

# **CITY OF VASSAR**

Tuscola County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2014

## TABLE OF CONTENTS

June 30, 2014

	PAGE
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position .....	11
Statement of Activities .....	12
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	14
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Proprietary Funds	
Statement of Net Position.....	18
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	19
Statement of Cash Flows.....	20
Fiduciary Funds	
Statement of Net Position .....	22
Statement of Changes in Fiduciary Fund Net Position .....	23
Component Units	
Combining Statement of Net Position.....	24
Combining Statement of Activities.....	25
Notes to Financial Statements .....	27
<b>Required Supplementary Information</b>	
Schedule of Funding Progress for the Pension Plan and Postemployment Healthcare Plan.....	44
Budgetary Comparison Schedule – General Fund .....	45
Budgetary Comparison Schedule – Major Street Fund .....	46
<b>Other Supplementary Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	50
Schedules of Indebtedness .....	52
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	56



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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on 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 Vassar as of and for the year ended June 30, 2014, 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.

### **Auditors' 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 of 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 purposes 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.

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 Vassar as of June 30, 2014, 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.

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), schedule of pension plan and other postemployment benefits funding progress, (page 44), and budgetary comparison information (pages 45 and 46) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vassar's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the 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 October 6, 2014 on our consideration of the City of Vassar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Vassar's internal control over financial reporting and compliance.

*Berthiaume & Co.*

Saginaw, Michigan  
October 6, 2014

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

As management of the City of Vassar (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS:

- The City's combined total net position is reported as \$11,692,549 for the fiscal year ended June 30, 2014, compared to \$11,093,389 for the fiscal year ended June 30, 2013.
- In the City's governmental activities, revenues generated were \$2,387,179 while expenses totaled \$1,912,851.
- In the City's business-type activities, revenues generated were \$1,217,566 while expenses totaled \$1,104,371.
- Total net position increased by \$599,160.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the City's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities with the difference between them reported as net position. The *statement of activities* presents all of the City's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the City of Vassar are divided into three categories:

**Governmental Activities** – Most of the City's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

**Business-type Activities** – The City charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include electric, water and sewer, and solid waste.

**Component Units** – The City includes the Downtown Development Authority and the Economic Development Corporation as discretely presented component units.

#### Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The City has three types of funds:

**Governmental Funds** – Many of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The City maintains eight (8) individual governmental funds. Separate information is presented for the General Fund and Major Street Fund, which are considered to be "major" funds. Data from the other six (6) governmental funds, considered to be "nonmajor" funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been presented for major governmental funds to demonstrate compliance with those budgets.

**Proprietary Funds** – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds. The City has no internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The City's enterprise funds are the Sewer Fund, Water Fund and Stormwater Management Fund.

**Fiduciary Funds** – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

### **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.

### **Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information.

### **THE CITY OF VASSAR AS A WHOLE:**

The City's total combined net position for the fiscal year ended June 30, 2014 is \$11,692,549, consisting of \$4,958,932 in governmental activities and \$6,733,617 in business-type activities.

# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$1,962,036. Governmental activities unrestricted total is \$363,701, while business-type activities is \$1,598,335.

The following table shows comparisons of total assets, total deferred outflow of resources, total liabilities, and total net position in a condensed format as of June 30, 2014 and June 30, 2013.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
<b>Assets:</b>						
Current and other assets	\$ 1,352,357	\$ 1,340,067	\$ 1,665,584	\$ 1,762,676	\$ 3,017,941	\$ 3,102,743
Capital assets	<u>4,247,283</u>	<u>3,717,187</u>	<u>6,048,282</u>	<u>5,526,371</u>	<u>10,295,565</u>	<u>9,243,558</u>
Total assets	<u>5,599,640</u>	<u>5,057,254</u>	<u>7,713,866</u>	<u>7,289,047</u>	<u>13,313,506</u>	<u>12,346,301</u>
<b>Deferred outflow of resources:</b>						
Deferred financing costs	<u>-</u>	<u>-</u>	<u>34,621</u>	<u>43,425</u>	<u>34,621</u>	<u>43,425</u>
<b>Liabilities:</b>						
Current and other liabilities	114,977	45,658	48,557	30,847	163,534	76,505
Long-term liabilities	<u>525,731</u>	<u>564,120</u>	<u>966,313</u>	<u>655,712</u>	<u>1,492,044</u>	<u>1,219,832</u>
Total liabilities	<u>640,708</u>	<u>609,778</u>	<u>1,014,870</u>	<u>686,559</u>	<u>1,655,578</u>	<u>1,296,337</u>
<b>Net position:</b>						
Net investment in capital assets	4,247,283	3,717,187	5,135,282	4,930,371	9,382,565	8,647,558
Restricted	347,948	448,728	-	-	347,948	448,728
Unrestricted	<u>363,701</u>	<u>281,561</u>	<u>1,598,335</u>	<u>1,715,542</u>	<u>1,962,036</u>	<u>1,997,103</u>
Total net position	<u>\$ 4,958,932</u>	<u>\$ 4,447,476</u>	<u>\$ 6,733,617</u>	<u>\$ 6,645,913</u>	<u>\$11,692,549</u>	<u>\$11,093,389</u>

The City's combined total net position increased by \$599,160 during the current fiscal year. Governmental activities increased by \$511,456 while business-type activities increased by \$87,704.

### Governmental Activities:

The total governmental revenue is reported at \$2,387,179, an increase of \$591,793 from the prior fiscal year. The Major Street Fund had a negotiated project for Huron Avenue reconstruction in the amount of \$506,471 with MDOT. This amount is included in capital grants revenue and the total related current year project cost of \$665,399 was capitalized. Total expenses increased by \$182,495 from the prior fiscal year.

### Business-type Activities:

The total business-type revenue is reported at \$1,217,566, an increase of \$109,615 from the prior fiscal year. Total expenses decreased by \$16,101 from the prior fiscal year.



# CITY OF VASSAR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30, 2014 and June 30, 2013.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 413,080	\$ 371,393	\$ 1,097,878	\$ 1,087,587	\$ 1,510,958	\$ 1,458,980
Operating grants	402,365	273,280	1,947	18,498	404,312	291,778
Capital grants	509,471	53,132	116,640	-	626,111	53,132
General revenues						
Property taxes	723,058	769,777	-	-	723,058	769,777
Franchise fees	12,035	11,556	-	-	12,035	11,556
State revenue sharing	302,012	292,794	-	-	302,012	292,794
Investment earnings	1,498	2,337	1,101	1,866	2,599	4,203
Other	23,660	21,117	-	-	23,660	21,117
Total revenues	<u>2,387,179</u>	<u>1,795,386</u>	<u>1,217,566</u>	<u>1,107,951</u>	<u>3,604,745</u>	<u>2,903,337</u>
<b>Program Expenses:</b>						
General government	494,470	427,093	-	-	494,470	427,093
Public safety	545,474	508,412	-	-	545,474	508,412
Public works	648,657	600,967	-	-	648,657	600,967
Health and welfare	21,576	21,576	-	-	21,576	21,576
Community and economic development	1,725	20,480	-	-	1,725	20,480
Recreation and culture	178,274	125,874	-	-	178,274	125,874
Interest on long-term debt	22,675	25,954	-	-	22,675	25,954
Sewer	-	-	724,868	750,207	724,868	750,207
Water	-	-	348,644	338,720	348,644	338,720
Stormwater management	-	-	30,859	31,545	30,859	31,545
Total program expenses	<u>1,912,851</u>	<u>1,730,356</u>	<u>1,104,371</u>	<u>1,120,472</u>	<u>3,017,222</u>	<u>2,850,828</u>
Increase (decrease) in net position before other	<u>474,328</u>	<u>65,030</u>	<u>113,195</u>	<u>(12,521)</u>	<u>587,523</u>	<u>52,509</u>
<b>Other items:</b>						
Contributions to principal	1,150	2,400	-	-	1,150	2,400
Disposal of capital assets	10,487	945	-	-	10,487	945
Transfers	25,491	-	(25,491)	-	-	-
Total other items	<u>37,128</u>	<u>3,345</u>	<u>(25,491)</u>	<u>-</u>	<u>11,637</u>	<u>3,345</u>
<b>Change in net position</b>	<b>511,456</b>	<b>68,375</b>	<b>87,704</b>	<b>(12,521)</b>	<b>599,160</b>	<b>55,854</b>
Net position, beginning	<u>4,447,476</u>	<u>4,379,101</u>	<u>6,645,913</u>	<u>6,658,434</u>	<u>11,093,389</u>	<u>11,037,535</u>
Net position, ending	<u>\$ 4,958,932</u>	<u>\$ 4,447,476</u>	<u>\$ 6,733,617</u>	<u>\$ 6,645,913</u>	<u>\$ 11,692,549</u>	<u>\$ 11,093,389</u>

# CITY OF VASSAR

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

### **THE CITY OF VASSAR'S FUNDS:**

Presentation of the City of Vassar's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the City's largest governmental fund and one of two governmental funds that is considered a major fund. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2014, General Fund financing sources exceeded its financing uses by \$42,698, increasing its ending fund balance to \$903,057. The City's second major governmental fund, the Major Street Fund decreased its ending fund balance by \$65,486.

### **General Fund Budgetary Highlights:**

The General Fund budget, as originally adopted, projected a net decrease in fund balance of \$64,996. During the year, the City made budget amendments which changed the projection to a net decrease in fund balance of \$65,583. The actual results for the year yielded an increase in fund balance of \$42,698.

### **Capital Assets and Debt Administration:**

At June 30, 2014, the City of Vassar had \$10,295,565 invested in a range of capital assets including land, buildings and improvements, furniture and equipment, equipment, vehicles, water and sewer systems, streets, and other infrastructure, net of accumulated depreciation. At June 30, 2013, this total was \$9,243,558. Additional information about the City's capital assets is presented in Note 1 and Note 4 of the Notes to the Financial Statements.

At June 30, 2014, the City of Vassar's total long-term indebtedness (not including compensated absences and net OPEB obligation) was \$1,325,030, which was backed by the full faith and credit of the City. Additional information about the City's indebtedness is presented in Note 5 of the Notes to the Financial Statements.

### **Future Economic Factors:**

The City of Vassar's economic future is currently dependent upon factors that are beyond the control of the City Council and City management. In fiscal year 2014, the City of Vassar's taxable property value decreased .767%, the millage rate was reduced to 16 mills and an area wide special assessment (\$35 per parcel was approved to fund the Fire Department's operation and capital improvements.

Interest rates continued to remain low, which created the challenge of searching for other ways of earning bigger yields on the City's savings.

These uncertain times in our economy create the need for the City of Vassar to continue to utilize strategic planning methods in the years ahead. Rising costs for fuel, electricity, natural gas, healthcare insurance and pension costs impact the overall budget. All City funds are impacted by these increased costs.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Strategic planning for fiscal year 2014 included the following:

- Allocating remaining funds in the closed Stormwater Management Fund to the Moore Drain debt payment (2006 County contract financing)
- Implementing an internal debt payment plan of 15 years rather than 40 years for the 2013 Limited Tax General Obligation Capital Improvement Bonds (sewer improvements)
- Continuing to contribute 5% of eligible wages into a Retiree Health Care Funding Vehicle to assist with costs associated with postemployment healthcare
- Offering a voluntary early retirement incentive program
- Evaluating staff positions at the time of an employee's departure and modifying position status, if needed (Example: full time city clerk position to part time position by action of City Council)
- Eliminating large capital improvement projects, such as the reconstruction of Huron Avenue (from Norman Street to City of Vassar limits) by action of City Council
- Increasing sewer and water rates for residential and commercial users to compensate for declined usage
- Changing postemployment healthcare plan from a PPO Medicare Advantage to an HMO Medicare Advantage
- Securing grants and rebates for capital improvement projects from sources such as: USDA Rural Development, Michigan Township Participating Plan, MI DNR, Saginaw WIN, Tuscola County Community Foundation, US Fish and Wildlife, MDEQ, MDOT Rural Task Force Program, MI Blight Elimination Program and DTE Energy.

### **Contacting the City's Financial Management:**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact Vassar City Hall, 287 E. Huron Avenue, Vassar, MI 48768.

***BASIC FINANCIAL STATEMENTS***

# CITY OF VASSAR

## STATEMENT OF NET POSITION

June 30, 2014

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,163,351	\$ 1,451,530	\$ 2,614,881	\$ 125,311
Receivables	140,399	207,747	348,146	22,000
Inventory	7,161	-	7,161	-
Prepaid expenses	41,446	6,307	47,753	-
Capital assets:				
Nondepreciable capital assets	554,654	409,892	964,546	52,663
Depreciable capital assets, net	<u>3,692,629</u>	<u>5,638,390</u>	<u>9,331,019</u>	<u>-</u>
Total assets	<u>5,599,640</u>	<u>7,713,866</u>	<u>13,313,506</u>	<u>199,974</u>
<b>Deferred Outflow of Resources:</b>				
Deferred financing costs on refunding	<u>-</u>	<u>34,621</u>	<u>34,621</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	114,977	48,557	163,534	2,625
Long-term liabilities:				
Due within one year	34,340	87,477	121,817	-
Due in more than one year	<u>491,391</u>	<u>878,836</u>	<u>1,370,227</u>	<u>-</u>
Total liabilities	<u>640,708</u>	<u>1,014,870</u>	<u>1,655,578</u>	<u>2,625</u>
<b>Net position:</b>				
Net investment in capital assets	4,247,283	5,135,282	9,382,565	52,663
Restricted for:				
Streets	192,673	-	192,673	-
Drug law enforcement	20	-	20	-
Community and economic development	23,554	-	23,554	-
Nonexpendable cemetery principal	130,859	-	130,859	-
Street lighting	842	-	842	-
Unrestricted	<u>363,701</u>	<u>1,598,335</u>	<u>1,962,036</u>	<u>144,686</u>
Total net position	<u>\$ 4,958,932</u>	<u>\$ 6,733,617</u>	<u>\$ 11,692,549</u>	<u>\$ 197,349</u>

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 494,470	\$ 125,308	\$ 44,414	\$ -	\$ (324,748)
Public safety	545,474	110,942	2,432	3,000	(429,100)
Public works	648,657	141,315	277,571	506,471	276,700
Health and welfare	21,576	21,936	-	-	360
Community and economic development	1,725	-	537	-	(1,188)
Recreation and culture	178,274	13,579	77,411	-	(87,284)
Interest on long-term debt	22,675	-	-	-	(22,675)
Total governmental activities	<u>1,912,851</u>	<u>413,080</u>	<u>402,365</u>	<u>509,471</u>	<u>(587,935)</u>
<i>Business-type activities:</i>					
Sewer	724,868	718,968	15	-	(5,885)
Water	348,644	375,743	1,932	100,315	129,346
Stormwater management	30,859	3,167	-	16,325	(11,367)
Total business-type activities	<u>1,104,371</u>	<u>1,097,878</u>	<u>1,947</u>	<u>116,640</u>	<u>112,094</u>
Total primary government	<u>\$3,017,222</u>	<u>\$ 1,510,958</u>	<u>\$ 404,312</u>	<u>\$ 626,111</u>	<u>\$ (475,841)</u>
<b>COMPONENT UNITS:</b>					
Economic development corporation	\$ 22,201	\$ -	\$ -	\$ -	\$ (22,201)
Downtown development authority	12,476	-	-	-	(12,476)
Total component units	<u>\$ 34,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,677)</u>

continued

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

# CITY OF VASSAR

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2014

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (587,935)	\$ 112,094	\$ (475,841)	\$ (34,677)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	650,429	-	650,429	-
Property taxes, County allocation for streets	62,642	-	62,642	-
Property taxes, captured by component units	-	-	-	58,220
Payment in lieu of property taxes	9,987	-	9,987	-
Franchise fees	12,035	-	12,035	-
Grants and contributions not restricted to specific programs	302,012	-	302,012	-
Unrestricted investment earnings	1,498	1,101	2,599	96
Other	23,660	-	23,660	870
Contributions to principal of permanent fund	1,150	-	1,150	-
Special item - Disposal of capital assets	10,487	-	10,487	-
Transfers	25,491	(25,491)	-	-
Total general revenues and other	<u>1,099,391</u>	<u>(24,390)</u>	<u>1,075,001</u>	<u>59,186</u>
Changes in net position	511,456	87,704	599,160	24,509
Net position, beginning of year	<u>4,447,476</u>	<u>6,645,913</u>	<u>11,093,389</u>	<u>172,840</u>
Net position, end of year	<u>\$ 4,958,932</u>	<u>\$ 6,733,617</u>	<u>\$ 11,692,549</u>	<u>\$ 197,349</u>

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

# CITY OF VASSAR

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2014

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 875,532	\$ 85,998	\$ 201,821	\$ 1,163,351
Accounts receivable	12,748	-	400	13,148
Special assessments receivable	-	-	1,108	1,108
Notes receivable	9,998	-	19,016	29,014
Due from other governments	58,924	24,471	13,734	97,129
Due from other funds	1,293	-	-	1,293
Inventory	7,161	-	-	7,161
Prepaid expenditures	36,094	2,676	2,676	41,446
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,001,750</u>	<u>\$ 113,145</u>	<u>\$ 238,755</u>	<u>\$ 1,353,650</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 77,754	\$ 1,519	\$ 1,982	\$ 81,255
Accrued expenses	20,919	-	-	20,919
Due to other funds	-	-	1,293	1,293
Deposits payable	20	-	-	20
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>98,693</u>	<u>1,519</u>	<u>3,275</u>	<u>103,487</u>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	7,161	-	-	7,161
Prepaid expenditures	36,094	2,676	2,676	41,446
Long term receivables	8,331	-	20,124	28,455
Nonexpendable cemetery principal	-	-	130,859	130,859
Restricted for:				
Streets	-	108,950	77,263	186,213
Drug law enforcement	-	-	20	20
Community and economic development	-	-	23,554	23,554
Street lighting	842	-	-	842
Assigned to:				
Fire protection services	89,612	-	-	89,612
Cemetery operations	34,404	-	-	34,404
Parks and recreation	77,231	-	-	77,231
Equipment replacement	78,926	-	-	78,926
Accumulated employee benefits	53,301	-	-	53,301
Unassigned	517,155	-	-	517,155
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>903,057</u>	<u>111,626</u>	<u>254,496</u>	<u>1,269,179</u>
Total liabilities and fund balances	<u>\$ 1,001,750</u>	<u>\$ 113,145</u>	<u>\$ 257,771</u>	<u>\$ 1,372,666</u>

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



# CITY OF VASSAR

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## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2014

<b>Fund balances of governmental funds</b>			\$ 1,250,163
Net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets		6,997,905	
Less accumulated depreciation		<u>(2,750,622)</u>	4,247,283
Accrued interest in the governmental activities is not payable from current resources and therefore is not reported in the governmental funds.			(12,783)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.			
Long-term debt		(412,030)	
Compensated absences payable		(33,994)	
Net OPEB obligation		<u>(79,707)</u>	<u>(525,731)</u>
<b>Net position of governmental activities</b>			<b><u>\$ 4,958,932</u></b>

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

# CITY OF VASSAR

## GOVERNMENTAL FUNDS

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

Year Ended June 30, 2014

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Revenues:</b>				
Property taxes	\$ 660,416	\$ 41,823	\$ 20,819	\$ 723,058
Licenses and permits	12,980	-	-	12,980
Federal grants	28,000	398,348	-	426,348
State grants	379,685	276,447	109,247	765,379
Contributions from other units	67,029	-	-	67,029
Charges for services	314,182	-	-	314,182
Fines and forfeits	6,131	-	-	6,131
Interest and rents	75,367	32	378	75,777
Other revenue	63,731	1,539	3,972	69,242
Total revenues	<u>1,607,521</u>	<u>718,189</u>	<u>134,416</u>	<u>2,460,126</u>
<b>Expenditures:</b>				
Current				
General government	445,119	-	-	445,119
Public safety	493,622	-	-	493,622
Public works	275,580	808,675	192,657	1,276,912
Health and welfare	21,576	-	-	21,576
Community and economic development	-	-	1,725	1,725
Recreation and culture	148,106	-	-	148,106
Other	10,934	-	-	10,934
Capital outlay	87,637	-	-	87,637
Debt service				
Principal	34,340	-	-	34,340
Interest and fees	23,740	-	-	23,740
Total expenditures	<u>1,540,654</u>	<u>808,675</u>	<u>194,382</u>	<u>2,543,711</u>
Excess (deficiency) of revenues over expenditures	<u>66,867</u>	<u>(90,486)</u>	<u>(59,966)</u>	<u>(83,585)</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	<u>(24,169)</u>	<u>25,000</u>	<u>24,660</u>	<u>25,491</u>
Changes in fund balances	42,698	(65,486)	(35,306)	(58,094)
Fund balances, beginning of year	<u>860,359</u>	<u>177,112</u>	<u>270,786</u>	<u>1,308,257</u>
Fund balances, end of year	<u>\$ 903,057</u>	<u>\$ 111,626</u>	<u>\$ 235,480</u>	<u>\$ 1,250,163</u>

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

# CITY OF VASSAR

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

Year Ended June 30, 2014

<b>Changes in fund balances of governmental funds</b>			\$ (58,094)
Change in net position reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.			
Capital outlay		695,529	
Less depreciation expense		<u>(165,433)</u>	530,096
Repayments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net position.			34,340
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in net OPEB obligation		(17,994)	
Change in compensated absences payable		22,043	
Change in accrued interest payable		<u>1,065</u>	<u>5,114</u>
<b>Change in net position of governmental activities</b>			<u>\$ 511,456</u>

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

# CITY OF VASSAR

## PROPRIETARY FUNDS

### STATEMENT OF NET POSITION

June 30, 2014

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Fund Stormwater Management Fund</u>	<u>Total</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 555,071	\$ 864,721	\$ 31,738	\$ 1,451,530
Accounts receivable	143,335	53,492	-	196,827
Special assessments receivable	910	1,690	-	2,600
Prepaid expenses	4,559	1,748	-	6,307
Total current assets	<u>703,875</u>	<u>921,651</u>	<u>31,738</u>	<u>1,657,264</u>
<b>Noncurrent assets:</b>				
Special assessments receivable	2,912	5,408	-	8,320
<b>Capital assets:</b>				
Nondepreciable capital assets	381,169	28,723	-	409,892
Depreciable capital assets, net	<u>3,756,480</u>	<u>1,790,385</u>	<u>91,525</u>	<u>5,638,390</u>
Total noncurrent assets	<u>4,140,561</u>	<u>1,824,516</u>	<u>91,525</u>	<u>6,056,602</u>
Total assets	<u>4,844,436</u>	<u>2,746,167</u>	<u>123,263</u>	<u>7,713,866</u>
<b>Deferred outflow of resources:</b>				
Deferred financing costs of refunding	<u>19,526</u>	<u>15,095</u>	<u>-</u>	<u>34,621</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	38,101	5,579	-	43,680
Accrued interest payable	3,619	1,258	-	4,877
Current portion of compensated absences payable	-	7,477	-	7,477
Current portion of long-term debt	<u>50,352</u>	<u>29,648</u>	<u>-</u>	<u>80,000</u>
Total current liabilities	<u>92,072</u>	<u>43,962</u>	<u>-</u>	<u>136,034</u>
<b>Noncurrent liabilities:</b>				
Compensated absences payable, net of current	8,157	5,691	-	13,848
Net OPEB obligation	28,735	3,253	-	31,988
Long-term debt	<u>632,876</u>	<u>200,124</u>	<u>-</u>	<u>833,000</u>
Total noncurrent liabilities	<u>669,768</u>	<u>209,068</u>	<u>-</u>	<u>878,836</u>
Total liabilities	<u>761,840</u>	<u>253,030</u>	<u>-</u>	<u>1,014,870</u>
<b>Net position:</b>				
Net investment in capital assets	3,454,421	1,589,336	91,525	5,135,282
Unrestricted	<u>647,701</u>	<u>918,896</u>	<u>31,738</u>	<u>1,598,335</u>
Total net position	<u>\$ 4,102,122</u>	<u>\$ 2,508,232</u>	<u>\$ 123,263</u>	<u>\$ 6,733,617</u>

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

# CITY OF VASSAR

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2014

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Fund Stormwater Management Fund</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 696,773	\$ 358,730	\$ 3,166	\$ 1,058,669
Penalties	-	12,705	-	12,705
Other	11,245	4,308	1	15,554
Total operating revenues	<u>708,018</u>	<u>375,743</u>	<u>3,167</u>	<u>1,086,928</u>
<b>Operating expenses:</b>				
Personnel	151,071	110,414	4,463	265,948
Fringe benefits	109,957	33,731	325	144,013
Supplies	16,738	23,260	140	40,138
Contracted services	3,601	187	3,190	6,978
Administrative expense	23,350	24,048	3,000	50,398
Communication	2,636	1,186	-	3,822
Fees and permits	2,000	1,275	-	3,275
Conference and travel	1,239	3,307	-	4,546
Insurance	5,597	2,860	-	8,457
Utilities	85,394	33,923	-	119,317
Repairs and maintenance	34,949	18,810	45	53,804
Equipment rental	1,092	12,467	4,143	17,702
Other services and supplies	26,636	789	172	27,597
Depreciation	244,529	73,198	4,431	322,158
Total operating expenses	<u>708,789</u>	<u>339,455</u>	<u>19,909</u>	<u>1,068,153</u>
Operating income (loss)	<u>(771)</u>	<u>36,288</u>	<u>(16,742)</u>	<u>18,775</u>
<b>Non-operating revenues (expenses):</b>				
State grants	-	1,904	-	1,904
Interest income	292	774	35	1,101
Special assessments interest	15	28	-	43
Loan repayments	10,950	-	(10,950)	-
Interest and amortization expense	(16,079)	(9,189)	-	(25,268)
Net non-operating revenues	<u>(4,822)</u>	<u>(6,483)</u>	<u>(10,915)</u>	<u>(22,220)</u>
Changes in net position before other items	(5,593)	29,805	(27,657)	(3,445)
Capital contributions - federal and state grants	-	100,315	16,325	116,640
Transfers from (to) other funds	-	7,600	(33,091)	(25,491)
Changes in net position	(5,593)	137,720	(44,423)	87,704
Net position, beginning of year	<u>4,107,715</u>	<u>2,370,512</u>	<u>167,686</u>	<u>6,645,913</u>
Net position, end of year	<u>\$ 4,102,122</u>	<u>\$ 2,508,232</u>	<u>\$ 123,263</u>	<u>\$ 6,733,617</u>

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

# CITY OF VASSAR

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Fund Stormwater Management Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 694,007	\$ 367,384	\$ 13,392	\$ 1,074,783
Cash payments to employees	(153,029)	(114,855)	(4,463)	(272,347)
Cash payments to suppliers for goods and services	<u>(310,795)</u>	<u>(157,822)</u>	<u>(17,342)</u>	<u>(485,959)</u>
Net cash provided (used) by operating activities	<u>230,183</u>	<u>94,707</u>	<u>(8,413)</u>	<u>316,477</u>
<b>Cash flows from non-capital financing activities:</b>				
State grants	-	1,904	-	1,904
Loan repayments	10,950	-	(10,950)	-
Transfers from (to) other funds	<u>-</u>	<u>7,600</u>	<u>(33,091)</u>	<u>(25,491)</u>
Net cash provided (used) by non-capital financing activities	<u>10,950</u>	<u>9,504</u>	<u>(44,041)</u>	<u>(23,587)</u>
<b>Cash flows from capital and related financing activities:</b>				
Special assessments interest	15	28	-	43
Acquisition of capital assets	(394,274)	(287,816)	(23,844)	(705,934)
Proceeds received from bond	386,000	-	-	386,000
Principal payments	(38,916)	(30,084)	-	(69,000)
Interest paid	<u>(9,334)</u>	<u>(5,516)</u>	<u>-</u>	<u>(14,850)</u>
Net cash used by capital and related financing activities	<u>(56,509)</u>	<u>(323,388)</u>	<u>(23,844)</u>	<u>(403,741)</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>292</u>	<u>774</u>	<u>35</u>	<u>1,101</u>
Net increase (decrease) in cash and cash equivalents	184,916	(218,403)	(76,263)	(109,750)
Cash and cash equivalents, beginning of year	<u>370,155</u>	<u>1,083,124</u>	<u>108,001</u>	<u>1,561,280</u>
Cash and cash equivalents, end of year	<u>\$ 555,071</u>	<u>\$ 864,721</u>	<u>\$ 31,738</u>	<u>\$ 1,451,530</u>

continued

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

# CITY OF VASSAR

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2014

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Fund Stormwater Management Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (771)	\$ 36,288	\$ (16,742)	\$ 18,775
Adjustments:				
Depreciation	244,529	73,198	4,431	322,158
Change in assets and liabilities:				
Accounts receivable	(14,773)	(9,775)	10,225	(14,323)
Special assessments receivable	762	1,416	-	2,178
Prepaid expenses	337	(850)	-	(513)
Accounts payable	2,057	(1,129)	(6,327)	(5,399)
Compensated absences payable	(6,241)	(3,447)	-	(9,688)
Net OPEB obligation	4,283	(994)	-	3,289
Net cash provided (used) by operating activities	<u>\$ 230,183</u>	<u>\$ 94,707</u>	<u>\$ (8,413)</u>	<u>\$ 316,477</u>

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

# CITY OF VASSAR

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## FIDUCIARY FUNDS STATEMENT OF NET POSITION

June 30, 2014

	<i>Retiree Health Plan OPEB Trust Fund</i>	<i>Agency Funds</i>
<b>Assets:</b>		
Cash and cash equivalents	\$ -	\$ 17,928
Investments	<u>44,274</u>	<u>-</u>
Total assets	<u>44,274</u>	<u>\$ 17,928</u>
<b>Liabilities:</b>		
Accounts payable	<u>-</u>	<u>\$ 17,928</u>
<b>Net position:</b>		
Held in trust	<u>44,274</u>	
Total net position	<u>\$ 44,274</u>	

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



# CITY OF VASSAR

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## FIDUCIARY FUNDS

### STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION

Year Ended June 30, 2014

	<i>Retiree Health Plan OPEB Trust Fund</i>
<b>Additions:</b>	
Employer contribution	\$ 15,348
Investment income (loss)	<u>4,131</u>
Total additions	<u>19,479</u>
<b>Deductions:</b>	
Other	<u>-</u>
Net increase (decrease)	19,479
Net position, beginning of year	<u>24,795</u>
Net position, end of year	<u>\$ 44,274</u>

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

# CITY OF VASSAR

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## COMPONENT UNITS

### COMBINING STATEMENT OF NET POSITION

June 30, 2014

	<i><u>Economic Development Corporation</u></i>	<i><u>Downtown Development Authority</u></i>	<i><u>Total</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 95,201	\$ 30,110	\$ 125,311
Notes receivable	22,000	-	22,000
Capital assets:			
Nondepreciable capital assets	<u>-</u>	<u>52,663</u>	<u>52,663</u>
Total assets	<u>117,201</u>	<u>82,773</u>	<u>199,974</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	<u>2,625</u>	<u>-</u>	<u>2,625</u>
<b>Net position:</b>			
Investment in capital assets	-	52,663	52,663
Unrestricted	<u>114,576</u>	<u>30,110</u>	<u>144,686</u>
Total net position	<u>\$ 114,576</u>	<u>\$ 82,773</u>	<u>\$ 197,349</u>

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

# CITY OF VASSAR

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*COMPONENT UNITS*  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2014

	<i><u>Economic Development Corporation</u></i>	<i><u>Downtown Development Authority</u></i>	<i><u>Total</u></i>
<b>Revenues:</b>			
General revenues:			
Property taxes	\$ 24,119	\$ 34,101	\$ 58,220
Interest and rents	96	-	96
Other	-	870	870
Total revenues	<u>24,215</u>	<u>34,971</u>	<u>59,186</u>
<b>Expenses:</b>			
Community and economic development	<u>22,201</u>	<u>12,476</u>	<u>34,677</u>
Change in net position	2,014	22,495	24,509
Net position, beginning of year	<u>112,562</u>	<u>60,278</u>	<u>172,840</u>
Net position, end of year	<u>\$ 114,576</u>	<u>\$ 82,773</u>	<u>\$ 197,349</u>

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

***NOTES TO FINANCIAL STATEMENTS***

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The City of Vassar was incorporated in 1945 and is located in Tuscola County, Michigan. The City is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a five member City Council elected by the community at large. The legislative body selects from among its members the Mayor and appoints a City Manager to administer the affairs of the City. The City provides the following services to approximately 2,700 residents as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, recreation and culture, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Vassar conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, these financial statements of the reporting entity include those of the City and its component unit. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The discretely presented component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City. The component units' column in the government-wide financial statements includes the financial data of the City's two component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

#### **Discretely Presented Component Units:**

*Economic Development Corporation* – The Economic Development Corporation's members are appointed by the City Council.

*Downtown Development Authority* – The Downtown Development Authority's members are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

#### **Government-wide and Fund Financial Statements:**

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

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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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 major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

***General Fund*** – The General Fund is the City’s primary operating fund. It accounts for all financial resources, except for those required to be accounted for in another fund.

***Special Revenue Fund – Major Street Fund*** – The Major Street Fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as major streets in the City.

The City reports the following major proprietary funds:

***Enterprise Fund – Sewer Fund*** – The Sewer Fund accounts for the operations of the City’s sewage system.

***Enterprise Fund – Water Fund*** – The Water accounts for the operations of the City’s water system.

Additionally, the City reports the following fund types:

***Special Revenue Funds*** – Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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***Permanent Fund*** – Permanent Funds account for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry. The City has one permanent fund for cemetery perpetual care.

***Fiduciary Funds – Agency Funds*** – Agency Funds account for assets held for other governments in an agency capacity, including tax collections.

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the City's policy is to first apply restricted resources. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: restricted, committed, assigned, and unassigned.

#### **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances:**

***Deposits and Investments*** – Cash includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all investments (including restricted assets) to be cash equivalents. The investment policy adopted by the City Council is in accordance with Public Act 20 of 1943, as amended. The City's deposits and investments have been made in accordance with statutory authority.

***Receivables and Payables*** – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

***Inventories and Prepaid Expenses*** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of salt in the General Fund are recorded as expenditures when consumed rather than when purchased. Other materials are recorded as expenditures/expenses when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both the government-wide and fund financial statements.

***Capital Assets*** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and other assets that are immovable and of value only to the government) are defined by the City as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution systems	
Equipment	10-39 years
Sewer lines	50 years
Sewer treatment plant	40 years
Water mains	50 years
Wells	10 years
Equipment	5-25 years
Infrastructure	20-50 years
Vehicles	3-25 years

***Deferred Outflows of Resources*** – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

***Deferred Inflows of Resources*** – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

***Compensated Absences*** – It is the City’s policy to permit employees to accumulate earned but unused sick days and to pay employees for those days upon termination or resignation. Department heads hired before April 1998 are paid for one-half (1/2) of their accumulated sick days (maximum accumulation is 120 days). Department heads hired after 1998 and clerical, DPW and police employees are paid for one-half (1/2) of their accumulated sick days (maximum accumulation is 90 days). Part-time employees are paid for one-half (1/2) of their accumulated sick days (maximum accumulation is 45 days). A liability is recorded when incurred in the government-wide financial statements and the 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.

***Long-term Obligations*** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. In the financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period.

The net obligation for postemployment health care benefits is included in long-term obligations. The City pays the monthly premium for qualified retirees for postemployment health care benefits. The City, as of June 30, 2013, obtained an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as the premium is paid. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution less any current year paid benefits, adjusted for interest and “adjustment to the ARC” on the beginning of the year underpaid amount, if any. See the related footnote on pages 39-40.



# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**Fund Balances** – In the fund financial statements, fund balance may be presented in five possible categories, each of which identifies the extent to which the City is bound to honor constraints on the specific purpose for which amounts can be spent:

*Nonspendable* – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

*Committed* – amounts that are committed for specific purposes by the City Council, as the City's highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment.

*Assigned* – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager has the authority to assign amounts to be used for specific purposes.

*Unassigned* – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, unassigned balances also include negative balances in other governmental funds.

**Property Taxes** – Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied on July 1 and are due without penalty on or before July 31. The City bills and collects its own property taxes as well as those of Vassar Public Schools, Tuscola Intermediate School District and Tuscola County. Collections of these taxes and remittance of them to the entities are accounted for in the tax collection agency fund. City property tax revenues are recognized in the general fund. The delinquent real property taxes of the City are purchased by Tuscola County. The 2013 taxable valuation of the City totaled \$43,316,769 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 16.0000 mills for the City's operating purposes. The City also receives road taxes levied by Tuscola County that are recognized as revenue in the Major and Local Street Funds.

#### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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#### **Reporting Change:**

During the year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### **Budgetary Information:**

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the function level for the general fund and special revenue funds. The City does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at the end of the fiscal year and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the City did not incur expenditures that were in excess of the amounts budgeted.

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**Custodial Credit Risk of Bank Deposits** is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a deposit policy for custodial credit risk. At year-end, the City and its component units had \$2,956,807 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$500,522 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

**Custodial Credit Risk of Investments** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk.

At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
<b>Trust Fund for OPEB:</b>		
Mutual fund - Equities and other	\$ 44,274	Counterparty

**Credit Risk** – As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
<b>Trust Fund for OPEB:</b>			
Mutual fund - Equities and other	\$ 44,274	Not Rated	N/A

### NOTE 4: CAPITAL ASSETS

Capital assets activity of the primary government and component units at June 30, 2014 was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
<b>Governmental activities:</b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 554,654	\$ -	\$ -	\$ 554,654
Construction in progress - infrastructure	60,136	-	(60,136)	-
Total nondepreciable capital assets	614,790	-	(60,136)	554,654
<i>Depreciable capital assets:</i>				
Buildings and improvements	1,326,668	-	-	1,326,668
Furniture and equipment	181,837	-	(105,494)	76,343
Equipment	1,013,977	30,130	(67,303)	976,804
Infrastructure	2,678,500	725,535	(2,238)	3,401,797
Vehicles	699,263	-	(37,624)	661,639
Total depreciable capital assets	5,900,245	755,665	(212,659)	6,443,251
Accumulated depreciation	(2,797,848)	(165,433)	212,659	(2,750,622)
Depreciable capital assets, net	3,102,397	590,232	-	3,692,629
Governmental activities, capital assets, net	\$ 3,717,187	\$ 590,232	\$ (60,136)	\$ 4,247,283

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 4: CAPITAL ASSETS, CONTINUED

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
<b>Business-type activities:</b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 43,009	\$ -	\$ -	\$ 43,009
Construction in progress	8,561	358,322	-	366,883
Total nondepreciable capital assets	<u>51,570</u>	<u>358,322</u>	<u>-</u>	<u>409,892</u>
<i>Depreciable capital assets:</i>				
Equipment	631,107	15,200	(75,838)	570,469
Infrastructure	97,826	40,169	(1,754)	136,241
Sewer lines	1,244,002	76,583	-	1,320,585
Sewer treatment plant	7,856,724	-	-	7,856,724
Water buildings, tank and tower	598,252	-	-	598,252
Water mains and wells	2,342,157	353,795	-	2,695,952
Total depreciable capital assets	12,770,068	485,747	(77,592)	13,178,223
Accumulated depreciation	<u>(7,295,267)</u>	<u>(322,158)</u>	<u>77,592</u>	<u>(7,539,833)</u>
Depreciable capital assets, net	<u>5,474,801</u>	<u>163,589</u>	<u>-</u>	<u>5,638,390</u>
Business-type activities, capital assets, net	<u>\$ 5,526,371</u>	<u>\$ 521,911</u>	<u>\$ -</u>	<u>\$ 6,048,282</u>
<b>Component units:</b>				
<i>Nondepreciable capital assets:</i>				
Land	<u>\$ 52,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,663</u>

Depreciation expense was charged to programs of the governmental and business-type activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 7,356	\$ -
Public safety	34,576	-
Public works	93,333	-
Recreation and culture	30,168	-
Sewer	-	244,529
Water	-	73,198
Stormwater management	-	4,431
	<u>\$ 165,433</u>	<u>\$ 322,158</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 5: LONG-TERM LIABILITIES

The City may issue bonds, loans, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds and County contracts are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences and net OPEB obligation.

The following is a summary of long-term liabilities transactions for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>Notes and Agreements:</b>					
2006 County Contract Financing, due in annual amounts of \$34,341 plus interest at 5.317% through 2026.	\$ 446,370	\$ -	\$ (34,340)	\$ 412,030	\$ 34,340
<b>Compensated absences</b>	56,037	3,210	(25,253)	33,994	-
<b>Net OPEB obligation</b>	<u>61,713</u>	<u>48,497</u>	<u>(30,503)</u>	<u>79,707</u>	<u>-</u>
Total governmental activities - long-term liabilities	<u>\$ 564,120</u>	<u>\$ 51,707</u>	<u>\$ (90,096)</u>	<u>\$ 525,731</u>	<u>\$ 34,340</u>
<b>Business-type activities:</b>					
<b>Bonds Payable:</b>					
2012 Limited Tax General Obligation Refunding Bonds, due in annual amounts ranging from \$61,000 to \$84,000 plus interest at 2.19% through 2022.	\$ 596,000	\$ -	\$ (69,000)	\$ 527,000	\$ 68,000
2013 Limited Tax General Obligation Capital Improvement Bond, due in annual amounts ranging from \$12,000 to \$28,000 plus interest at 2.125% through 2054.	-	386,000	-	386,000	12,000
<b>Compensated absences</b>	31,013	2,261	(11,949)	21,325	7,477
<b>Net OPEB obligation</b>	<u>28,699</u>	<u>20,786</u>	<u>(17,497)</u>	<u>31,988</u>	<u>-</u>
Total business-type activities - long-term liabilities	<u>\$ 655,712</u>	<u>\$ 409,047</u>	<u>\$ (98,446)</u>	<u>\$ 966,313</u>	<u>\$ 87,477</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 5: LONG-TERM LIABILITIES, CONTINUED

Annual debt service requirements to maturity for all outstanding debt (excluding compensated absences and net OPEB obligation) as of June 30, 2014 are as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 34,340	\$ 21,913	\$ 56,253	\$ 80,000	\$ 23,100	\$ 103,100
2016	34,340	20,086	54,426	80,000	25,448	105,448
2017	34,340	18,310	52,650	76,000	23,714	99,714
2018	34,340	16,434	50,774	74,000	22,070	96,070
2019	34,340	14,608	48,948	74,000	20,458	94,458
2020-2024	171,700	45,680	217,380	277,000	78,715	355,715
2025-2029	68,630	5,485	74,115	78,000	62,436	140,436
2030-2034	-	-	-	88,000	53,615	141,615
2035-2039	-	-	-	97,000	43,787	140,787
2040-2044	-	-	-	109,000	32,886	141,886
2045-2049	-	-	-	120,000	20,739	140,739
2050-2054	-	-	-	134,000	7,226	141,226
	<u>\$ 412,030</u>	<u>\$ 142,516</u>	<u>\$ 554,546</u>	\$ 1,287,000	<u>\$ 414,194</u>	<u>\$ 1,701,194</u>
Less: Amount remaining to draw on 2013 Limited Tax General Obligation Capital Improvement Bond				<u>(374,000)</u>		
				<u>\$ 913,000</u>		

### NOTE 6: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2014 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Cemetery Perpetual Care Fund	<u>\$ 1,293</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations, which is the reason for the transfers from the General Fund to the other governmental funds.

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 6: INTERFUND BALANCES AND TRANSFERS, CONTINUED

Interfund transfers reported in the fund statements were as follows:

<u>Interfund Transfers From</u>	<u>Interfund Transfers To</u>	<u>Amount</u>
Stormwater Management Fund	General Fund	\$ 28,091
Cemetery Perpetual Care Fund	General Fund	340
General Fund	Major Street Fund	25,000
	Local Street Fund	25,000
	Water Fund	<u>2,600</u>
Stormwater Management Fund	Water Fund	<u>5,000</u>
		<u>\$ 86,031</u>

### NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end in the aggregate are as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>	<u>Primary</u>	<u>Units</u>
			<u>Government</u>	
<b>Receivables:</b>				
Accounts receivable	\$ 13,148	\$ 196,827	\$ 209,975	\$ -
Special assessments receivable				
Current portion	219	2,600	2,819	-
Long-term portion	889	8,320	9,209	-
Notes/Loans receivable				
Current portion	2,267	-	2,267	867
Long-term portion	26,747	-	26,747	21,133
Intergovernmental	<u>97,129</u>	<u>-</u>	<u>97,129</u>	<u>-</u>
Total receivables	<u>\$ 140,399</u>	<u>\$ 207,747</u>	<u>\$ 348,146</u>	<u>\$ 22,000</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts payable	\$ 81,255	\$ 43,680	\$ 124,935	\$ 2,625
Accrued compensated absences	20,919	-	20,919	-
Intergovernmental	-	-	-	-
Deposits payable	20	-	20	-
Accrued interest payable	<u>12,783</u>	<u>4,877</u>	<u>17,660</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 114,977</u>	<u>\$ 48,557</u>	<u>\$ 163,534</u>	<u>\$ 2,625</u>

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 8: RISK MANAGEMENT

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City obtains its general liability insurance coverage through Michigan Township Participating Plan.

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### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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The City has two employee pension plans. One is a Defined Benefit Plan and the other is a Defined Contribution Plan, both administered by the MERS Retirement Board, of the Municipal Employee's Retirement System of Michigan (MERS). Information concerning each plan follows:

#### **Defined Benefit Pension Plan (Municipal Employees' Retirement System of Michigan):**

**Plan Description** – The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

**Funding Policy** – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's management and personnel policy. The required employee contribution rates and the City's actuarially determined rates for the fiscal year ended June 30, 2014 were as follows:

<u>Valuation Division</u>	<u>Employer Rate</u>	<u>Employee Rate</u>
General - Non-union	17.17%	4.70%
Police - Non-union	18.23%	4.80%
General - Union	11.71%	4.70%
Police - POAM	11.38%	4.80%



# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS, CONTINUED

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**Annual Pension Costs** – For year ended June 30, 2014, the City’s annual employer pension cost of \$107,999 for the plan was equal to the required and actual contribution. The employees contributed \$32,761. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a ten year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 25 years.

Three year trend information as of June 30, follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual pension cost	\$ 107,999	\$ 97,524	\$ 98,425
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

**Funded Status** – As of December 31, 2013, the most recent actuarial valuation date, the plan was 80 percent funded. The actuarial accrued liability for benefits was \$6,296,868, and the actuarial value of assets was \$5,003,042, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,293,826. The covered payroll (annual payroll of active employees covered by the plan) was \$701,947, and the ratio of the UAAL to the covered payroll was 184 percent. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **Defined Contribution Pension Plan (Municipal Employees’ Retirement System of Michigan):**

In an effort to phase out the MERS defined benefit pension plan described above, the City adopted MERS Restated Defined Contribution Plan under MERS Plan Document (“MERS Defined Contribution Plan”) for all new employees of the City hired after July 1, 2012. The plan was implemented in September 2013 and is the only retirement pension plan available to new employees after that date.

The City’s Defined Contribution Pension Plan is a single employer defined contribution pension plan, established by the City and administered by MERS Retirement Board. The City’s contribution is 10% of each participant’s base wages for the plan year contingent upon the participant contributing 5% of base wages. Contributions are immediately 100% vested. Employer contributions for the plan were \$6,265 for the year ended June 30, 2014. Employee contributions for the plan were \$3,193 for the year ended June 30, 2014.

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### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS

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GASB Statement No. 45 established standards for measurement, recognition and display of other postemployment benefits (OPEB) and related liabilities and note disclosures in other plans in which the City participates. Current year expenditures include the current year “pay-as-you-go” amount and the recognition of the unfunded current year annual required contribution (ARC) in the governmental activities and enterprise funds. Disclosures required by GASB Statement No. 45 follow.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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**Plan Description** – The City provides pre-65 medical and prescription drug coverage through its active plan and post-65 coverage through a Medicare Advantage plan and dental coverage is provided to all of these retirees. Department heads retiring after July 1, 2012 pay 30% of pre-65 medical, dental and vision premium. At the time these department heads are Medicare eligible, the City will pay 100% of premiums associated with a post-65 Medicare Advantage plan. Employees promoted to a department head position after January 1, 2013 will be eligible to receive a monthly \$150 retiree healthcare stipend. Department heads promoted after 2012 will only receive \$150 monthly retiree stipend. Department heads hired after January 1, 2013 will not be eligible to receive retiree healthcare coverage.

**Funding Policy** – The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). At the fund level, the expense is recognized by the City as the payments to the employees are made. During the year, this amounted to \$32,652 for seven (7) retirees who are currently receiving the benefits. During the fiscal year ended June 30, 2014, the City also made a \$15,348 advance funding contribution to the MERS Retiree Health Funding Plan.

The computed annual required contribution and actual funding are summarized as follows:

For the Year Ended June 30, 2014

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Annual required contribution (recommended)	\$ 69,260
Interest on the prior year's net OPEB obligation	3,616
Less adjustment to the annual required contribution	<u>(3,593)</u>
Annual OPEB cost	69,283
Amounts contributed:	
Payments of current premiums	(32,652)
Advance funding	<u>(15,348)</u>
Increase in net OPEB obligation	21,283
OPEB obligation, beginning of year	<u>90,412</u>
OPEB obligation, end of year	<u>\$ 111,695</u>
The net OPEB obligation is recorded as follows:	
Governmental activities	\$ 79,707
Business-type activities	<u>31,988</u>
Total	<u>\$ 111,695</u>

# CITY OF VASSAR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

The annual OPEB cost, the contribution to the plan, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

<u>Fiscal Year Ending</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	6/30/2013	\$ 69,283	\$ 48,000	69%	\$ 111,695
6/30/2013	6/30/2013	66,970	59,102	88%	90,412
6/30/2012	12/31/2008	55,647	20,790	37%	82,544

**Funding Progress** – As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$950,470, which was approximately 4.7% funded. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. During the 2013-2014, the City made a \$15,348 contribution to the OPEB Trust Fund, which was established in a prior year. The actuarial value of the Trust Fund assets has not been determined. The market value of the Trust Fund assets at June 30, 2014 was \$44,274.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. In future years, and if the plan was being funded, the schedule of funding progress would present multiyear trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the 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 June 30, 2013 calculation, the individual entry-age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return. For purposes of the calculating the annual required contribution (ARC) amount, the UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

#### **Deferred Compensation Plan:**

The employees of the City are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by ICMA Retirement Corporation. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

# CITY OF VASSAR

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 11: BOND PROJECTS IN PROGRESS

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*Bond Issuance Proceeds* – On September 13, 2013, the City issued the 2013 Limited Tax General Obligation Capital Improvement Bonds for \$760,000 to provide for improvements to the sewage disposal system of the City. As of June 30, 2014, the balance of proceeds on the bond not drawn is \$374,000.

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

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## SCHEDULE OF FUNDING PROGRESS FOR THE PENSION PLAN

Year Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/11</u>
Actuarial Value of Assets	\$ 5,003,042	\$ 4,876,347	\$ 4,809,970
Actuarial Accrued Liability (AAL)	6,296,868	5,891,744	5,770,409
Unfunded AAL (UAAL)	1,293,826	1,015,397	960,439
Funded Ratio	80%	83%	83%
Covered Payroll	701,947	797,406	877,218
UAAL as a percentage of covered payroll	184%	127%	109%

## SCHEDULE OF FUNDING PROGRESS FOR THE POSTEMPLOYMENT HEALTHCARE PLAN

Year Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>6/30/13</u>	<u>12/31/08</u>
Actuarial Value of Assets/Market Value	\$ 44,274	\$ -
Actuarial Accrued Liability (AAL)	950,470	955,940
Unfunded AAL (UAAL)	906,196	955,940
Funded Ratio	4.7%	0%
Covered Payroll	N/A	N/A
UAAL as a percentage of covered payroll	N/A	N/A

# CITY OF VASSAR

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 661,445	\$ 663,813	\$ 660,416	\$ (3,397)
Licenses and permits	8,200	12,482	12,980	498
Federal grants	3,000	28,000	28,000	-
State grants	296,267	368,028	379,685	11,657
Contributions from other units	58,020	68,029	67,029	(1,000)
Charges for services	265,522	306,902	314,182	7,280
Fines and forfeits	3,000	3,000	6,131	3,131
Interest and rents	65,797	81,320	75,367	(5,953)
Other revenue	27,791	48,076	63,731	15,655
<b>Total revenues</b>	<b>1,389,042</b>	<b>1,579,650</b>	<b>1,607,521</b>	<b>27,871</b>
<b>Current</b>				
General government	420,392	499,330	496,091	(3,239)
Public safety	492,373	510,067	506,097	(3,970)
Public works	255,390	282,088	275,580	(6,508)
Health and welfare	21,576	21,576	21,576	-
Recreation and culture	128,263	184,570	148,106	(36,464)
Other	26,455	35,288	10,934	(24,354)
Capital outlay	30,000	30,000	24,190	(5,810)
Debt service	29,989	58,080	58,080	-
<b>Total expenditures</b>	<b>1,404,438</b>	<b>1,620,999</b>	<b>1,540,654</b>	<b>(80,345)</b>
Excess (deficiency) of revenues over expenditures	(15,396)	(41,349)	66,867	108,216
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	(49,600)	(24,234)	(24,169)	(65)
Change in fund balance	(64,996)	(65,583)	42,698	108,151
Fund balance, beginning of year	860,359	860,359	860,359	-
Fund balance, end of year	\$ 795,363	\$ 794,776	\$ 903,057	\$ 108,151

# CITY OF VASSAR

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## MAJOR STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 41,831	\$ 41,831	\$ 41,823	\$ (8)
MDOT negotiated contracts	-	-	-	-
Federal portion	-	398,348	398,348	-
State portion	-	108,123	108,123	-
State grants	150,723	163,403	168,324	4,921
Interest and rents	200	100	32	(68)
Other revenue	-	1,540	1,539	(1)
	<u>192,754</u>	<u>713,345</u>	<u>718,189</u>	<u>4,844</u>
Total revenues				
<b>Expenditures:</b>				
Current				
MDOT negotiated contracts	-	506,471	506,471	-
Public works	314,208	324,004	302,204	(21,800)
	<u>314,208</u>	<u>830,475</u>	<u>808,675</u>	<u>(21,800)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(121,454)</u>	<u>(117,130)</u>	<u>(90,486)</u>	<u>26,644</u>
<b>Other financing sources:</b>				
Transfers from other funds	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Change in fund balance	(96,454)	(92,130)	(65,486)	26,644
Fund balance, beginning of year	<u>177,112</u>	<u>177,112</u>	<u>177,112</u>	<u>-</u>
Fund balance, end of year	<u>\$ 80,658</u>	<u>\$ 84,982</u>	<u>\$ 111,626</u>	<u>\$ 26,644</u>



***OTHER SUPPLEMENTARY INFORMATION***

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

June 30, 2014

	<i>Special Revenue Funds</i>				
	<i>Local Street Fund</i>	<i>Highway Fund</i>	<i>Drug Law Enforcement Fund</i>	<i>Cool Cities Fund</i>	<i>DDA Loan Revolving Fund</i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 40,210	\$ 25,301	\$ 20	\$ 1,231	\$ 3,307
Accounts receivable	-	-	-	-	-
Special assessments receivable	1,108	-	-	-	-
Notes receivable	-	-	-	-	19,016
Due from other governments	9,516	4,218	-	-	-
Prepaid expenditures	2,676	-	-	-	-
Total assets	<u>\$ 53,510</u>	<u>\$ 29,519</u>	<u>\$ 20</u>	<u>\$ 1,231</u>	<u>\$ 22,323</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,513	\$ 469	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>1,513</u>	<u>469</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Nonspendable:					
Prepaid expenditures	2,676	-	-	-	-
Long term receivables	1,108	-	-	-	-
Nonexpendable cemetery principal	-	-	-	-	-
Restricted for:					
Streets	48,213	29,050	-	-	-
Drug law enforcement	-	-	20	-	-
Community and economic development	-	-	-	1,231	22,323
Total fund balances	<u>51,997</u>	<u>29,050</u>	<u>20</u>	<u>1,231</u>	<u>22,323</u>
Total liabilities and fund balances	<u>\$ 53,510</u>	<u>\$ 29,519</u>	<u>\$ 20</u>	<u>\$ 1,231</u>	<u>\$ 22,323</u>

continued

# CITY OF VASSAR

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET, CONTINUED

June 30, 2014

	<u><i>Permanent Fund</i></u>		<u><i>Cemetery Perpetual Care Fund</i></u>	<u><i>Total</i></u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 131,752			\$ 201,821
Accounts receivable	400			400
Special assessments receivable	-			1,108
Notes receivable	-			19,016
Due from other governments	-			13,734
Prepaid expenditures	-			2,676
	<u>          </u>			<u>          </u>
Total assets	<u>\$ 132,152</u>			<u>\$ 238,755</u>
 <b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -			\$ 1,982
Due to other funds	1,293			1,293
	<u>          </u>			<u>          </u>
Total liabilities	<u>1,293</u>			<u>3,275</u>
 <b>Fund balances:</b>				
Nonspendable:				
Prepaid expenditures	-			2,676
Long term receivables	-			1,108
Nonexpendable cemetery principal	130,859			130,859
Restricted for:				
Streets	-			77,263
Drug law enforcement	-			20
Community and economic development	-			23,554
	<u>          </u>			<u>          </u>
Total fund balances	<u>130,859</u>			<u>235,480</u>
	<u>          </u>			<u>          </u>
Total liabilities and fund balances	<u>\$ 132,152</u>			<u>\$ 238,755</u>

# CITY OF VASSAR

## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2014

	<i>Special Revenue Funds</i>				
	<i>Local Street Fund</i>	<i>Highway Fund</i>	<i>Drug Law Enforcement Fund</i>	<i>Cool Cities Fund</i>	<i>DDA Loan Revolving Fund</i>
<b>Revenues:</b>					
Property taxes	\$ 20,819	\$ -	\$ -	\$ -	\$ -
State grants	60,101	49,146	-	-	-
Interest and rents	24	10	-	1	3
Other revenue	935	-	-	1,350	537
Total revenues	<u>81,879</u>	<u>49,156</u>	<u>-</u>	<u>1,351</u>	<u>540</u>
<b>Expenditures:</b>					
Current					
Public works	147,220	45,437	-	-	-
Community and economic development	-	-	-	1,725	-
Total expenditures	<u>147,220</u>	<u>45,437</u>	<u>-</u>	<u>1,725</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(65,341)</u>	<u>3,719</u>	<u>-</u>	<u>(374)</u>	<u>540</u>
<b>Other financing sources (uses):</b>					
Transfers from (to) other funds	<u>25,000</u>	-	-	-	-
Changes in fund balances	(40,341)	3,719	-	(374)	540
Fund balances, beginning of year,	<u>92,338</u>	<u>25,331</u>	<u>20</u>	<u>1,605</u>	<u>21,783</u>
Fund balances, end of year	<u>\$ 51,997</u>	<u>\$ 29,050</u>	<u>\$ 20</u>	<u>\$ 1,231</u>	<u>\$ 22,323</u>

continued

# CITY OF VASSAR

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## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2014

	<u>Permanent Fund</u>	
	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Revenues:</b>		
Property taxes	\$ -	\$ 20,819
State grants	-	109,247
Interest and rents	340	378
Other revenue	<u>1,150</u>	<u>3,972</u>
Total revenues	<u>1,490</u>	<u>134,416</u>
<b>Expenditures:</b>		
Current		
Public works	-	192,657
Community and economic development	<u>-</u>	<u>1,725</u>
Total expenditures	<u>-</u>	<u>194,382</u>
Excess (deficiency) of revenues over expenditures	<u>1,490</u>	<u>(59,966)</u>
<b>Other financing sources (uses):</b>		
Transfers from (to) other funds	<u>(340)</u>	<u>24,660</u>
Changes in fund balances	1,150	(35,306)
Fund balances, beginning of year,	<u>129,709</u>	<u>270,786</u>
Fund balances, end of year	<u>\$ 130,859</u>	<u>\$ 235,480</u>

# CITY OF VASSAR

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2014

#### 2006 COUNTY CONTRACT FINANCING

Issue dated August 1, 2006 in the amount of	\$	686,826
Less: Principal paid in prior years		(240,456)
Principal paid in current year		<u>(34,340)</u>
Balance payable at June 30, 2014	\$	<u>412,030</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due December 1</i>	<i>Interest due December 1</i>	<i>Total Annual Requirement</i>
2015	5.317%	\$ 34,340	\$ 21,913	\$ 56,253
2016	5.317%	34,340	20,086	54,426
2017	5.317%	34,340	18,310	52,650
2018	5.317%	34,340	16,434	50,774
2019	5.317%	34,340	14,608	48,948
2020	5.317%	34,340	12,782	47,122
2021	5.317%	34,340	10,986	45,326
2022	5.317%	34,340	9,130	43,470
2023	5.317%	34,340	7,304	41,644
2024	5.317%	34,340	5,478	39,818
2025	5.317%	34,340	3,662	38,002
2026	5.317%	<u>34,290</u>	<u>1,823</u>	<u>36,113</u>
		<u>\$ 412,030</u>	<u>\$ 142,516</u>	<u>\$ 554,546</u>

# CITY OF VASSAR

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2014

**2012 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS**

Issue dated July 12, 2012 in the amount of	\$ 671,000
Less: Principal paid in prior years	(75,000)
Principal paid in current year	<u>(69,000)</u>
Balance payable at June 30, 2014	<u>\$ 527,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i>	<i><u>Interest due</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2015	2.190%	\$ 68,000	\$ 11,169	\$ 79,169
2016	2.190%	68,000	9,680	77,680
2017	2.190%	63,000	8,212	71,212
2018	2.190%	61,000	6,844	67,844
2019	2.190%	61,000	5,508	66,508
2020	2.190%	61,000	4,172	65,172
2021	2.190%	61,000	2,836	63,836
2022	2.190%	<u>84,000</u>	<u>1,380</u>	<u>85,380</u>
		<u>\$ 527,000</u>	<u>\$ 49,801</u>	<u>\$ 576,801</u>

Note: The Sewer Fund is obligated for 56.4% and the Water Fund is obligated for 43.6% of this debt.

Sewer Fund	\$ 297,228
Water Fund	<u>229,772</u>
	<u>\$ 527,000</u>

# CITY OF VASSAR

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2014

#### 2013 LIMITED TAX GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS

Issue dated September 13, 2013 in the amount of	\$	760,000
Less:		
Amount not drawn		(374,000)
Principal paid in prior year		-
Principal paid in current year		-
		<u>          </u>
Balance payable at June 30, 2014	\$	<u>386,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>October 1</u>	<u>Interest due</u> <u>October 1</u>	<u>Interest due</u> <u>April 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2015	2.125%	\$ 12,000	\$ 3,983	\$ 7,948	\$ 23,931
2016	2.125%	12,000	7,948	7,820	27,768
2017	2.125%	13,000	7,820	7,682	28,502
2018	2.125%	13,000	7,682	7,544	28,226
2019	2.125%	13,000	7,544	7,406	27,950
2020	2.125%	14,000	7,406	7,257	28,663
2021	2.125%	14,000	7,257	7,108	28,365
2022	2.125%	14,000	7,108	6,959	28,067
2023	2.125%	14,000	6,959	6,811	27,770
2024	2.125%	15,000	6,811	6,651	28,462
2025	2.125%	15,000	6,651	6,492	28,143
2026	2.125%	15,000	6,492	6,333	27,825
2027	2.125%	16,000	6,333	6,163	28,496
2028	2.125%	16,000	6,163	5,993	28,156
2029	2.125%	16,000	5,993	5,823	27,816
2030	2.125%	17,000	5,823	5,642	28,465
2031	2.125%	17,000	5,642	5,461	28,103
2032	2.125%	18,000	5,461	5,270	28,731
2033	2.125%	18,000	5,270	5,079	28,349
2034	2.125%	18,000	5,079	4,888	27,967
2035	2.125%	19,000	4,888	4,686	28,574
2036	2.125%	19,000	4,686	4,484	28,170
2037	2.125%	19,000	4,484	4,282	27,766
2038	2.125%	20,000	4,282	4,069	28,351
2039	2.125%	20,000	4,069	3,857	27,926
2040	2.125%	21,000	3,857	3,634	28,491
2041	2.125%	21,000	3,634	3,411	28,045
2042	2.125%	22,000	3,411	3,177	28,588
2043	2.125%	22,000	3,177	2,943	28,120
2044	2.125%	23,000	2,943	2,699	28,642
2045	2.125%	23,000	2,699	2,454	28,153

continued



# CITY OF VASSAR

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**

June 30, 2014

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>April 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2046	2.125%	23,000	2,454	2,210	27,664
2047	2.125%	24,000	2,210	1,955	28,165
2048	2.125%	25,000	1,955	1,689	28,644
2049	2.125%	25,000	1,689	1,424	28,113
2050	2.125%	26,000	1,424	1,148	28,572
2051	2.125%	26,000	1,148	871	28,019
2052	2.125%	27,000	871	584	28,455
2053	2.125%	27,000	584	298	27,882
2054	2.125%	<u>28,000</u>	<u>298</u>	<u>-</u>	<u>28,298</u>
		\$ 760,000	\$ 184,188	\$ 180,205	\$ 1,124,393
Less: Amount not drawn yet		<u>(374,000)</u>			
		<u>\$ 386,000</u>			



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

To the City Council  
City of Vassar, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Vassar, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Vassar's basic financial statements, and have issued our report thereon dated October 6, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, we identified, and noted below, deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Other material weaknesses may exist that have not been identified.

**Recording, Processing and Summarizing Accounting Data**

Criteria: All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the recording, processing and summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the City has placed reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.

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

Cause: This condition was caused by the City's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the City to perform these tasks internally.

Effect: As a result of this condition, the City lacks internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The City has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the City to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Berthiaume & Co.*

Saginaw, Michigan  
October 6, 2014