenses) | <u>19,236</u> | <u>6,416</u> | <u>25,652</u> |
| Net Loss Before Transfers | (123,871) | - | (123,871) |
| Transfers: | | | |
| Transfers to other funds | <u>(46,857)</u> | <u>-</u> | <u>(46,857)</u> |
| Change in Net Position | (170,728) | - | (170,728) |
| Net Assets at beginning of year, restated | <u>636,746</u> | <u>-</u> | <u>636,746</u> |
| Net Position end of year | <u>\$ 466,018</u> | <u>\$ -</u> | <u>\$ 466,018</u> |

CITY OF MARYSVILLE, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Equipment Rental | Employee Vacation and Sick | Total |
|---|---------------------|----------------------------------|--------------|
| Cash Flows From Operating Activities: | | | |
| Cash receipts from interfund services | \$ 451,737 | \$(18,746) | \$ 432,991 |
| Cash payments to suppliers | (241,125) | - | (241,125) |
| Cash payments to employees | (208,528) | (15,257) | (223,785) |
| Net Cash Provided by (Used for) Operating Activities | 2,084 | (34,003) | (31,919) |
| Cash Flows From Noncapital Financing Activities: | | | |
| Transfers to other funds | (46,857) | - | (46,857) |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Proceeds from sale of assets | 2,500 | - | 2,500 |
| Acquisition and construction of capital assets | (31,649) | - | (31,649) |
| Net Cash Used for Capital and Related Financing Activities | (29,149) | - | (29,149) |
| Cash Flows From Investing Activities: | | | |
| Net sale of investments | 83,686 | 9,784 | 93,470 |
| Net Increase (Decrease) in Cash and Cash Equivalents for the year | 9,764 | (24,219) | (14,455) |
| Cash and Cash Equivalents at Beginning of Year | 2,502 | 34,621 | 37,123 |
| Cash and Cash Equivalents at End of Year | \$ 12,266 | \$ 10,402 | \$ 22,668 |
| Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities: | | | |
| Operating loss for the year | \$(143,107) | \$(6,416) | \$(149,523) |
| Adjustments to reconcile operating loss to net cash provided by (used for) operating activities - | | | |
| Depreciation | 105,297 | - | 105,297 |
| Change in assets and liabilities - | | | |
| Receivables | 2,304 | - | 2,304 |
| Due from other funds | - | (18,746) | (18,746) |
| Prepaid expenses | 904 | - | 904 |
| Inventories | 4,459 | - | 4,459 |
| Net OPEB asset | 290 | - | 290 |
| Net pension liability | 125,241 | - | 125,241 |
| Deferred outflows/inflows related to pension plan | (93,746) | - | (93,746) |
| Accounts payable/accrued expenses | 442 | (8,841) | (8,399) |
| Net Cash Provided by (Used for) Operating Activities | \$ 2,084 | \$(34,003) | \$(31,919) |

COMPONENT UNITS

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET POSITION
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
JUNE 30, 2015**

| | General | GASB 34 Adjustments | Statement of Net Position |
|------------------------|-----------|------------------------|------------------------------|
| Current Assets: | | | |
| Cash | \$ 15,657 | \$ - | \$ 15,657 |
| Fund Balance: | | | |
| Unassigned | \$ 15,657 | (15,657) | - |
| Net Position: | | | |
| Unrestricted | | 15,657 | 15,657 |
| Total Net Position | | \$ 15,657 | \$ 15,657 |

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE/STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>General</u> | <u>GASB 34 Adjustments</u> | <u>Statement of Activities</u> |
|--|------------------|--------------------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 83,098 | \$ - | \$ 83,098 |
| Expenditures/Expenses: | | | |
| Current - | | | |
| Community and Economic Development | 2,572 | - | 2,572 |
| Debt Service- | | | |
| Principal | 64,141 | (64,141) | - |
| Interest and fiscal charges | 728 | - | 728 |
| | <u>67,441</u> | <u>(64,141)</u> | <u>3,300</u> |
| Net Change in Fund Balance/Net Position | 15,657 | 64,141 | 79,798 |
| Fund Balance/Net Position at beginning of year | <u>-</u> | <u>(64,141)</u> | <u>(64,141)</u> |
| Fund Balance/Net Position at end of year | <u>\$ 15,657</u> | <u>\$ -</u> | <u>\$ 15,657</u> |

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 1
FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|---|------------------|
| Net change in fund balance - Local Development Finance Authority - District No. 1 | \$ 15,657 |
| <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 payments on long term liabilities | <u>64,141</u> |
| Change in net position of Local Development Finance Authority - District No. 1 activities | <u>\$ 79,798</u> |

CITY OF MARYSVILLE, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET POSITION
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
JUNE 30, 2015**

| | General | GASB 34 Adjustments | Statement of Net Position |
|--|---------|------------------------|------------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Liabilities: | | | |
| Non-current liabilities - Note payable - more than one year | \$ - | - | - |
| Fund Balance: | | | |
| Unassigned | - | - | - |
| Total Liabilities and Fund Balance | \$ - | | |
| Net Position: | | | |
| Unrestricted | | - | - |
| Total Net Position | | \$ - | \$ - |

CITY OF MARYSVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE/STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>General</u> | <u>GASB 34 Adjustments</u> | <u>Statement of Activities</u> |
|--|--------------------|--------------------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 832,594 | \$ - | \$ 832,594 |
| Expenditures/Expenses: | | | |
| Current - | | | |
| Community and Economic Development | 2,571 | - | 2,571 |
| Debt Service - | | | |
| Principal | <u>895,105</u> | <u>(895,105)</u> | <u>-</u> |
| | <u>897,676</u> | <u>(895,105)</u> | <u>2,571</u> |
| Net Change in Fund Balance/Net Position | (65,082) | 895,105 | 830,023 |
| Fund Balance/Net Position at beginning of year | <u>65,082</u> | <u>(895,105)</u> | <u>(830,023)</u> |
| Fund Balance/Net Position at end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
LOCAL DEVELOPMENT FINANCE AUTHORITY - DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|---|--------------------------|
| Net change in fund balance - Local Development Finance Authority - District No. 2 | \$ (65,082) |
| <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 payments on long-term liability | <u>895,105</u> |
| Change in net position of Local Development Finance Authority - District No. 2 activities | <u><u>\$ 830,023</u></u> |

CITY OF MARYSVILLE
Marysville, Michigan

SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS

(FEDERAL AWARDS)

FOR THE YEAR ENDED JUNE 30, 2015



CITY OF MARYSVILLE

TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|--------------------|
| Independent Auditor's Report on Supplementary Schedule of Expenditures of Federal Awards | 1 |
| Supplementary Information: | |
| Schedule Required by OMB Circular A-133 – Schedule of Expenditures of Federal Awards | 2 |
| Notes to Schedule of Expenditures of Federal Awards | 3 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 4 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 | 6 |
| Schedule of Findings and Questioned Costs | 8 |

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marysville (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 25, 2015, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stewart, Beauvais & Whipple
Certified Public Accountants

November 25, 2015

CITY OF MARYSVILLE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|--|---------------------------|-------------------------------------|----------------------------|
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| <u>Passed Through St. Clair County:</u> | | | |
| Highway Safety Cluster- State and Community Highway Safety - Michigan Drive Safely Grant | 20.600 | N/A | \$ 7,190 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | N/A | 4,952 |
| National Priority Safety Programs | 20.616 | N/A | <u>2,687</u> |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | <u>14,829</u> |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| <u>Direct Program:</u> | | | |
| Great Lakes Program - Chrysler Beach Stormwater Improvements | 66.469 | GL-00E01106-0 | 400,557 |
| <u>Passed through the Michigan Department of Environmental Quality:</u> | | | |
| Great Lakes Program - Cuttle Creek Restoration | 66.469 | GL-00E01249 | <u>1,389,203</u> |
| TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY | | | <u>1,789,760</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| <u>Passed Through St. Clair County:</u> | | | |
| Homeland Security Grant Program - | 97.067 | | |
| Grant Program Year 2011 | | N/A | 8,231 |
| Grant Program Year 2012 | | N/A | 119 |
| Grant Program Year 2013 | | N/A | 8,587 |
| Grant Program Year 2012 - Operation Stonegarden | | N/A | 5,110 |
| Grant Program Year 2013 - Operation Stonegarden | | N/A | <u>13,775</u> |
| TOTAL U.S. DEPARTMENT OF HOME LAND SECURITY | | | <u>35,822</u> |
| TOTAL FEDERAL AWARDS | | | <u>\$ 1,840,411</u> |

See Notes to Schedule of Expenditures of Federal Awards

CITY OF MARYSVILLE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Marysville (the "City") for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting, the modified accrual basis, as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The City's basic financial statements include the City of Marysville Housing Commission as a discretely presented component unit. This entity is audited separately by other auditors and, if necessary, an audit in accordance with OMB Circular A-133 is issued. For 2015, an audit in accordance with OMB Circular A-133 was not required.

Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 - NONCASH ASSISTANCE:

The value of the noncash assistance (equipment) received was determined in accordance with the provisions of OMB Circular A-133. Information on the value of the equipment received was provided by the pass-thru entity.

NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

| | |
|--|---------------------|
| Balance per Basic Financial Statements - | |
| Intergovernmental revenue - Federal/State | \$ 3,414,202 |
| Less: State revenues | (1,736,552) |
| Deferred inflows of resources in the prior year | (7,434) |
| Add: Deferred inflows of resources in the current year | 153,258 |
| Equipment received | <u>16,937</u> |
| | <u>\$ 1,840,411</u> |

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

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

We have audited, in accordance with the 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, the 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 City of Marysville (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and we have issued our report thereon dated November 25, 2015. Our report includes a reference to other auditors who audited the financial statements of City of Marysville Housing Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting and on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

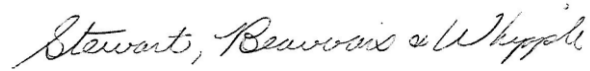
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Marysville in a separate letter dated November 25, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Certified Public Accountants

November 25, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Program

We have audited City of Marysville's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the City of Marysville Housing Commission as a discretely presented component unit. Our audit described below did not include the operations of the City of Marysville Housing Commission because the entity engaged other auditors to perform an audit under *Government Auditing Standards*, and an audit in accordance with OMB Circular A-133 was not required.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Marysville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on The Major Federal Program

In our opinion, City of Marysville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Marysville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

November 25, 2015

CITY OF MARYSVILLE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I - Summary Of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal controls over financial reporting:
Material weakness(es) identified? _____ yes x no
Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes x no
Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A - 133, Section 510(a)? _____ yes x no

Identification of Major Program:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| CFDA #66.469 | Great Lakes Program |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes x no

Section II - Financial Statement Findings:

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs:

There were no federal award findings and questioned costs.

Section IV - Prior Years Findings and Questioned Costs:

There were no prior years' findings and questioned costs.

AUDIT COMMUNICATION LETTER

November 25, 2015

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

We have audited the 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) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 18, 2015. Other auditors audited the financial statements of the City of Marysville Housing Commission as described in our report on the City of Marysville, Michigan's financial statements, and this communication does not include information regarding the City of Marysville Housing Commission. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Marysville are described in Note 1 to the financial statements. During 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The statements required the City to record its net pension liability in the government-wide and proprietary fund financial statements and enhanced related note disclosures. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts for delinquent personal property taxes and ambulance services. The estimates are based on a detailed review of the receivables, historical data, and other information.

Management's estimate of depreciation. Depreciation is based on historical data and estimated useful lives.

Management's estimate for the liability for self insurance of health benefits, including claims incurred but not reported. The estimate is based on claims received after the end of the year, discussion with contracted administrators, and historical data.

Management's estimate for the net pension liability, which is based on the Plan's audit and actuarial value of the net pension liability.

Management's estimate of the annual postemployment costs, which are based on the reports conducted by a contracted agent.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the City's net pension liability, the related deferred outflows of resources, and deferred inflows of resources, as reported in Note 9 to the financial statements.

The disclosure of Other Postemployment Benefits in Note 10 to the financial statements describes the benefits provided to retirees other than pensions. This disclosure is particularly sensitive to financial statement users because of the dollar amount of the Net OPEB Obligation at year-end and the future impact this number may have if the City does not fund the annual required contribution.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- To record adjustments to eliminate negative cash balances.
- To record retainer payables.
- To record grant receivable and corresponding deferred inflow of resources.
- To record adjustment of ambulance receivables.

Assistance with GASB No. 34 Presentation

As a result of our assistance with the GASB No. 34 presentation, we proposed several entries to the June 30, 2015 account balances to reflect the difference between the Governmental Fund and the government-wide financial statements. These entries are described on pages 14 and 16 of the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 25, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, we noted one deficiency in internal control over financial reporting that we consider to be a material weakness. Management has responded to the matter.

In addition to the Report on Internal Control, we noted a few other items that, although are not considered material weaknesses/significant deficiencies, could improve controls, the operational efficiency, and/or compliance with laws and regulations. These items are discussed in Attachment A.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, Retirement Systems and Retirement Health Benefits Schedules, and the General Fund schedule of revenues, expenditures, and changes in fund balance – budget and actual, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City of Marysville City Council and management of the City of Marysville and is not intended to be, and should not be used by anyone other than these specified parties.


Certified Public Accountants

Attachment A

The following is a list of items that we discussed with administration that are not considered significant deficiencies; however, are items that could improve controls, the operational efficiency of the accounting department, and/or compliance with laws and regulations:

The City should re-evaluate receipting procedures at the Police Department.

During our testing of cash receipts at the Police Department, we noted that monies collected are not always deposited with the City in a timely manner; although the amounts were very insignificant, a three month lag was noted in our testing.

To enhance controls, we recommend that a process be setup where all checks and cash are entered into the receipt books and receipts turned into the City offices in a more timely manner.

Financial reports for Council and month-end closures.

During the audit, we noted that the City Council does not receive monthly or quarterly financial reports to review. In addition, during our audit we proposed various closing and adjusting entries.

We recommend that the City institute a formal month-end closing and that the City Council is provided at least quarterly financial information.