

**City of Mason  
Ingham County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2015**

City of Mason  
Ingham County, Michigan  
June 30, 2015

CITY COUNCIL AND ADMINISTRATION

Mike Waltz	Mayor
Marlon Brown	Mayor Pro-Tem
Leon Clark	Council member
Les Bruno	Council member
Jon Droscha	Council member
Elaine Ferris	Council member
Jim Mulvany	Council member
Patrick Price	Acting City Administrator
Eric Smith	Finance Director/ Treasurer

City of Mason

TABLE OF CONTENTS

June 30, 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-iii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iv-x
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	8
Proprietary Funds	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Fiduciary Fund	
Statement of Assets and Liabilities	12
Component Unit Financial Statements	
Combining Statement of Net Position	13
Combining Statement of Activities	14
Notes to Financial Statements	15-39
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	40-42
Major Street Fund	
Budgetary Comparison Schedule	43
Special Assessment Fund	
Budgetary Comparison Schedule	44
Schedule of Changes in Employer's Net Pension Liability and Related Ratios	45
Schedule of Employer Contributions	46

City of Mason

TABLE OF CONTENTS - CONTINUED

June 30, 2015

Page

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Combining Balance Sheet

47-48

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

49-50

COMPONENT UNIT FUNDS

Local Development Finance Authority

Balance Sheet

51

Reconciliation of the Combining Balance Sheet to the Statement of Net Position

52

Statement of Revenues, Expenditures, and Changes in Fund Balances

53

Downtown Development Authority

Balance Sheet

54

Statement of Revenues, Expenditures, and Changes in Fund Balance

55

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Mason, 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 Mason, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mason, 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.

## **Change in Accounting Principle**

As discussed in Note N to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note N to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. 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, budgetary comparison information, schedule of changes in employer's net pension liability and related ratios, and schedule of employer contributions, as identified in the table of contents, 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 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are 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 September 30, 2015, on our consideration of the City'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's internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 30, 2015

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Our discussion and analysis of the City of Mason's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements.

**Overview of the Financial Statements**

This annual report consists of the following report sections: management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplemental information section that presents combining statements for nonmajor governmental funds. The basic financial statements are presented in two different formats: government-wide financial statements and fund financial statements.

The government-wide financial statements include the statement of net position and the statement of activities. These statements provide both long-term and short-term information about the City's overall financial status.

The fund financial statements include the balance sheet and the statement of revenue, expenditures, and changes in net position/fund balances. These statements focus on individual parts of the City government and report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The governmental fund statements tell how general government services, like police and fire, were financed in the short term as well as what remains for future spending.

The proprietary fund statements present short and long-term financial information about those activities that the City operates in a business-like manner, such as the water and sewer system.

The fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information presented in the financial statements. In addition to these required supplementary schedules, we have provided a section with combining statements that provide details about our nonmajor governmental and fiduciary funds.

**Government-wide Financial Statements**

The City's government-wide statements can be found on pages 1 and 2 of this report. These statements report information about the City as a whole under the full accrual method of accounting, which is similar to the accounting used by most private-sector companies. The statement of net position includes all, both current and long-term, of the government's assets and liabilities and the statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The combined objective of the government-wide statements is to report the City's net position and how they have changed. The reporting of net position is one way to measure the City's financial health or position.

Over time, increases or decreases in the City's net position can be viewed as indicators of whether its financial health is improving or deteriorating, respectively.

In addition to the financial factors, you will need to consider additional information such as changes in the City's property tax base to assess the overall health.



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The City's government-wide financial statements divide the reported information into three categories:

- **Governmental activities** - Most of the City's basic services are included here, such as police, fire, cemetery, parks, and general administration. Property taxes and state revenue sharing are used to finance most of these activities.
- **Business-type activities** - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system is included in this category.
- **Component units** - The City includes other legal entities in its report such as the Downtown Development Authority and the Local Development Finance Authority. The City is financially accountable for these "component units" although they are legally separate entities.

**Fund Financial Statements**

The City's fund financial statements begin on page 3 of this report. These statements provide more detailed information about the City's most significant funds. The City uses funds to account for specific sources of funding and spending for particular purposes. Some funds are required by state law and others are established by the City to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds that use different accounting approaches:

- **Governmental funds** - Most of the City's basic services are included in governmental funds. These funds focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because governmental fund information has a short-term focus and the government-wide statement incorporates long-term information, we describe the relationship (or differences) between governmental activities and governmental funds in reconciliations on pages 4 and 6.
- **Proprietary funds** - When the City charges customers fees for the services it provides, the fees are generally reported in proprietary funds. Similar to the reporting method used on the government-wide statements, proprietary funds provide both long- and short-term financial information.
  - In fact, the City's Enterprise Fund (water and sewer) is the same as its business-type activity, but provides more detail and additional information.
  - We use an Internal Service Fund (the other type of proprietary fund) to report activities that provide services and supplies to other programs and activities within the City. The City's Motor Vehicle Pool Fund falls into this category.
- **Fiduciary funds** - The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The delinquent tax and payroll funds are fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 39 of the report.

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2015:

- The City's total net position decreased as a result of the fiscal year's operations, as well as the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the governmental activities decreased by \$3,504,690, or 16.00 percent, and the net position of the business-type activities decreased by \$1,381,687, or 9.71 percent.
- During the year, the City's governmental activities' revenues were \$259,415 less than the approximate \$6.20 million in expenses.
- State shared revenues, the largest individual revenue source after property taxes, increased \$14,872 to \$691,496 during the current fiscal year.
- In the City's business-type activities, revenues were approximately \$2.83 million while expenses were approximately \$2.82 million.
- Total costs of all the City's programs were approximately \$9.02 million, an increase of approximately 11.73 percent over the prior fiscal year.
- The General Fund reported an increase in fund balance of \$267,139.

**The City as a Whole**

The following table shows, in a condensed format, the current year's net position for the years ended June 30, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 7,091,754	\$ 6,885,439	\$ 4,116,529	\$ 4,006,633	\$ 11,208,283	\$ 10,892,072
Capital assets, net	20,360,475	20,836,896	16,022,665	16,165,954	36,383,140	37,002,850
Total assets	27,452,229	27,722,335	20,139,194	20,172,587	47,591,423	47,894,922
<b>Deferred Outflows of Resources</b>	287,758	96,981	95,467	41,564	383,225	138,545
<b>Liabilities</b>						
Current	1,097,574	1,179,422	801,764	588,699	1,899,338	1,768,121
Noncurrent	8,239,160	4,634,970	6,582,319	5,351,623	14,821,479	9,986,593
Total liabilities	9,336,734	5,814,392	7,384,083	5,940,322	16,720,817	11,754,714
<b>Net Position</b>						
Net invested in capital assets	15,716,246	16,163,241	10,708,991	10,482,280	26,425,237	26,645,521
Restricted	1,378,259	1,255,955	-	-	1,378,259	1,255,955
Unrestricted	1,308,748	4,585,728	2,141,587	3,791,549	3,450,335	8,377,277
Total net position	\$ 18,403,253	\$ 22,004,924	\$ 12,850,578	\$ 14,273,829	\$ 31,253,831	\$ 36,278,753

The City's combined net position decreased from approximately \$36.28 million a year ago to \$31.25 million.

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Approximately 85.40 percent of the City's net position of governmental activities reflects its investment in capital less any related debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position of governmental activities of approximately \$1.31 million represents the amount that may be used to meet the City's ongoing obligations.

Net position of the City's governmental activities decreased approximately 16.01 percent to \$18.40 million. This decrease is primarily due to the implementation of the changes in accounting principles resulting from GASB Statement No. 68. The City has a strong commitment to continue providing municipal services, maintaining major streets, local streets, and city parks, and providing public safety technology and personal protection equipment.

The net position of the City's business-type activities decreased by 9.97 percent to \$12.85 million during the fiscal year. The accounting principle changes resulting from GASB Statement No. 68 was the primary reason for the decrease in the business-type activities.

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2015 and 2014. (Note: the 2014 column is prior to the implementation of GASB Statement No. 68, which was effective for fiscal years beginning after June 15, 2014.)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenue						
Charges for services	\$ 1,019,159	\$ 990,998	\$ 2,793,285	\$ 2,546,566	\$ 3,812,444	\$ 3,537,564
Operating grants and contributions	1,164,037	1,142,905	52,419	9,298	1,216,456	1,152,203
Capital grants and contributions	-	-	15,700	182,201	15,700	182,201
General revenues						
Property taxes	2,884,521	2,810,108	-	-	2,884,521	2,810,108
State Revenue Sharing	691,496	676,624	-	-	691,496	676,624
Investment earnings	11,382	12,615	9,069	9,558	20,451	22,173
Miscellaneous	124,821	172,612	-	-	124,821	172,612
Transfers	42,660	44,309	(42,660)	(44,309)	-0-	-0-
<b>Total revenues</b>	<b>5,938,076</b>	<b>5,850,171</b>	<b>2,827,813</b>	<b>2,703,314</b>	<b>8,765,889</b>	<b>8,553,485</b>
<b>Expenses</b>						
General government	3,042,074	2,111,769	-	-	3,042,074	2,111,769
Public safety	1,557,961	1,447,428	-	-	1,557,961	1,447,428
Public works	868,586	1,280,595	-	-	868,586	1,280,595
Community and economic development	118,769	118,713	-	-	118,769	118,713
Recreation and culture	227,363	261,705	-	-	227,363	261,705
Interest on long-term debt	382,738	204,055	-	-	382,738	204,055
Water and Sewer	-	-	2,818,668	2,645,400	2,818,668	2,645,400
<b>Total expenses</b>	<b>6,197,491</b>	<b>5,424,265</b>	<b>2,818,668</b>	<b>2,645,400</b>	<b>9,016,159</b>	<b>8,069,665</b>
<b>Change in net position</b>	<b>\$ (259,415)</b>	<b>\$ 425,906</b>	<b>\$ 9,145</b>	<b>\$ 57,914</b>	<b>\$ (250,270)</b>	<b>\$ 483,820</b>

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Governmental activities.** Governmental activities decreased the City's net position by \$3,504,690. Key elements of this decrease are as follows:

- The cost of all governmental activities this year was approximately \$6.20 million.
- The amount that City taxpayers paid for these activities through City taxes was approximately \$2.88 million.
- Some of the cost was paid by the beneficiaries of the program's activities (approximately \$1.02 million), or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$1.16 million).
- Increase in capital spending in governmental activities areas.
- The result of operations during the fiscal year decreased the net position by \$259,415 and another \$3,245,275 was decreased as a result of the implementation of GASB Statement No. 68 which required a change in accounting principles and a restatement of prior periods.

**Business-type activities.** Business-type activities decreased the City's net position by \$1,381,687. Key elements of this decrease are as follows:

Total revenues of the City's business-type activities, water and sewer, increased to \$2.83 million for fiscal year 2015 from \$2.70 million in fiscal year 2014 and total expenses increased to \$2.82 million in fiscal year 2015 from \$2.65 million in fiscal year 2014. The City experienced a change in net position of \$9,145 in its water and sewer operations. Factors contributing to these results included:

- Increase in water and sewer revenue due to new rates associated with the cost study completed in 2013/2014.
- Contributions and Grants increased due to a LDFA contribution towards a water well.
- Increase in capital spending in the Water and Sewer Fund.
- The result of operations during the fiscal year increased the net position by \$9,145 and another \$1,390,832 was decreased as a result of the implementation of GASB Statement No. 68 which required a change in accounting principles and a restatement of prior periods.

### The City's Funds

The analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for fiscal year 2015 include the General Fund, Local Street Fund, and the Special Assessment Fund. These funds, along with the remaining nonmajor governmental funds, reported a combined fund balance of \$5.35 million, and showed an increase from last year's combined fund balance of \$0.43 million.

The General Fund pays for the majority of the City's governmental services. The most significant services provided by the General Fund during the fiscal year were general government, which includes the City Council, City Manager, Clerk, and Treasurer, and public safety, which includes police and fire services. Those two services make up approximately 78.78 percent of the total General Fund expenditures.

The Local Street Fund accounts for resources that are used for the repair and maintenance of the City's major streets. There was no debt service included in the expenditures for the fiscal year.

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The Special Assessment Fund accounts for special assessments revenue used for the payment of principal and interest on long-term special assessment debt.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City budget several times. The City began the year expecting to use approximately \$86,110 of the General Fund's fund balance and ended the year anticipating an increase in fund balance of approximately \$41,195. The City's amendments included decreasing both revenue and expenditures as actual amounts became known. The result was an actual increase of \$267,139 to the General Fund's fund balance.

**Capital Asset and Debt Administration**

At the end of the 2015 fiscal year, the City had invested approximately \$36.38 million in a broad range of capital assets, including buildings and improvements, public safety (police and fire) equipment, parks and recreational facilities, roads, a water well, and water and sewer lines. More detailed information about the City's long-term liabilities is presented in Note E to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,855,487	\$ 25,609	\$ 1,881,096
Construction in progress	609,211	655,923	1,265,134
Land improvements	893,846	-	893,846
Buildings and improvements	5,660,599	230,989	5,891,588
Infrastructure	10,468,472	15,110,144	25,578,616
Vehicles and Equipment	872,860	-	872,860
	<u>\$ 20,360,475</u>	<u>\$ 16,022,665</u>	<u>\$ 36,383,140</u>
Capital assets, net			

At year end, the City had \$9.88 million in bonds and notes outstanding. This represents a decrease of \$0.48 million from the previous fiscal year. More detailed information about the City's long-term liabilities is presented in Note F to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 3,880,000	\$ -	\$ 3,880,000
Special assessment bonds	315,000	-	315,000
Loans payable	373,617	-	373,617
Revolving fund loan	-	5,313,674	5,313,674
Accrued compensated absences	377,507	119,889	497,396
	<u>\$ 4,946,124</u>	<u>\$ 5,433,563</u>	<u>\$ 10,379,687</u>
Total outstanding debt			

The City also \$140,612 in unamortized bond items at June 30, 2015. The City of Mason has been given a bond rating of "AA-" by Standards and Poor.

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Economic Factors and Next Year's Budgets and Rates**

The City's budget for the 2015/2016 fiscal year is balanced with no property tax rate increase. Total expenses in the General Fund for the 2015/2016 fiscal year are estimated to be \$6.1 million. Economic factors contributing to the total expenses for 2015/2016 include the General Fund's contribution to the 5-year street program and the continued increasing costs for pension and other post-employment benefits.

The City is finalizing the construction of an additional water well on Temple Street. The completion of the project will allow the City of Mason to continue to meet the needs of the community. A completion date within the 2015/2016 fiscal year is expected.

The 2015/2016 budget includes major improvements to the Wastewater Treatment Plant (POTW). Officials and employees are proceeding with the planning and development process for this project. A completion date within the 2015/2016 fiscal year is expected.

The City of Mason continues to seek appropriate means of investment and growth of taxable values while reevaluating services provided and cost of services.

**Contacting the City of Mason Management**

This financial report is intended to provide citizens, taxpayers, 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 information, we welcome you to contact the City administrator's office at the City of Mason, 517-676-9155.

## **BASIC FINANCIAL STATEMENTS**

City of Mason

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 6,115,222	\$ 3,595,307	\$ 9,710,529	\$ 1,744,810
Receivables	719,872	488,150	1,208,022	4,346
Due from other governmental units	237,849	-	237,849	-
Internal balances	1,115	(1,115)	-0-	-
Inventory	-	34,187	34,187	-
Prepays	17,563	-	17,563	-
Total current assets	7,091,621	4,116,529	11,208,150	1,749,156
Noncurrent assets				
Net other post-employment benefits asset	133	-	133	-
Capital assets not being depreciated	2,464,698	681,532	3,146,230	-
Capital assets, net of accumulated depreciation	17,895,777	15,341,133	33,236,910	-
Total noncurrent assets	20,360,608	16,022,665	36,383,273	-0-
<b>TOTAL ASSETS</b>	<b>27,452,229</b>	<b>20,139,194</b>	<b>47,591,423</b>	<b>1,749,156</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	65,000	-	65,000	-
Deferred outflows of resources related to pensions	222,758	95,467	318,225	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>287,758</b>	<b>95,467</b>	<b>383,225</b>	<b>-0-</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	416,379	346,849	763,228	45,037
Accrued wages	79,373	27,708	107,081	-
Accrued liabilities	96,937	-	96,937	-
Due to other governmental units	2,313	-	2,313	264,457
Accrued interest payable	38,057	28,229	66,286	-
Unearned revenue	5,560	-	5,560	-
Current portion of compensated absences	113,252	23,978	137,230	-
Current portion of long-term debt	345,703	375,000	720,703	-
Total current liabilities	1,097,574	801,764	1,899,338	309,494
Noncurrent liabilities				
Noncurrent portion of compensated absences	264,255	95,911	360,166	-
Noncurrent portion of long-term debt	4,363,526	4,938,674	9,302,200	-
Net pension liability	3,611,379	1,547,734	5,159,113	-
Total noncurrent liabilities	8,239,160	6,582,319	14,821,479	-0-
<b>TOTAL LIABILITIES</b>	<b>9,336,734</b>	<b>7,384,083</b>	<b>16,720,817</b>	<b>309,494</b>
<b>NET POSITION</b>				
Net investment in capital assets	15,716,246	10,708,991	26,425,237	-
Restricted	1,378,259	-	1,378,259	-
Unrestricted	1,308,748	2,141,587	3,450,335	1,439,662
<b>TOTAL NET POSITION</b>	<b>\$ 18,403,253</b>	<b>\$ 12,850,578</b>	<b>\$ 31,253,831</b>	<b>\$ 1,439,662</b>

See accompanying notes to financial statements.



City of Mason  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government</b>								
Governmental activities								
General government	\$ 3,042,074	\$ 321,128	\$ 563,501	\$ -	\$ (2,157,445)	\$ -	\$ (2,157,445)	\$ -
Public safety	1,557,961	239,765	8,460	-	(1,309,736)	-	(1,309,736)	-
Public works	868,586	401,311	592,076	-	124,801	-	124,801	-
Community and economic development	118,769	-	-	-	(118,769)	-	(118,769)	-
Recreation and culture	227,363	56,955	-	-	(170,408)	-	(170,408)	-
Interest on long-term debt	382,738	-	-	-	(382,738)	-	(382,738)	-
Total governmental activities	6,197,491	1,019,159	1,164,037	-0-	(4,014,295)	-0-	(4,014,295)	-0-
Business-type activities								
Water and Sewer	2,818,668	2,793,285	52,419	15,700	-	42,736	42,736	-
Total primary government	<u>\$ 9,016,159</u>	<u>\$ 3,812,444</u>	<u>\$ 1,216,456</u>	<u>\$ 15,700</u>	(4,014,295)	42,736	(3,971,559)	-0-
<b>Component units</b>								
Local Development Finance Authority	\$ 36,064	\$ -	\$ -	\$ -	-	-	-0-	(36,064)
Downtown Development Authority	140,647	-	-	-	-	-	-0-	(140,647)
Total component units	<u>\$ 176,711</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(176,711)
<b>General revenues</b>								
Property taxes					2,884,521	-	2,884,521	354,339
State shared revenue					691,496	-	691,496	-
Investment earnings					11,382	9,069	20,451	5,869
Miscellaneous					124,821	-	124,821	-
Transfers					42,660	(42,660)	-0-	-
Total general revenues and transfers					<u>3,754,880</u>	<u>(33,591)</u>	<u>3,721,289</u>	<u>360,208</u>
Change in net position					(259,415)	9,145	(250,270)	183,497
Restated net position, beginning of year					<u>18,662,668</u>	<u>12,841,433</u>	<u>31,504,101</u>	<u>1,256,165</u>
Net position, end of year					<u>\$ 18,403,253</u>	<u>\$ 12,850,578</u>	<u>\$ 31,253,831</u>	<u>\$ 1,439,662</u>

See accompanying notes to financial statements.

City of Mason  
Governmental Funds  
BALANCE SHEET  
June 30, 2015

	General	Local Street	Special Assessment
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,167,829	\$ 62,669	\$ 416,865
Receivables			
Accounts	53,362	891	-
Taxes	8,599	-	-
Special assessments	-	-	650,886
Due from other governmental units			
Local	1,796	-	-
State	120,931	44,876	-
Due from other funds	550	341,323	-
Prepays	17,563	-	-
	<u>\$ 3,370,630</u>	<u>\$ 449,759</u>	<u>\$ 1,067,751</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 34,691	\$ 290,763	\$ -
Accrued wages	71,717	2,891	-
Accrued liabilities	96,937	-	-
Due to other governmental units	1,690	-	-
Due to other funds	316,525	-	-
Unearned revenue	5,560	-	-
	<u>527,120</u>	<u>293,654</u>	<u>-0-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	129,812	-	650,886
<b>FUND BALANCES</b>			
Nonspendable	17,563	-	-
Restricted	160,545	-	240,930
Committed	-	-	-
Assigned	317,143	156,105	175,935
Unassigned	2,218,447	-	-
	<u>2,713,698</u>	<u>156,105</u>	<u>416,865</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 3,370,630</u>	<u>\$ 449,759</u>	<u>\$ 1,067,751</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,044,135	\$ 5,691,498
6,134	60,387
-	8,599
-	650,886
-	1,796
70,246	236,053
28,568	370,441
-	17,563
<u>\$ 2,149,083</u>	<u>\$ 7,037,223</u>
\$ 29,613	\$ 355,067
2,836	77,444
-	96,937
623	2,313
53,916	370,441
-	5,560
<u>86,988</u>	<u>907,762</u>
-	780,698
-	17,563
1,014,841	1,416,316
151,130	151,130
896,124	1,545,307
-	2,218,447
<u>2,062,095</u>	<u>5,348,763</u>
<u>\$ 2,149,083</u>	<u>\$ 7,037,223</u>

City of Mason

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2015

**Total fund balances - governmental funds** \$ 5,348,763

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 37,472,712	
Accumulated depreciation is	<u>(17,529,652)</u>	
Capital assets, net		19,943,060

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Government-wide Statement of Net Position.

Net position of governmental activities accounted for in the Internal Service Fund		619,979
--	--	---------

Long-term receivables are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds. These consist of:

Unavailable revenue		650,886
---------------------	--	---------

Various amounts due from other governmental units are not expected to be collected within 60 days of year end and are not available to pay for current period expenditures.		129,812
---	--	---------

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		222,758
--	--	---------

Some assets are not a current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Net other post-employment benefits asset		133
--	--	-----

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Unamortized defeased debt		65,000
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct City obligations	4,428,974	
Capitalized bond premiums	140,612	
Accrued interest payable	36,140	
Compensated absences	360,033	
Net pension liability	<u>3,611,379</u>	

(8,577,138)

**Net position of governmental activities** \$ 18,403,253

See accompanying notes to financial statements.

City of Mason

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General	Local Street	Special Assessment
<b>REVENUES</b>			
Taxes	\$ 2,984,267	\$ -	\$ -
Licenses and permits	107,450	-	-
Intergovernmental	1,248,791	169,939	-
Charges for services	672,565	1,766	-
Fines and forfeits	28,629	-	-
Interest, rents, and royalties	34,227	231	41,078
Contributions	-	-	-
Other	70,046	-	118,242
<b>TOTAL REVENUES</b>	<b>5,145,975</b>	<b>171,936</b>	<b>159,320</b>
<b>EXPENDITURES</b>			
Current			
General government	1,939,695	-	-
Public safety	1,426,115	-	-
Public works	425,693	616,231	-
Community and economic development	115,515	-	-
Recreation and culture	219,692	-	-
Capital outlay	-	-	-
Debt service	145,840	-	80,494
<b>TOTAL EXPENDITURES</b>	<b>4,272,550</b>	<b>616,231</b>	<b>80,494</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>873,425</b>	<b>(444,295)</b>	<b>78,826</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	3,740,000	-	-
Payment to escrow agent	-	-	-
Premium on refunding	168,662	-	-
Discount on refunding	(28,050)	-	-
Transfers in	147,266	444,294	-
Transfers out	(4,634,164)	-	(96,301)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(606,286)</b>	<b>444,294</b>	<b>(96,301)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>267,139</b>	<b>(1)</b>	<b>(17,475)</b>
Fund balances, beginning of year	2,446,559	156,106	434,340
Fund balances, end of year	<u>\$ 2,713,698</u>	<u>\$ 156,105</u>	<u>\$ 416,865</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,984,267
-	107,450
422,137	1,840,867
694	675,025
-	28,629
65,074	140,610
21,000	21,000
3,750	192,038
<hr/>	<hr/>
512,655	5,989,886
-	1,939,695
-	1,426,115
349,488	1,391,412
-	115,515
-	219,692
8,717	8,717
326,793	553,127
<hr/>	<hr/>
684,998	5,654,273
<hr/>	<hr/>
(172,343)	335,613
-	3,740,000
(3,826,666)	(3,826,666)
-	168,662
-	(28,050)
4,247,494	4,839,054
(65,929)	(4,796,394)
<hr/>	<hr/>
354,899	96,606
<hr/>	<hr/>
182,556	432,219
<hr/>	<hr/>
1,879,539	4,916,544
<hr/>	<hr/>
\$ 2,062,095	\$ 5,348,763
<hr/>	<hr/>

City of Mason

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

**Net change in fund balances - total governmental funds** **\$ 432,219**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 560,805	
Depreciation expense	<u>(1,219,551)</u>	
Excess of depreciation expense over capital outlay		(658,746)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

(Decrease) in net position of Internal Service Funds		(16,778)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in unavailable revenue		(94,470)
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Deferred charges on refunding	65,000	
Capitalized bond premiums	(140,612)	
Bond proceeds	(3,740,000)	
Long-term debt principal retirements	<u>3,984,681</u>	
		169,069

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	12,374	
Decrease in compensated absences	40,269	
(Increase) in net pension liability	(269,123)	
(Increase) in net other post-employment benefits asset	(6)	
Increase in deferred outflows of resources related to pensions	<u>125,777</u>	
		<u>(90,709)</u>

**Change in net position of governmental activities** **\$ (259,415)**

City of Mason  
Proprietary Funds  
STATEMENT OF NET POSITION  
June 30, 2015

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,595,307	\$ 423,724
Accounts receivable	488,150	-
Due from other funds	-	1,115
Inventory	34,187	-
Total current assets	4,117,644	424,839
Noncurrent assets		
Capital assets not being depreciated	681,532	-
Capital assets, net of accumulated depreciation	15,341,133	417,415
Total noncurrent assets	16,022,665	417,415
<b>TOTAL ASSETS</b>	20,140,309	842,254
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	95,467	-
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	346,849	61,312
Accrued wages	27,708	1,929
Accrued interest payable	28,229	1,917
Due to other funds	1,115	-
Current portion of compensated absences	23,978	5,242
Current portion of long-term debt	375,000	26,550
Total current liabilities	802,879	96,950
Noncurrent liabilities		
Noncurrent portion of compensated absences	95,911	12,232
Noncurrent portion of long-term debt	4,938,674	113,093
Net pension liability	1,547,734	-
Total noncurrent liabilities	6,582,319	125,325
<b>TOTAL LIABILITIES</b>	7,385,198	222,275
<b>NET POSITION</b>		
Net investment in capital assets	10,708,991	277,772
Unrestricted	2,141,587	342,207
<b>TOTAL NET POSITION</b>	\$ 12,850,578	\$ 619,979

See accompanying notes to financial statements.



City of Mason

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
<b>OPERATING REVENUES</b>		
Internal user charges	\$ -	\$ 256,663
Water user charges	1,426,186	-
Sewer user charges	1,288,388	-
Interest and penalty charges	56,861	-
Rent	500	-
Other	21,350	15,857
<b>TOTAL OPERATING REVENUES</b>	<b>2,793,285</b>	<b>272,520</b>
<b>OPERATING EXPENSES</b>		
Cost of water produced	452,614	-
Cost of sewage treatment	833,799	-
Operation and maintenance	653,860	235,939
Billing and administrative costs	110,800	-
Depreciation	648,783	52,336
<b>TOTAL OPERATING EXPENSES</b>	<b>2,699,856</b>	<b>288,275</b>
<b>OPERATING INCOME (LOSS)</b>	<b>93,429</b>	<b>(15,755)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental	68,119	-
Investment income	9,069	894
Interest expense and fees	(118,812)	(1,917)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(41,624)</b>	<b>(1,023)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>51,805</b>	<b>(16,778)</b>
<b>TRANSFERS OUT</b>	<b>(42,660)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>9,145</b>	<b>(16,778)</b>
Restated net position, beginning of year	12,841,433	636,757
Net position, end of year	<u>\$ 12,850,578</u>	<u>\$ 619,979</u>

See accompanying notes to financial statements.

City of Mason  
Proprietary Funds  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2015

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 2,936,984	\$ 272,520
Cash paid to suppliers	(866,178)	(101,323)
Cash paid to employees	(855,467)	(72,105)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,215,339	99,092
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipt (payment) of interfund balances	(453,618)	(25,024)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Intergovernmental	68,119	-
Debt proceeds	-	139,643
Payments on borrowing	(370,000)	-
Purchase of capital assets	(505,494)	(234,661)
Interest expense and fees	(120,778)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(928,153)	(95,018)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	9,069	894
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(157,363)	(20,056)
Cash and cash equivalents, beginning of year	3,752,670	443,780
Cash and cash equivalents, end of year	\$ 3,595,307	\$ 423,724
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 93,429	\$ (15,755)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	648,783	52,336
(Increase) decrease in:		
Accounts receivable	(27,387)	-
Due from other governmental units	182,201	-
Inventory	(11,115)	-
Deferred outflow of resources related to pensions	(53,903)	-
Increase in:		
Accounts payable	245,903	60,960
Accrued liabilities	3,415	398
Compensated absences	18,675	1,153
Net pension liability	115,338	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,215,339	\$ 99,092

See accompanying notes to financial statements.

City of Mason

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2015

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 22,709</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 22,709</u>

See accompanying notes to financial statements.

City of Mason

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Local Development Finance Authority	Downtown Development Authority	Total Component Units
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,573,270	\$ 171,540	\$ 1,744,810
Receivables	-	4,346	4,346
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	1,573,270	175,886	1,749,156
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	45,037	45,037
Due to other governmental units	264,457	-	264,457
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	264,457	45,037	309,494
<b>NET POSITION</b>			
Unrestricted	<u>\$ 1,308,813</u>	<u>\$ 130,849</u>	<u>\$ 1,439,662</u>

See accompanying notes to financial statements.

City of Mason

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Changes in Net Position		
		Local Development Finance Authority	Downtown Development Authority	Total Component Units
Governmental activities				
Local Development Finance Authority	\$ 36,064	\$ (36,064)	\$ -	\$ (36,064)
Downtown Development Authority	140,647	-	(140,647)	(140,647)
Total component units	<u>\$ 176,711</u>	(36,064)	(140,647)	(176,711)
General revenues				
Property taxes		293,647	60,692	354,339
Investment earnings		5,398	471	5,869
Total general revenues		<u>299,045</u>	<u>61,163</u>	<u>360,208</u>
Change in net position		262,981	(79,484)	183,497
Net position, beginning of year		<u>1,045,832</u>	<u>210,333</u>	<u>1,256,165</u>
Net position, end of year		<u>\$ 1,308,813</u>	<u>\$ 130,849</u>	<u>\$ 1,439,662</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Mason (the City) is located in Ingham County, Michigan and has a population of approximately 8,252. The City operates with a City Administrator/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has seven (7) City Council members who are elected at large for overlapping two (2) or four (4) year terms. The Council elects two (2) of its members to serve as Mayor and Mayor Pro-Tem. The Council appoints the City Administrator.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. All component units are included in the City's Financial Statements and are not audited separately.

2. Blended Component Units

The City has two blended component units. Although they are legally separate from the City, their sole purpose is to benefit the City.

Mason Building Authority - The Mason building Authority was established for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, automobile parking lots or structures, recreation facilities and the necessary site or sites therefore, and the payment of the bond principal and interest for any related debt incurred. The Mason Building Authority is blended with the primary government as the Mason Building Authority Debt Service Fund, in conformity with GASB Statement No. 61, since the component unit provides services entirely to the primary government.

Economic Development Corporation - The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, and expanding within the City to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine (9) individuals, is appointed by the City Administrator with the approval of the City Council. The Economic Development Corporation is blended with the primary government as Economic Development Corporation Special Revenue Fund, in conformity with GASB Statement No. 61.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for this entity or the nature and significance of the relationship between the entity and the City is such that exclusion of the entity would render the financial statements misleading or incomplete. The financial statements contain the following discretely presented component units:

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - continued

Downtown Development Authority - The Downtown Development Authority (DDA) was established in order to work in cooperation with the City Council in order to correct and prevent deterioration of the downtown district of the City, to promote economic growth and revitalization, to encourage historic preservation, to address problems of urban decline, and to strengthen existing areas and encourage new private development within the downtown district. The DDA's governing body, which consists of the City Mayor and eight (8) other individuals, is appointed by the City Council. Additionally, the DDA's budget is subject to approval by the City Council. The DDA may issue debt payable solely from tax increment revenues. The full faith and credit of the City may be given for the debt of the DDA.

Local Development Finance Authority - The Local Finance and Development Authority (LDFA) was established by the City and the Township of Vevay as a condition of an agreement to transfer approximately 134 acres of land from the Township to the City. The purpose of the LDFA is to help stimulate economic growth, improve employment, stimulate new private investment in the City of Mason and Vevay Township, and to broaden the local tax base.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of 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.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Street Fund accounts for resources that are used for repairs and maintenance of the City's local streets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. The Special Assessment Fund is used to account for the revenue from special assessments used for the payment of principal and interest on long-term special assessment debt.

The City reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for utility operations that are financed primarily by user charges.

Additionally, the City reports an internal service fund to account for the management of motor vehicle pool services provided to other departments on a cost reimbursement basis.

The City also reports agency funds to account for assets held by the City as the trustee or as the agent for others. Agency Funds are, by nature, custodial; therefore, operation results are not measured. The City's agency fund is the Payroll Fund.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for fiduciary agency funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.



NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. On the Council meeting date nearest to the third Monday in April, the City Administrator submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to the second regular Council meeting in May, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

8. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts. The cash equivalents are recorded at cost, which approximates market value.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

10. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, special assessments, and other amounts owed to the City at year-end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

11. Property Tax

The City bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City on July 1 and December 1 and are payable without penalty through August 31 and February 14, respectively. The July 1 levy is composed of the City's millage, refuse, special assessments, Lansing Community College, Ingham I.S.D., Mason School operating, Ingham County operating and State Education Tax. The December 1 levy is composed of Ingham County drains, Mason School debt, Mason School Sinking Fund, and Capital Area District Library. All real property taxes not paid to the City by March 1 are turned over to the Ingham County Treasurer for collection. The Ingham County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2015, the City levied 13.2500 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2014 levy for property within the City was \$213,958,170.

12. Inventory

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventory in the enterprise funds consists of water and sewer system supplies which are stated at cost on a first-in/first-out basis.

13. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

14. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. City employees are granted vacation amounts based on length of service. Sick pay is earned at the rate of eight hours per month. The City's policy provides for payment of unused vacation, but not sick pay, to terminated employees. Retiring employees are paid for unused vacation and a portion of sick pay. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment, generally when an individual's employment has terminated as of year end.

15. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Interfund Transactions - continued

The Internal Service Fund (Motor Vehicle Pool) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

16. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$2,500 or more and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 40 years
Buildings and improvements	10 - 40 years
Equipment	5 - 20 years
Vehicles	3 - 10 years
Utility systems	20 - 67 years
Infrastructure	33 - 40 years

17. Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

The Statement of Net Position reports unearned revenue for resources that have been received, but not yet earned.

18. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

19. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position or in the governmental funds balance sheet.

The City reports deferred outflows of resources for the deferred charge on refunding which results 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 City reports deferred inflows of resources for two (2) types of items which arise only under a modified accrual basis of accounting and qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from revenues collected subsequent to sixty (60) days after year end and from long-term special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City also reports deferred outflows of resources which correspond to the City's net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

20. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The City has not integrated its Single Audit Report and financial data as part of the financial statements. The Single Audit Report and financial data will be issued under separate cover as supplementary information to the financial statements.

21. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains 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 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

As of June 30, 2015, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 8,925,172	\$ 8,828,217
FIDUCIARY FUNDS		
Checking	22,709	189,807
COMPONENT UNITS		
Checking and savings	<u>1,725,983</u>	<u>1,744,810</u>
TOTAL REPORTING ENTITY	<u>\$ 10,673,864</u>	<u>\$ 10,762,834</u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2015, the City accounts were federally insured for \$1,000,000 and the amount of \$9,762,834 was uninsured and uncollateralized. The City had \$409 of imprest cash on hand.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Investments

As of June 30, 2015, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT			
Uncategorized pooled investment funds Michigan CLASS	\$ 784,948	\$ 784,948	50 days
COMPONENT UNITS			
Uncategorized pooled investment funds Michigan CLASS	<u>18,827</u>	<u>18,827</u>	50 days
TOTAL REPORTING ENTITY	<u>\$ 803,775</u>	<u>\$ 803,775</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2015, the Michigan CLASS investment was rated AAAM by Standard and Poor's.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Council approved policy.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions on the basic financial statements, based upon criteria disclosed in Note A.

The following summarizes the categorization of these amounts as of June 30, 2015:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 9,710,529</u>	<u>\$ 22,709</u>	<u>\$ 1,744,810</u>	<u>\$ 11,478,048</u>

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2015, are as follows:

Due to General Fund from:		
Nonmajor governmental funds	\$	<u>550</u>
Due to Local Street Fund from:		
General Fund	\$	287,957
Nonmajor governmental funds		<u>53,366</u>
	\$	<u>341,323</u>
Due to nonmajor governmental funds from:		
General Fund	\$	<u>28,568</u>
Due to Internal Service Fund from:		
Water and Sewer Fund	\$	<u>1,115</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and the component unit funds have been eliminated.

Transfers to General Fund from:		
Special Assessment Fund	\$	96,301
Water and Sewer Fund		42,660
Nonmajor governmental funds		<u>8,305</u>
	\$	<u>147,266</u>
Transfer to Local Street Fund from:		
General Fund	\$	390,927
Nonmajor governmental funds		<u>53,367</u>
	\$	<u>444,294</u>
Transfer to nonmajor governmental funds from:		
General Fund	\$	4,243,237
Nonmajor governmental funds		<u>4,257</u>
	\$	<u>4,247,494</u>

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE D: INTERFUND TRANSFERS - CONTINUED**

The transfers to the General Fund from the Special Assessment Fund, Water and Sewer Fund, and nonmajor governmental funds were to fund combined activities paid for by the General Fund. The transfers to the Local Street Fund from the General Fund and the nonmajor governmental funds (major streets) were to finance capital asset construction and purchases. The transfers to the nonmajor governmental funds (building authority) from the General Fund and nonmajor governmental funds were to finance the refunding of long-term debt and for debt payments.

**NOTE E: CAPITAL ASSETS**

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

**Primary Government**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,855,487	\$ -	\$ -	\$ 1,855,487
Construction in progress	143,842	500,055	(34,686)	609,211
Subtotal	1,999,329	500,055	(34,686)	2,464,698
Capital assets being depreciated				
Land improvements	1,796,715	43,210	-	1,839,925
Buildings and improvements	6,808,389	34,686	-	6,843,075
Infrastructure	24,332,570	-	-	24,332,570
Vehicles and equipment	3,708,989	252,201	-	3,961,190
Subtotal	36,646,663	330,097	-0-	36,976,760
Less accumulated depreciation for:				
Land improvements	(862,910)	(83,169)	-	(946,079)
Buildings and improvements	(1,014,703)	(167,773)	-	(1,182,476)
Infrastructure	(13,058,102)	(805,996)	-	(13,864,098)
Vehicles and equipment	(2,873,381)	(214,949)	-	(3,088,330)
Subtotal	(17,809,096)	(1,271,887)	-0-	(19,080,983)
Net capital assets being depreciated	18,837,567	(941,790)	-0-	17,895,777
Capital assets, net	<u>\$ 20,836,896</u>	<u>\$ (441,735)</u>	<u>\$ (34,686)</u>	<u>\$ 20,360,475</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 202,841
Public safety	153,304
Public works	914,249
Recreation and culture	1,493
Total depreciation expense	<u>\$ 1,271,887</u>



City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - Continued**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 25,609	\$ -	\$ -	\$ 25,609
Construction in progress	291,743	505,494	(141,314)	655,923
Subtotal	317,352	505,494	(141,314)	681,532
Capital assets being depreciated				
Buildings and improvements	482,220	-	-	482,220
Infrastructure	25,284,261	141,314	-	25,425,575
Subtotal	25,766,481	141,314	-0-	25,907,795
Less accumulated depreciation for:				
Buildings and improvements	(240,373)	(10,858)	-	(251,231)
Infrastructure	(9,677,506)	(637,925)	-	(10,315,431)
Subtotal	(9,917,879)	(648,783)	-0-	(10,566,662)
Net capital assets being depreciated	15,848,602	(507,469)	-0-	15,341,133
Capital assets, net	<u>\$ 16,165,954</u>	<u>\$ (1,975)</u>	<u>\$ (141,314)</u>	<u>\$ 16,022,665</u>

**Component Unit**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Component Unit (LDFA)</b>				
Capital assets being depreciated				
Equipment	\$ 710,587	\$ -	\$ -	\$ 710,587
Less accumulated depreciation for:				
Equipment	(710,587)	-	-	(710,587)
Capital assets, net	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
<b>Primary government</b>					
<b>Governmental activities</b>					
1997 Building Authority Bonds	\$ 170,000	\$ -	\$ (30,000)	\$ 140,000	\$ 30,000
2010 Building Authority Bonds	3,765,000	-	(3,765,000)	-0-	-
2015 Refunding Bonds	-	3,740,000	-	3,740,000	115,000
Special Assessment Bonds	380,000	-	(65,000)	315,000	50,000
Loans payable	358,655	139,643	(124,681)	373,617	156,327
Compensated absences	416,623	109,710	(148,826)	377,507	113,252
	5,090,278	3,989,353	(4,133,507)	4,946,124	464,579
Capitalized bond premiums	-	140,612	-	140,612	(5,624)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>5,090,278</b>	<b>4,129,965</b>	<b>(4,133,507)</b>	<b>5,086,736</b>	<b>458,955</b>
<b>Business-type activities</b>					
Drinking Water Revolving Fund Loan	5,683,674	-	(370,000)	5,313,674	375,000
Compensated absences	101,214	137,110	(118,435)	119,889	23,978
<b>Total business-type activities</b>	<b>5,784,888</b>	<b>137,110</b>	<b>(488,435)</b>	<b>5,433,563</b>	<b>398,978</b>
<b>Total reporting entity</b>	<b>\$ 10,875,166</b>	<b>\$ 4,267,075</b>	<b>\$ (4,621,942)</b>	<b>\$ 10,520,299</b>	<b>\$ 857,933</b>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**Primary Government**

1997 Building Authority Bonds

\$450,000 General Obligation Bonds dated November 1, 1997, due in annual installments ranging from \$30,000 to \$40,000 through October 1, 2018, with interest ranging from 3.85 to 5.15 percent, payable semi-annually.

\$ 140,000

2015 Refunding Bonds

\$3,740,000 General Obligation Refunding Bonds dated June 6, 2015, due in annual installments ranging from \$105,000 to \$220,000 through April 1, 2040, with interest ranging from 2.00 to 4.00 percent, payable semi-annually.

\$ 3,740,000

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - Continued**

Special Assessment Bonds

The City issued Special Assessment Bonds for the purpose of capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that benefited from the construction. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received.

\$750,000 2005 Special Assessment dated November 18, 2005, due in annual installments ranging from \$50,000 to \$55,000 through November 1, 2020, with interest ranging from 4.30 to 4.55 percent, payable semi-annually.	<u><u>\$ 315,000</u></u>
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Loans Payable

Dart National Bank Loan due in annual installments of \$90,189 to \$93,812 through December 20, 2016, with interest of 3.70 percent, for a fire truck costing \$605,741.	\$ 184,001
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Dart National Bank Loan due in an annual installment of \$29,667 through June 28, 2016, with interest of 4.80 percent, for land costing \$325,877.	29,667
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Dart National Bank Loan due in annual installments of \$30,090 through December 18, 2019, with interest of 2.50 percent, for a dump truck costing \$139,643.	139,643
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Mason State Bank Loan due in annual installments of \$9,920 to \$10,387 through April 16, 2017, with interest of 4.65 percent, for land costing \$115,500.	<u>20,306</u>
--	---------------

	<u><u>\$ 373,617</u></u>
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Drinking Water Revolving Fund Loan

\$8,000,000 Water Supply System Bonds dated September 27, 2007, due in annual installments ranging from \$223,674 to \$475,000 through April 1, 2028, with interest of 2.125 percent, payable semi-annually.	<u><u>\$ 5,313,674</u></u>
--	----------------------------

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. Retiring employees are paid for unused vacation and a portion of sick pay. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$497,396 at June 30, 2015. Of this amount, \$377,507 and \$119,889 are shown as accrued liabilities within the government-wide financial statements' governmental and business-type activities, respectively, in accordance with criteria disclosed in Note A.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

The annual requirements to pay the debt principal and interest outstanding for the Bonds and Loans are as follows:

Year Ending June 30,	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 145,000	\$ 126,760	\$ 50,000	\$ 12,863
2017	140,000	136,204	55,000	10,591
2018	140,000	132,328	55,000	8,185
2019	150,000	128,305	50,000	5,863
2020	110,000	125,075	55,000	3,513
2021-2025	600,000	573,125	50,000	1,138
2026-2030	705,000	451,325	-	-
2031-2035	860,000	298,925	-	-
2036-2040	1,030,000	118,500	-	-
	<u>\$ 3,880,000</u>	<u>\$ 2,090,547</u>	<u>\$ 315,000</u>	<u>\$ 42,153</u>

  

Year Ending June 30,	Loans Payable		Drinking Water Revolving Fund Loan	
	Principal	Interest	Principal	Interest
2016	\$ 156,327	\$ 12,827	\$ 375,000	\$ 112,916
2017	131,162	6,876	385,000	104,947
2018	27,913	2,177	395,000	96,766
2019	28,620	1,469	400,000	88,372
2020	29,595	744	410,000	79,872
2021-2025	-	-	2,185,000	264,740
2026-2028	-	-	1,163,674	44,328
	<u>\$ 373,617</u>	<u>\$ 24,093</u>	<u>\$ 5,313,674</u>	<u>\$ 791,941</u>

Advance Refunding - Current

On June 6, 2015, the City defeased the portion of the 2010 Building Authority Bonds, which are due and payable April 1, 2016 through May 1, 2040. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation 2015 Refunding Bonds in the amount of \$3,740,000 to provide resources to fund the escrow amounts and pay the costs of insurance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2015, bonds due and payable April 1, 2015 through April 1, 2040, for the 2010 Building Authority Bonds in the amount of \$3,675,000 are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$1,393,008, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,029,569.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: RETIREMENT PLAN**

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Summary of Significant Accounting Policies

For the purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

Benefits provided include plans with multipliers ranging from 1.50% to 2.50%.

Vesting period of 10 years.

Normal retirement age is 60 with early retirement at 50 with 25 years of service.

Final average compensation is calculated based a range of 3 to 5 years. Member contributions range from 4.00% to 13.57%.

At the December 31, 2014, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>44</u>
	<u>84</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 3.27% to 3.88% based on annual payroll for open divisions. Four divisions that are closed to new employees have an annual employer contribution range of 2.49% to 7.99%.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: RETIREMENT PLAN - CONTINUED**

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively)

Investment rate of return: 8.0%, net of investment expenses, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: RETIREMENT PLAN - CONTINUED**

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/13	\$ 15,892,713	\$ 11,118,061	\$ 4,774,652
Changes for the Year			
Service Cost	344,630	-	344,630
Interest on Total Pension Liability	1,248,831	-	1,248,831
Changes in benefits	-	-	-0-
Difference between expected and actual experience	-	-	-0-
Changes in assumptions	-	-	-0-
Employer contributions	-	302,481	(302,481)
Employee contributions	-	273,318	(273,318)
Net investment income	-	697,815	(697,815)
Benefit payments, including employee refunds	(909,285)	(909,285)	-0-
Administrative expense	-	(25,588)	25,588
Other changes	39,026	-	39,026
Net changes	723,202	338,741	384,461
Balances as of 12/31/14	<u>\$ 16,615,915</u>	<u>\$ 11,456,802</u>	<u>\$ 5,159,113</u>

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rates of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 7,107,683	\$ 5,159,113	\$ 3,527,391

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: RETIREMENT PLAN - CONTINUED**

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

For the year ended June 30, 2015, the employer recognized pension expenses of \$545,128. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	141,814	-
Contributions subsequent to the measurement date*	<u>176,411</u>	<u>-</u>
Total	<u>\$ 318,225</u>	<u>\$ -0-</u>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$176,411), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Pension Expense</u>
2015	\$ 35,453
2016	35,453
2017	35,453
2018	35,455

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City provides certain retiree medical benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The following are the Governmental Accounting Standards Board (GASB) Statement No. 45 required disclosures and these disclosures have been implemented prospectively by the City. The City pays the full cost of coverage for these benefits for certain retirees and their beneficiaries. The retirees must contribute the balance of premiums not paid by the City in accordance with plan provisions.



City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Plan Description - continued

During the year ended June 30, 2015, 19 retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$110,332 were recognized for post-employment benefits.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The current contributions being made are based on an actuarial calculated valuation. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended June 30, 2015, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of July 1, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 160,672
Adjustment to annual required contribution	<u>6</u>
Annual OPEB cost	160,678
Amounts contributed:	
Payments of current requirements (gross of employee reimbursement)	<u>160,672</u>
Increase in net OPEB obligation	6
OPEB obligation (asset) - Beginning of year	<u>(139)</u>
OPEB obligation (asset) - End of year	<u><u>\$ (133)</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) were as follows:

	Year Ended June 30,		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual OPEB cost	\$ 146,790	\$ 156,164	\$ 160,678
Percentage contributed	100.0%	100.0%	100.0%
Net OPEB obligation (asset)	\$ (140)	\$ (139)	\$ (133)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funding Progress - continued

The current funding progress of the plan is as follows:

	<u>Dec. 31, 2007</u>	<u>July 1, 2012</u>
Actuarial value of assets	\$ 77,869	\$ 191,398
Actuarial accrued liability (AAL) (entry age)	2,273,747	2,648,079
Unfunded AAL (UAAL)	2,195,878	2,456,681
Funded ratio	3.4%	7.2%
Annual covered payroll	\$ 2,102,937	\$ 2,113,365
UAAL as a percentage of covered payroll	104.4%	116.2%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

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 City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the projected unit credit service cost method was used. The actuarial assumptions include a 6.0% per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets. A discount rate of 6.0% was also used. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed underlying rate was 4.5%.

**NOTE I: RISK MANAGEMENT**

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, crime, and auto losses. The pool is organized under Public Act 138 of 1982, as amended. State pool members' limits of coverage (per occurrence) are detailed in their policy agreements with the Authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE J: CODE ENFORCEMENT FINANCIAL INFORMATION**

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2015:

Surplus at July 1, 2014	\$ 125,744
REVENUES	
Licenses and permits	
Permits	94,780
EXPENDITURES	
Building Department	<u>(59,979)</u>
Cumulative surplus at June 30, 2015	<u>\$ 160,545</u>

**NOTE K: CONTRACTUAL COMMITMENTS**

The City has entered into contracts related to street, sewer, and parking lot reconstruction that was not completed at June 30, 2015. The total contractual commitments outstanding at June 30, 2015, totaled \$756,129. Current fund balance and future revenue is expected to be sufficient to cover these commitments.

**NOTE L: RESTRICTED NET POSITION**

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of June 30, 2015:

PRIMARY GOVERNMENT	
Highways	\$ 19,283
Community enrichment	651,755
Construction code activity	160,545
Cemetery operations	323,762
Flowers	19,494
Debt service	<u>203,420</u>
	<u>\$ 1,378,259</u>

**NOTE M: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for governmental activities and business-type activities due to a change in accounting principles.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning net position	\$ 21,907,943	\$ 14,232,265
Deferred outflows of contributions	96,981	41,564
Net pension liability	<u>(3,342,256)</u>	<u>(1,432,396)</u>
Restated beginning net position	<u>\$ 18,662,668</u>	<u>\$ 12,841,433</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE N: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**NOTE O: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is a council resolution.

For assigned fund balance, the City Council is authorized to assign amounts to a specific purpose. Currently, assigned fund balance is determined through the budget and any residual amounts of fund balance in governmental funds other than the General Fund.

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE O: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

	General Fund	Local Street	Special Assessment	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepays	\$ 17,563	\$ -	\$ -	\$ -	\$ 17,563
Restricted					
Highways	-	-	-	19,283	19,283
Community enrichment	-	-	-	651,755	651,755
Rayner Park	-	-	-	-	-
Construction code activity	160,545	-	-	-	160,545
Cemetery operations	-	-	-	323,762	323,762
Flowers	-	-	-	19,494	19,494
Debt service	-	-	240,930	547	241,477
Committed					
Community enrichment	-	-	-	151,130	151,130
Assigned					
Highways	-	156,105	-	896,124	1,052,229
Subsequent year's expenditures	270,470	-	-	-	270,470
Grant matching	46,673	-	-	-	46,673
Other purposes	-	-	175,935	-	175,935
Unassigned	2,218,447	-	-	-	2,218,447
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,713,698</b>	<b>\$ 156,105</b>	<b>\$ 416,865</b>	<b>\$ 2,062,095</b>	<b>\$ 5,348,763</b>

**NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the City's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016-2017 fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016-2017 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Mason

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 2,831,680	\$ 2,880,030	\$ 2,884,521	\$ 4,491
Penalties and interest	15,000	10,825	11,148	323
Administration fees	91,500	88,600	88,598	(2)
Total taxes	2,938,180	2,979,455	2,984,267	4,812
Licenses and permits	40,100	64,230	107,450	43,220
Intergovernmental				
Federal	-	630	633	3
State	678,500	696,700	693,228	(3,472)
Local	1,124,980	554,930	554,930	-0-
Total intergovernmental	1,803,480	1,252,260	1,248,791	(3,469)
Charges for services				
Refuse collection	339,350	342,000	342,001	1
Cable franchise fee	44,000	46,045	46,046	1
Other	275,205	287,960	284,518	(3,442)
Total charges for services	658,555	676,005	672,565	(3,440)
Fines and forfeits	31,250	36,945	28,629	(8,316)
Interest and rents	35,735	33,735	34,227	492
Other	58,835	67,560	70,046	2,486
TOTAL REVENUES	5,566,135	5,110,190	5,145,975	35,785



City of Mason

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

EXPENDITURES	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Current				
General government				
Clerk	\$ 138,165	\$ 139,790	\$ 133,386	\$ 6,404
City Council	41,555	44,370	40,252	4,118
Administrator	293,425	277,245	260,540	16,705
Assessor	48,705	53,205	50,732	2,473
Board of Review	650	650	510	140
Treasurer	592,735	407,500	387,614	19,886
Technology	70,445	70,445	64,895	5,550
Building office and City Hall	393,275	394,460	380,491	13,969
Attorney	90,000	104,000	103,023	977
Cemetery	185,040	125,845	113,568	12,277
Workers compensation	47,860	51,590	51,587	3
Retiree benefits	161,190	160,675	160,672	3
Administrative services	276,435	199,750	192,425	7,325
Total general government	2,339,480	2,029,525	1,939,695	89,830
Public safety				
Police administration	313,190	272,715	257,322	15,393
Crossing guards	24,080	20,310	19,839	471
Police patrolling	997,765	823,555	815,926	7,629
Fire department	330,155	342,570	329,304	13,266
Civil defense	5,555	5,240	3,724	1,516
Total public safety	1,670,745	1,464,390	1,426,115	38,275
Public works				
Public services	5,950	4,010	3,369	641
Sidewalks	5,050	3,000	-	3,000
Street lighting	115,465	97,275	89,761	7,514
Refuse collection	346,750	332,660	332,563	97
Total public works	473,215	436,945	425,693	11,252
Community and economic development				
Cable commission	4,560	2,500	900	1,600
Planning and zoning	126,435	115,050	111,686	3,364
Planning commission	720	650	345	305
Christmas decorations	5,355	2,755	2,584	171
Total community and economic development	137,070	120,955	115,515	5,440

City of Mason

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture				
Parks	\$ 158,070	\$ 131,700	\$ 115,249	\$ 16,451
Library	27,120	26,850	26,189	661
Forestry	72,135	75,300	71,554	3,746
Senior citizens	8,060	6,700	6,700	-0-
Total recreation and culture	265,385	240,550	219,692	20,858
Debt service				
Principal	86,930	86,905	86,904	1
Interest and fiscal fees	10,155	64,130	58,936	5,194
Total debt service	97,085	151,035	145,840	5,195
TOTAL EXPENDITURES	4,982,980	4,443,400	4,272,550	170,850
EXCESS OF REVENUES OVER EXPENDITURES	583,155	666,790	873,425	206,635
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,740,000	3,740,000	-0-
Premium on refunding	-	168,660	168,662	2
Discount on refunding	-	(28,050)	(28,050)	-0-
Transfers in	147,715	147,260	147,266	6
Transfers out	(816,980)	(4,653,465)	(4,634,164)	19,301
TOTAL OTHER FINANCING SOURCES (USES)	(669,265)	(625,595)	(606,286)	19,309
NET CHANGE IN FUND BALANCE	(86,110)	41,195	267,139	225,944
Fund balance, beginning of year	2,446,559	2,446,559	2,446,559	-0-
Fund balance, end of year	\$ 2,360,449	\$ 2,487,754	\$ 2,713,698	\$ 225,944

City of Mason

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 148,500	\$ 163,280	\$ 169,939	\$ 6,659
Charges for services	750	875	1,766	891
Interest	250	250	231	(19)
TOTAL REVENUES	149,500	164,405	171,936	7,531
EXPENDITURES				
Current				
Public works	520,360	639,820	616,231	23,589
EXCESS OF REVENUES (UNDER) EXPENDITURES	(370,860)	(475,415)	(444,295)	31,120
OTHER FINANCING SOURCES				
Transfers in	370,860	475,415	444,294	(31,121)
NET CHANGE IN FUND BALANCE	-0-	-0-	(1)	(1)
Fund balance, beginning of year	156,106	156,106	156,106	-0-
Fund balance, end of year	\$ 156,106	\$ 156,106	\$ 156,105	\$ (1)

City of Mason

Special Assessment Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 41,165	\$ 41,085	\$ 41,078	\$ (7)
Other				
Special assessments	<u>111,960</u>	<u>115,745</u>	<u>118,242</u>	<u>2,497</u>
TOTAL REVENUES	153,125	156,830	159,320	2,490
EXPENDITURES				
Debt service	<u>80,500</u>	<u>80,500</u>	<u>80,494</u>	<u>6</u>
EXCESS OF REVENUES OVER EXPENDITURES	72,625	76,330	78,826	2,496
OTHER FINANCING (USES)				
Transfers out	<u>(96,300)</u>	<u>(96,300)</u>	<u>(96,301)</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	(23,675)	(19,970)	(17,475)	2,495
Fund balance, beginning of year	<u>434,340</u>	<u>434,340</u>	<u>434,340</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 410,665</u>	<u>\$ 414,370</u>	<u>\$ 416,865</u>	<u>\$ 2,495</u>

City of Mason

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Year Ended December 31, 2014

(Ultimately ten fiscal years will be displayed)

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 344,630
Interest	1,248,831
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including employee refunds	(909,285)
Other	<u>39,026</u>
Net Change in Total Pension Liability	723,202
Total Pension Liability, beginning	<u>15,892,713</u>
Total Pension Liability, ending	<u><u>\$ 16,615,915</u></u>
Plan Fiduciary Net Position	
Contributions-employer	302,481
Contributions-employee	273,318
Net Investment income	697,815
Benefit payments including employee refunds	(909,285)
Administrative expense	<u>(25,588)</u>
Net Change in Plan Fiduciary Net Position	338,741
Plan Fiduciary Net Position, beginning	<u>11,118,061</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 11,456,802</u></u>
Employer Net Pension Liability	<u><u>\$ 5,159,113</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	69%
Covered employee payroll	\$ 2,232,680
Employer's Net Pension Liability as a percentage of covered employee payroll	231.1%

City of Mason

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2015

(Ultimately ten fiscal years will be displayed)

	<u>2015</u>
Actuarial determined contributions	\$ 340,936
Contributions in relation to the actuarially determined contribution	<u>340,936</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
Covered employee payroll	\$ 1,015,925
Contributions as a percentage of covered employee payroll	33.6%

## **OTHER SUPPLEMENTARY INFORMATION**

City of Mason  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 June 30, 2015

	Special Revenue		
	Major Street	Rayner Bond	Economic Development Corporation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 903,031	\$ 756,962	\$ 21,861
Receivables			
Accounts receivable	-	6,134	-
Taxes	-	-	-
Due from other governmental units	70,246	-	-
Due from other funds	28,568	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,001,845</u></b>	<b><u>\$ 763,096</u></b>	<b><u>\$ 21,861</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 29,613	\$ -	\$ -
Accrued wages	2,836	-	-
Due to other governmental units	623	-	-
Due to other funds	53,366	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>86,438</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Restricted			
Highways	19,283	-	-
Community enrichment	-	612,353	21,861
Cemetery operations	-	-	-
Flowers	-	-	-
Debt service	-	-	-
Committed			
Community enrichment	-	150,743	-
Assigned			
Highways	896,124	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<b><u>915,407</u></b>	<b><u>763,096</u></b>	<b><u>21,861</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,001,845</u></b>	<b><u>\$ 763,096</u></b>	<b><u>\$ 21,861</u></b>



<u>Debt Service</u>		<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Park Street Property</u>	<u>Mason Building Authority</u>	<u>Capital Improvement</u>	<u>Cemetery Trust</u>	
\$ -	\$ 547	\$ 17,928	\$ 343,806	\$ 2,044,135
-	-	-	-	6,134
-	-	-	-	-0-
-	-	-	-	70,246
-	-	-	-	28,568
<u>\$ -0-</u>	<u>\$ 547</u>	<u>\$ 17,928</u>	<u>\$ 343,806</u>	<u>\$ 2,149,083</u>
\$ -	\$ -	\$ -	\$ -	\$ 29,613
-	-	-	-	2,836
-	-	-	-	623
-	-	-	550	53,916
-0-	-0-	-0-	550	86,988
-	-	-	-	19,283
-	-	17,541	-	651,755
-	-	-	323,762	323,762
-	-	-	19,494	19,494
-	547	-	-	547
-	-	387	-	151,130
-	-	-	-	896,124
<u>-0-</u>	<u>547</u>	<u>17,928</u>	<u>343,256</u>	<u>2,062,095</u>
<u>\$ -0-</u>	<u>\$ 547</u>	<u>\$ 17,928</u>	<u>\$ 343,806</u>	<u>\$ 2,149,083</u>

City of Mason

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special Revenue		
	Major Street	Rayner Bond	Economic Development Corporation
<b>REVENUES</b>			
Intergovernmental	\$ 422,137	\$ -	\$ -
Charges for services	694	-	-
Interest, rents, and royalties	1,822	62,652	42
Contributions	-	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>424,653</b>	<b>62,652</b>	<b>42</b>
<b>EXPENDITURES</b>			
Current			
Public works	349,488	-	-
Capital outlay	-	-	-
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>349,488</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>75,165</b>	<b>62,652</b>	<b>42</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Payment to escrow agent	-	-	-
Transfers in	89,777	-	-
Transfers out	(53,367)	(12,012)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>36,410</b>	<b>(12,012)</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>111,575</b>	<b>50,640</b>	<b>42</b>
Fund balances, beginning of year	803,832	712,456	21,819
Fund balances, end of year	\$ 915,407	\$ 763,096	\$ 21,861

Debt Service		Capital Projects	Permanent	Total Nonmajor Governmental Funds
Park Street Property	Mason Building Authority	Capital Improvement	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ 422,137
-	-	-	-	694
-	8	-	550	65,074
-	-	21,000	-	21,000
-	-	-	3,750	3,750
-0-	8	21,000	4,300	512,655
-	-	-	-	349,488
-	-	8,717	-	8,717
41,982	284,811	-	-	326,793
41,982	284,811	8,717	-0-	684,998
(41,982)	(284,803)	12,283	4,300	(172,343)
-	(3,826,666)	-	-	(3,826,666)
41,982	4,111,477	4,258	-	4,247,494
-	-	-	(550)	(65,929)
41,982	284,811	4,258	(550)	354,899
-0-	8	16,541	3,750	182,556
-	539	1,387	339,506	1,879,539
\$ -0-	\$ 547	\$ 17,928	\$ 343,256	\$ 2,062,095

City of Mason

Component Unit Funds

COMBINING BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2015

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,573,270</u>
LIABILITIES	
Due to other governmental units	\$ 264,457
FUND BALANCES	
Unassigned	<u>1,308,813</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,573,270</u>

City of Mason

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE STATEMENT  
OF NET POSITION - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2015

**Total fund balances - governmental funds** \$ 1,308,813

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 710,587
Accumulated depreciation is	<u>(710,587)</u>

-0-

**Net position of governmental activities** \$ 1,308,813

City of Mason

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2015

	<u>General</u>
REVENUES	
Taxes	\$ 293,647
Interest	<u>5,398</u>
TOTAL REVENUES	299,045
EXPENDITURES	
Current	
Community and economic development	<u>36,064</u>
NET CHANGE IN FUND BALANCES	262,981
Fund balances, beginning of year	<u>1,045,832</u>
Fund balances, end of year	<u><u>\$ 1,308,813</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended June 30, 2015.

City of Mason

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2015

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 171,540
Taxes receivable	3,376
Accounts receivable	<u>970</u>
TOTAL ASSETS	<u><u>\$ 175,886</u></u>
LIABILITIES	
Accounts payable	\$ 45,037
FUND BALANCE	
Unassigned	<u>130,849</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 175,886</u></u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of June 30, 2015.

City of Mason

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2015

	<u>General</u>
REVENUES	
Taxes	\$ 60,692
Interest	<u>471</u>
TOTAL REVENUES	61,163
EXPENDITURES	
Current	
Community and economic development	<u>140,647</u>
NET CHANGE IN FUND BALANCE	(79,484)
Fund balance, beginning of year	<u>210,333</u>
Fund balance, end of year	<u><u>\$ 130,849</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended June 30, 2015.