

**CITY OF MASON  
INGHAM COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS  
(with required and additional  
supplementary information)**

**YEAR ENDED JUNE 30, 2019**

CITY COUNCIL AND ADMINISTRATION

Russ Whipple	Mayor
Marlon Brown	Mayor Pro-Tem
Jerry Schaffer	Council member
Angela Madden	Council member
Jon Droscha	Council member
Elaine Ferris	Council member
Rita Vogel	Council member
Deborah Stuart	City Manager

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mason, Michigan (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mason, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

*Maney Costeiran PC*

September 30, 2019

**CITY OF MASON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

Our discussion and analysis of the City of Mason's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

**Government-wide Financial Statements**

The City's government-wide statements can be found on pages 11 and 12 of this report. These statements report information about the City as a whole under the full accrual method of accounting, which is similar to the accounting used by most private-sector companies. The statement of net position includes all, both current and long-term, of the government's assets and liabilities and the statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**CITY OF MASON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Government-wide Financial Statements (continued)**

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

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

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

**Fund Financial Statements**

The City's fund financial statements begin on page 13 of this report. These statements provide more detailed information about the City's most significant funds. The City uses funds to account for specific sources of funding and spending for particular purposes. Some funds are required by state law and others are established by the City to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

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

- Governmental funds - Most of the City's basic services are included in governmental funds. These funds focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because governmental fund information has a short-term focus and the government-wide statement incorporates long-term information, we describe the relationship (or differences) between governmental activities and governmental funds in reconciliations on pages 14 and 16.
- Proprietary funds - When the City charges customers fees for the services it provides, the fees are generally reported in proprietary funds. Similar to the reporting method used on the government-wide statements, proprietary funds provide both long- and short-term financial information.
  - In fact, the City's Enterprise Fund (water and sewer) is the same as its business-type activity, but provides more detail and additional information.
  - We use an Internal Service Fund (the other type of proprietary fund) to report activities that provide services and supplies to other programs and activities within the City. The City's Motor Vehicle Pool Fund falls into this category.



**CITY OF MASON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Fund Financial Statements (continued)**

- Fiduciary funds - The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The delinquent tax and payroll funds are fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 50 of the report.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2019:

- The net position of the governmental activities increased by \$1,500,534, or 7.22%, and the net position of the business-type activities increased by \$5,700, or 0.04%.
- State shared revenues, the largest individual revenue source after property taxes, increased \$34,400 to \$773,643 during the current fiscal year.
- In the City's business-type activities, revenues were approximately \$3.27 million while expenses were approximately \$3.26 million.
- Total costs of all the City's programs were approximately \$10.62 million, an increase of approximately 1.00% over the prior fiscal year.
- The General Fund reported an increase in fund balance of \$910,235.

**The City as a Whole**

The following table shows, in a condensed format, the current year's net position for the years ended June 30, 2019 and 2018:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 11,737,407	\$ 10,728,857	\$ 2,637,483	\$ 2,406,346	\$ 14,374,890	\$ 13,135,203
Capital assets, net	20,519,004	20,314,028	17,839,252	18,475,561	38,358,256	38,789,589
Total assets	32,256,411	31,042,885	20,476,735	20,881,907	52,733,146	51,924,792
Deferred Outflows of Resources	1,630,026	1,109,401	612,663	450,801	2,242,689	1,560,202
Current Liabilities	746,977	1,160,767	643,977	616,582	1,390,954	1,777,349
Noncurrent Liabilities	10,439,232	9,773,384	6,291,227	6,542,864	16,730,459	16,316,248
Total liabilities	11,186,209	10,934,151	6,935,204	7,159,446	18,121,413	18,093,597
Deferred Inflows of Resources	425,012	443,453	165,282	190,050	590,294	633,503
Net Position						
Net investment in Capital Assets	17,045,489	16,637,488	14,005,578	14,261,887	31,051,067	30,899,375
Restricted	3,329,108	1,840,957	-	-	3,329,108	1,840,957
Unrestricted	1,900,619	2,296,237	(16,666)	(278,675)	1,883,953	2,017,562
Total net position	<u>\$ 22,275,216</u>	<u>\$ 20,774,682</u>	<u>\$ 13,988,912</u>	<u>\$ 13,983,212</u>	<u>\$ 36,264,128</u>	<u>\$ 34,757,894</u>

**CITY OF MASON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**The City as a Whole (continued)**

The City's combined net position increased from approximately \$34.76 million a year ago to \$36.26 million.

Except for the unrestricted net position deficit in Business-type activities, the City reports positive balances in all other categories of net position. The net position deficit is a direct result of the net pension liability from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and the other postemployment benefit liability from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in fiscal year 2018.

Approximately 76.52% of the City's net position of governmental activities reflects its investment in capital less any related debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position of governmental activities of approximately \$1.90 million represents the amount that may be used to meet the City's ongoing obligations.

Net position of the City's governmental activities increased approximately 7.22% to \$22.28 million.

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2019 and 2018.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenue						
Charges for services	\$ 1,393,027	\$ 1,007,207	\$ 3,038,500	\$ 2,936,615	\$ 4,431,527	\$ 3,943,822
Operating grants and contributions	1,980,873	1,938,358	-	3,563	1,980,873	1,941,921
Capital grants and contributions	782,853	256,056	14,579	5,420	797,432	261,476
General revenues						
Property taxes	3,321,638	3,299,315	234,213	-	3,555,851	3,299,315
State Revenue Sharing	773,643	739,243	-	-	773,643	739,243
Local community stabilization	139,202	175,318	-	-	139,202	175,318
Investment earnings	104,181	304,940	18,715	9,967	122,896	314,907
Disposal of capital assets	210,000	-	-	-	210,000	-
Miscellaneous	114,166	115,582	-	-	114,166	115,582
Transfers	36,065	37,713	(36,065)	(37,713)	-	-
Total revenues	<u>8,855,648</u>	<u>7,873,732</u>	<u>3,269,942</u>	<u>2,917,852</u>	<u>12,125,590</u>	<u>10,791,584</u>
Expenses						
General government	2,621,246	2,200,045	-	-	2,621,246	2,200,045
Public safety	1,804,003	1,950,688	-	-	1,804,003	1,950,688
Public works	2,172,303	2,159,920	-	-	2,172,303	2,159,920
Community and economic development	165,060	131,042	-	-	165,060	131,042
Recreation and culture	457,584	653,609	-	-	457,584	653,609
Interest on long-term debt	134,918	136,830	-	-	134,918	136,830
Water and Sewer	-	-	3,264,242	3,282,304	3,264,242	3,282,304
Total expenses	<u>7,355,114</u>	<u>7,232,134</u>	<u>3,264,242</u>	<u>3,282,304</u>	<u>10,619,356</u>	<u>10,514,438</u>
Change in net position	<u>\$ 1,500,534</u>	<u>\$ 641,598</u>	<u>\$ 5,700</u>	<u>\$ (364,452)</u>	<u>\$ 1,506,234</u>	<u>\$ 277,146</u>

**CITY OF MASON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Governmental activities** - Governmental activities increased the City's net position by \$1,500,534. Key elements of this increase are as follows:

- The cost of all governmental activities this year was approximately \$7.35 million.
- The amount that City taxpayers paid for these activities through City taxes was approximately \$3.32 million.
- Some of the cost was paid by the beneficiaries of the program's activities (approximately \$1.39 million), or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$2.76 million).
- Increase in capital spending in governmental activities areas.

**Business-type activities** - Business-type activities increased the City's net position by \$5,700. Key elements of this increase are as follows:

- Increasing costs of operations and maintenance of the water and sewer system.
- Increase in capital spending in business-type activities.

**The City's Funds**

The analysis of the City's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major governmental funds for fiscal year 2019 were the General Fund, Special Assessment Fund, and Capital Improvements Fund. These funds, along with the remaining nonmajor governmental funds, reported a combined fund balance of approximately \$10.27 million, an increase from last year's combined fund balance of \$9.04 million.

The General Fund pays for the majority of the City's governmental services. The most significant services provided by the General Fund during the fiscal year were general government, which includes the City Council, City Manager, Clerk, Treasurer, and public safety, which includes police and fire services. Those two services make up approximately 71.54% of the total General Fund expenditures.

The Special Assessment Fund accounts for resources used for the assessment of property values. Fund balance decreased to \$355,564 as of the fiscal year end.

The Capital Improvements Fund accounts for resources used for the City's capital projects. Fund balance decreased to \$46,605 as of the fiscal year end.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City budget several times. The City began the year expecting to use approximately \$33,630 of the General Fund's fund balance and ended the year anticipating a fund balance increase of approximately \$144,230. The City's amendments included increasing both revenue and expenditures as actual amounts became known. The result was an actual increase of \$910,235 to the General Fund's fund balance.

**CITY OF MASON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Capital Asset and Debt Administration**

At the end of the 2019 fiscal year, the City had invested approximately \$38.36 million in a broad range of capital assets, including buildings and improvements, public safety (police and fire) equipment, parks and recreational facilities, roads, a water well, and water and sewer lines. More detailed information about the City's capital assets is presented in Note 5 to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,855,487	\$ 25,609	\$ 1,881,096
Construction in progress	647,039	116,345	763,384
Land improvements, net	1,671,511	-	1,671,511
Buildings and improvements, net	5,225,635	187,558	5,413,193
Infrastructure, net	9,968,786	17,509,740	27,478,526
Vehicles and equipment, net	1,150,546	-	1,150,546
Capital assets, net	<u>\$ 20,519,004</u>	<u>\$ 17,839,252</u>	<u>\$ 38,358,256</u>

At year end, the City had \$7.81 million in bonds, notes, and compensated absences outstanding. This represents a net decrease of \$0.61 million from the previous fiscal year. More detailed information about the City's long-term liabilities is presented in Note 6 to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 3,305,000	\$ -	\$ 3,305,000
Special assessment bonds	105,000	-	105,000
Revolving fund loan	-	3,833,674	3,833,674
Accrued compensated absences	316,108	127,337	443,445
Unamortized bond items	118,115	-	118,115
Total outstanding debt	<u>\$ 3,844,223</u>	<u>\$ 3,961,011</u>	<u>\$ 7,805,234</u>

The City of Mason has been given a bond rating of "AA-" by Standard and Poor's.

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

The City's budget goals for the 2019/2020 fiscal year includes maintaining appropriate funding for critical and basic services and evaluating and working towards investments in our facilities. This includes the investment in the library facility, public works facility, and the expansion of the wastewater treatment plant over the next three years. A new cost study for water and sewer fees has been started and will be completed in the fall to ensure that user fees adequately cover current and future needs. The City of Mason continues to seek appropriate means of investment and growth of taxable values while reevaluating services provided and the cost of those services.

**CITY OF MASON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Economic Factors and Next Year's Budgets and Rates (continued)**

Total expenses in the General Fund for the 2019/2020 fiscal year are estimated to be \$7.95 million. This includes continuing the General Fund's contribution to the street program, continued improvements to the City Parks, library improvements and the increasing costs for pension and other post-employment benefits.

The City will continue to monitor and evaluate the Water and Sewer Fund over the next several years for future expenditures as a result of the new lead and copper rule and the continued improvements needed to infrastructure.

**Contacting the City of Mason Management**

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the City Manager's office at the City of Mason or call 517-676-9155.

## **BASIC FINANCIAL STATEMENTS**

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 7,254,009	\$ 1,975,391	\$ 9,229,400	\$ 1,171,344
Investments	3,584,361	-	3,584,361	-
Receivables	605,640	633,751	1,239,391	4,763
Due from other governmental units	268,309	-	268,309	-
Internal balances	10,334	(10,334)	-	-
Inventory	-	38,675	38,675	-
Prepays	14,754	-	14,754	-
<b>Total current assets</b>	<b>11,737,407</b>	<b>2,637,483</b>	<b>14,374,890</b>	<b>1,176,107</b>
Noncurrent assets				
Capital assets not being depreciated	2,502,526	141,954	2,644,480	-
Capital assets, net of accumulated depreciation	18,016,478	17,697,298	35,713,776	-
<b>Total noncurrent assets</b>	<b>20,519,004</b>	<b>17,839,252</b>	<b>38,358,256</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>32,256,411</b>	<b>20,476,735</b>	<b>52,733,146</b>	<b>1,176,107</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	54,600	-	54,600	-
Deferred outflows of resources related to pensions	1,011,707	393,440	1,405,147	-
Deferred outflows of resources related to OPEB	563,719	219,223	782,942	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,630,026</b>	<b>612,663</b>	<b>2,242,689</b>	<b>-</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	284,300	160,495	444,795	15,613
Accrued wages	53,823	22,238	76,061	-
Accrued liabilities	12,530	-	12,530	-
Due to other governmental units	6,233	-	6,233	2,600
Accrued interest payable	32,060	20,366	52,426	-
Unearned revenue	8,055	-	8,055	-
Current portion of compensated absences	179,351	50,878	230,229	-
Current portion of long-term debt	170,625	390,000	560,625	-
<b>Total current liabilities</b>	<b>746,977</b>	<b>643,977</b>	<b>1,390,954</b>	<b>18,213</b>
Noncurrent liabilities				
Noncurrent portion of compensated absences	136,757	76,459	213,216	-
Noncurrent portion of long-term debt	3,357,490	3,443,674	6,801,164	-
Net pension liability	5,249,219	2,041,362	7,290,581	-
Net other post-employment benefits liability	1,695,766	729,732	2,425,498	-
<b>Total noncurrent liabilities</b>	<b>10,439,232</b>	<b>6,291,227</b>	<b>16,730,459</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>11,186,209</b>	<b>6,935,204</b>	<b>18,121,413</b>	<b>18,213</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	425,012	165,282	590,294	-
<b>NET POSITION</b>				
Net investment in capital assets	17,045,489	14,005,578	31,051,067	-
Restricted	3,329,108	-	3,329,108	-
Unrestricted	1,900,619	(16,666)	1,883,953	1,157,894
<b>TOTAL NET POSITION</b>	<b>\$ 22,275,216</b>	<b>\$ 13,988,912</b>	<b>\$ 36,264,128</b>	<b>\$ 1,157,894</b>

See notes to financial statements.

**CITY OF MASON  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 2,621,246	\$ 338,711	\$ 1,139,551	\$ -	\$ (1,142,984)	\$ -	\$ (1,142,984)	\$ -
Public safety	1,804,003	238,900	3,402	648	(1,561,053)	-	(1,561,053)	-
Public works	2,172,303	780,946	826,980	94,699	(469,678)	-	(469,678)	-
Community and economic development	165,060	-	-	73,923	(91,137)	-	(91,137)	-
Recreation and culture	457,584	34,470	10,940	613,583	201,409	-	201,409	-
Interest on long-term debt	134,918	-	-	-	(134,918)	-	(134,918)	-
<b>Total governmental activities</b>	<b>7,355,114</b>	<b>1,393,027</b>	<b>1,980,873</b>	<b>782,853</b>	<b>(3,198,361)</b>	<b>-</b>	<b>(3,198,361)</b>	<b>-</b>
<b>Business-type activities</b>								
Water and Sewer	3,264,242	3,038,500	-	14,579	-	(211,163)	(211,163)	-
<b>Total primary government</b>	<b>\$ 10,619,356</b>	<b>\$ 4,431,527</b>	<b>\$ 1,980,873</b>	<b>\$ 797,432</b>	<b>(3,198,361)</b>	<b>(211,163)</b>	<b>(3,409,524)</b>	<b>-</b>
<b>Component units</b>								
Local Development Finance Authority	\$ 33,710	\$ -	\$ 82,748	\$ -	-	-	-	49,038
Downtown Development Authority	115,187	-	9,130	-	-	-	-	(106,057)
<b>Total component units</b>	<b>\$ 148,897</b>	<b>\$ -</b>	<b>\$ 91,878</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57,019)</b>
<b>General revenues</b>								
Property taxes					3,321,638	234,213	3,555,851	626,697
State shared revenue					773,643	-	773,643	-
Local community stabilization					139,202	-	139,202	-
Investment earnings					104,181	18,715	122,896	12,692
Disposal of capital assets					210,000	-	210,000	-
Miscellaneous					114,166	-	114,166	-
Transfers					36,065	(36,065)	-	-
<b>Total general revenues and transfers</b>					<b>4,698,895</b>	<b>216,863</b>	<b>4,915,758</b>	<b>639,389</b>
<b>Change in net position</b>					<b>1,500,534</b>	<b>5,700</b>	<b>1,506,234</b>	<b>582,370</b>
<b>Net position, beginning of year</b>					<b>20,774,682</b>	<b>13,983,212</b>	<b>34,757,894</b>	<b>575,524</b>
<b>Net position, end of year</b>					<b>\$ 22,275,216</b>	<b>\$ 13,988,912</b>	<b>\$ 36,264,128</b>	<b>\$ 1,157,894</b>

See notes to financial statements.



**CITY OF MASON  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

	General	Special Assessment	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,108,128	\$ 353,881	\$ 61,605	\$ 3,316,915	\$ 6,840,529
Investments	2,857,736	-	-	726,625	3,584,361
Receivables					
Accounts	44,226	-	-	1,447	45,673
Taxes	7,182	-	-	-	7,182
Special assessments	-	552,785	-	-	552,785
Due from other governmental units	127,996	-	-	140,313	268,309
Due from other funds	123,580	1,682	-	255,110	380,372
Prepays	14,754	-	-	-	14,754
<b>TOTAL ASSETS</b>	<b><u>\$ 6,283,602</u></b>	<b><u>\$ 908,348</u></b>	<b><u>\$ 61,605</u></b>	<b><u>\$ 4,440,410</u></b>	<b><u>\$ 11,693,965</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 83,966	\$ -	\$ 15,000	\$ 173,477	\$ 272,443
Accrued wages	49,144	-	-	3,531	52,675
Accrued liabilities	12,530	-	-	-	12,530
Due to other governmental units	-	-	-	6,233	6,233
Due to other funds	216,421	-	-	181,462	397,883
Unearned revenue	8,055	-	-	-	8,055
<b>TOTAL LIABILITIES</b>	<b>370,116</b>	<b>-</b>	<b>15,000</b>	<b>364,703</b>	<b>749,819</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	123,327	552,784	-	-	676,111
<b>FUND BALANCES</b>					
Nonspendable	2,872,490	-	-	-	2,872,490
Restricted	-	179,629	-	3,181,539	3,361,168
Committed	-	-	46,605	894,168	940,773
Assigned	895,923	175,935	-	-	1,071,858
Unassigned	2,021,746	-	-	-	2,021,746
<b>TOTAL FUND BALANCES</b>	<b><u>5,790,159</u></b>	<b><u>355,564</u></b>	<b><u>46,605</u></b>	<b><u>4,075,707</u></b>	<b><u>10,268,035</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 6,283,602</u></b>	<b><u>\$ 908,348</u></b>	<b><u>\$ 61,605</u></b>	<b><u>\$ 4,440,410</u></b>	<b><u>\$ 11,693,965</u></b>

See notes to financial statements.

**CITY OF MASON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

**Total fund balances - governmental funds** \$ 10,268,035

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

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

The cost of capital assets is	\$ 42,323,864	
Accumulated depreciation is	<u>(22,624,600)</u>	
Capital assets, net		19,699,264

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the government-wide statement of net position.

Net position of governmental activities accounted for in the Internal Service Fund		1,244,465
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Long-term receivables are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds. These consist of:

Unavailable revenue		552,784
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Various amounts due from other governmental units are not expected to be collected within 60 days of year end and are not available to pay for current period expenditures.		123,327
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pension/OPEB contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	1,011,707	
Deferred inflows of resources related to pensions	(425,012)	
Deferred outflows of resources related to OPEB	<u>563,719</u>	
		1,150,414

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

Unamortized defeased debt		54,600
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct City obligations	3,410,000	
Capitalized bond premiums	118,115	
Accrued interest payable	32,060	
Compensated absences	312,513	
Net pension liability	5,249,219	
Net other post-employment benefits liability	<u>1,695,766</u>	

(10,817,673)

<b>Net position of governmental activities</b>		<u><u>\$ 22,275,216</u></u>
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See notes to financial statements.

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

	General	Special Assessment	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 3,448,326	\$ -	\$ -	\$ -	\$ 3,448,326
Special Assessments	-	107,595	-	-	107,595
Licenses and permits	94,951	-	613,583	-	708,534
Intergovernmental	2,047,899	-	-	921,679	2,969,578
Charges for services	695,557	-	-	2,918	698,475
Fines and forfeits	34,982	-	-	-	34,982
Investment earnings, rents, and royalties, net	177,718	22,808	-	21,958	222,484
Other	309,305	-	-	4,591	313,896
<b>TOTAL REVENUES</b>	<b>6,808,738</b>	<b>130,403</b>	<b>613,583</b>	<b>951,146</b>	<b>8,503,870</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	2,105,647	-	-	-	2,105,647
Public safety	1,754,597	-	-	-	1,754,597
Public works	750,459	-	-	815,881	1,566,340
Community and economic development	162,060	-	-	3,000	165,060
Recreation and culture	333,790	-	-	-	333,790
Capital outlay	117,219	-	934,571	-	1,051,790
Debt service	238,025	55,863	-	41,030	334,918
<b>TOTAL EXPENDITURES</b>	<b>5,461,797</b>	<b>55,863</b>	<b>934,571</b>	<b>859,911</b>	<b>7,312,142</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,346,941</b>	<b>74,540</b>	<b>(320,988)</b>	<b>91,235</b>	<b>1,191,728</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	187,761	-	-	676,187	863,948
Transfers out	(624,467)	(104,529)	-	(98,887)	(827,883)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(436,706)</b>	<b>(104,529)</b>	<b>-</b>	<b>577,300</b>	<b>36,065</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>910,235</b>	<b>(29,989)</b>	<b>(320,988)</b>	<b>668,535</b>	<b>1,227,793</b>
Fund balance, beginning of year	4,879,924	385,553	367,593	3,407,172	9,040,242
Fund balances, end of year	<u>\$ 5,790,159</u>	<u>\$ 355,564</u>	<u>\$ 46,605</u>	<u>\$ 4,075,707</u>	<u>\$ 10,268,035</u>

See notes to financial statements.

**CITY OF MASON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

**Net change in fund balances - total governmental funds** \$ 1,227,793

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

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

Capital outlay	\$ 1,338,834
Capital contributions	73,923
Depreciation expense	<u>(1,357,370)</u>

Excess of capital outlay and capital contributions over depreciation expense	55,387
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net position of Internal Service Fund	67,558
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in unavailable receivable	241,790
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Amortization of deferred charges on refunding	(2,600)
Amortization of capitalized bond premiums	5,625
Long-term debt principal retirements	<u>200,000</u>

203,025

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

Increase in deferred outflows of resources related to pensions	525,024
Decrease in deferred inflows of resources related to pensions	18,441
(Decrease) in deferred outflows of resources related to OPEB	(1,799)
Decrease in accrued interest payable	1,436
(Increase) in compensated absences	(2,654)
(Increase) in net pension liability	(910,431)
Decrease in net other post-employment benefits liability	<u>74,964</u>

(295,019)

<b>Change in net position of governmental activities</b>	<b><u><u>\$ 1,500,534</u></u></b>
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**CITY OF MASON  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019**

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,975,391	\$ 413,480
Accounts receivable	633,751	-
Due from other funds	-	28,845
Inventory	38,675	-
Total current assets	2,647,817	442,325
Noncurrent assets		
Capital assets not being depreciated	141,954	105,988
Capital assets, net of accumulated depreciation	17,697,298	713,752
Total noncurrent assets	17,839,252	819,740
<b>TOTAL ASSETS</b>	20,487,069	1,262,065
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	393,440	-
Deferred outflows of resources related to OPEB	219,223	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	612,663	-
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	160,495	11,857
Accrued wages	22,238	1,148
Accrued interest payable	20,366	-
Due to other funds	10,334	1,000
Current portion of compensated absences	50,878	2,040
Current portion of long-term debt	390,000	-
Total current liabilities	654,311	16,045
Noncurrent liabilities		
Noncurrent portion of compensated absences	76,459	1,555
Noncurrent portion of long-term debt	3,443,674	-
Net pension liability	2,041,362	-
Net OPEB liability	729,732	-
Total noncurrent liabilities	6,291,227	1,555
<b>TOTAL LIABILITIES</b>	6,945,538	17,600
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	165,282	-
<b>NET POSITION</b>		
Net investment in capital assets	14,005,578	819,740
Unrestricted	(16,666)	424,725
<b>TOTAL NET POSITION</b>	\$ 13,988,912	\$ 1,244,465

See notes to financial statements.

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

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service Fund - Motor Vehicle Pool</u>
OPERATING REVENUES		
Internal user charges	\$ -	\$ 436,821
Water user charges	1,522,104	-
Sewer user charges	1,456,064	-
Interest and penalty charges	47,003	-
Rent	500	-
Other	12,829	4,879
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	3,038,500	441,700
OPERATING EXPENSES		
Cost of water produced	493,919	-
Cost of sewage treatment	1,015,294	-
Operation and maintenance	634,727	226,998
Billing and administrative costs	160,961	-
Depreciation	871,819	149,932
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	3,176,720	376,930
OPERATING INCOME (LOSS)	(138,220)	64,770
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	14,579	-
Taxes	234,213	-
Investment income	18,715	2,788
Interest expense and fees	(87,522)	-
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	179,985	2,788
INCOME BEFORE TRANSFERS	41,765	67,558
OTHER FINANCING (USES)		
Transfers out	(36,065)	-
	<hr/>	<hr/>
CHANGE IN NET POSITION	5,700	67,558
Net position, beginning of year	<hr/>	<hr/>
	13,983,212	1,176,907
Net position, end of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 13,988,912	\$ 1,244,465

See notes to financial statements.

**CITY OF MASON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2019**

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 2,966,358	\$ 441,700
Cash paid to suppliers	(1,253,289)	(143,331)
Cash paid to employees	(1,082,214)	(72,044)
NET CASH PROVIDED BY OPERATING ACTIVITIES	630,855	226,325
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipt (payment) of interfund balances	(24,190)	(26,304)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Intergovernmental	14,579	-
Taxes	234,213	-
Payments on borrowing	(380,000)	-
Purchase of capital assets	(235,510)	(299,521)
Interest expense and fees	(92,623)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(459,341)	(299,521)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	18,715	2,788
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	166,039	(96,712)
Cash and cash equivalents, beginning of year	1,809,352	510,192
Cash and cash equivalents, end of year	\$ 1,975,391	\$ 413,480
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating income (loss)	\$ (138,220)	\$ 64,770
Adjustment to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	871,819	149,932
(Increase) decrease in:		
Accounts receivable	(77,563)	-
Due from other governmental units	5,421	-
Inventory	(1,749)	-
Deferred outflow of resources related to pensions	(185,004)	-
Deferred outflow of resources related to OPEB	23,142	-
Increase (decrease) in:		
Accounts payable	31,481	11,857
Accrued wages	(1,176)	(257)
Compensated absences	(25,246)	23
Net pension liability	181,872	-
Net OPEB liability	(29,154)	-
Deferred inflow of resources related to pensions	(24,768)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 630,855	\$ 226,325

See notes to financial statements.

**CITY OF MASON  
FIDUCIARY FUNDS  
STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2019**

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$    20,765</u>
LIABILITIES	
Due to individuals and agencies	<u>\$    20,765</u>



**CITY OF MASON  
 COMPONENT UNITS  
 COMBINING STATEMENT OF NET POSITION  
 JUNE 30, 2019**

	Local Development Finance Authority	Downtown Development Authority	Total Component Units
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 996,780	\$ 174,564	\$ 1,171,344
Receivables	-	4,763	4,763
TOTAL ASSETS	996,780	179,327	1,176,107
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	15,613	15,613
Due to other governmental units	1,800	800	2,600
TOTAL LIABILITIES	1,800	16,413	18,213
<b>NET POSITION</b>			
Unrestricted	\$ 994,980	\$ 162,914	\$ 1,157,894

**CITY OF MASON  
 COMPONENT UNITS  
 COMBINING STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>		
			<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total Component Units</u>
Governmental activities					
Local Development Finance Authority	\$ 33,710	\$ 82,748	\$ 49,038	\$ -	\$ 49,038
Downtown Development Authority	<u>115,187</u>	<u>9,130</u>	<u>-</u>	<u>(106,057)</u>	<u>(106,057)</u>
Total component units	<u>\$ 148,897</u>	<u>\$ 91,878</u>	49,038	(106,057)	(57,019)
General revenues					
Property taxes			541,049	85,648	626,697
Investment earnings			<u>10,500</u>	<u>2,192</u>	<u>12,692</u>
Total general revenues			<u>551,549</u>	<u>87,840</u>	<u>639,389</u>
Change in net position			600,587	(18,217)	582,370
Net position, beginning of year			<u>394,393</u>	<u>181,131</u>	<u>575,524</u>
Net position, end of year			<u>\$ 994,980</u>	<u>\$ 162,914</u>	<u>\$ 1,157,894</u>

See notes to financial statements.

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

Reporting Entity

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

Blended Component Units

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

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

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

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Discretely Presented Component Units

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

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

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

Basis of Presentation

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Special Assessment Fund accounts for the revenue from special assessments used for the payment of principal and interest on long-term special assessment debt.
- c. The Capital Improvement Fund accounts for restricted resources that are used for building and improvement of long-term assets.

The City reports the following major enterprise fund:

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

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

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

Measurement Focus

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

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

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

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Accounting

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

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

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

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

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

Budgets and Budgetary Accounting

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

- a. On the Council meeting date nearest to the third Monday in April, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers’ comments.
- c. Prior to the second regular Council meeting in May, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgets and Budgetary Accounting (continued)

- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value in accordance with the applicable GASB Statement. In accordance with GASB Statement No. 72, the City has accounted for its natural resources and land held for resale as investments of the City.

Due from Other Governmental Units

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

Receivables

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

Property Tax

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

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

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property Tax (continued)

The City is permitted by charter to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2019, the City levied 15.2500 mills per \$1,000 of taxable valuation for general governmental services. The total ad valorem taxable value for the 2018 levy for property within the City was \$228,402,616.

Inventory

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

Prepays

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

Compensated Absences

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

Interfund Transactions

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

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



**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

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

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

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

Unearned Revenue

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

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

Long-term Liabilities

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

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

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Outflows/Inflows of Resources

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

The City reports deferred outflows of resources for the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources and deferred inflows of resources which correspond to the City's net pension liability and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

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

Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements.

Net Other Post-Employment Benefits Liability

The net other post-employment benefit asset is deemed to be a noncurrent liability and is recognized in the government-wide financial statements.

Comparative Data

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

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

Deposits

As of June 30, 2019, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 5,163,190	\$ 4,993,948
FIDUCIARY FUNDS		
Checking	20,765	22,219
COMPONENT UNITS		
Checking and savings	<u>1,151,544</u>	<u>1,151,544</u>
TOTAL REPORTING ENTITY	<u><u>\$ 6,335,499</u></u>	<u><u>\$ 6,167,711</u></u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2019, the City accounts were federally insured for \$1,044,413 and the amount of \$5,123,298 was uninsured and uncollateralized. The City had \$552 of imprest cash on hand.

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

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

	<u>Fair Value Measurements</u>					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Weighted Average Maturity	S&P Rating
<b>PRIMARY GOVERNMENT</b>						
Uncategorized pooled investment funds						
Michigan CLASS	\$ -	\$ 4,065,658	\$ -	\$ 4,065,658	44 days	AAAm
Natural resources	-	-	726,625	726,625	N/A	N/A
Land	-	-	2,857,736	2,857,736	N/A	N/A
<b>COMPONENT UNITS</b>						
Uncategorized pooled investment funds						
Michigan CLASS	-	19,800	-	19,800	44 days	AAAm
Total investments at fair value	<u>\$ -</u>	<u>\$ 4,085,458</u>	<u>\$ 3,584,361</u>	<u>\$ 7,669,819</u>		

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2019, rating information on the City's investments is presented above.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

The cash, cash equivalents, and investments referred to above have been reported in the cash and cash and investments equivalents captions on the basic financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2019:

	Primary Government	Fiduciary Funds	Component Units	Reporting Entity
Cash and cash equivalents	\$ 9,229,400	\$ 20,765	\$ 1,171,344	\$ 10,421,509
Investments	3,584,361	-	-	3,584,361
	<u>\$ 12,813,761</u>	<u>\$ 20,765</u>	<u>\$ 1,171,344</u>	<u>\$ 14,005,870</u>

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2019, are as follows:

Due to General Fund from:	
Internal Service Fund	\$ 1,000
Nonmajor governmental funds	<u>122,580</u>
	<u><u>\$ 123,580</u></u>
Due to Special Assessment Fund from:	
General Fund	<u>\$ 1,682</u>
Due to Internal Service Fund from:	
General Fund	\$ 11,348
Water and Sewer Fund	10,334
Nonmajor governmental funds	<u>7,163</u>
	<u><u>\$ 28,845</u></u>
Due to nonmajor governmental funds from:	
General Fund	\$ 203,391
Nonmajor governmental funds	<u>51,719</u>
	<u><u>\$ 255,110</u></u>

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

**NOTE 4 - INTERFUND TRANSFERS**

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

Transfers to General Fund from:	
Special Assessment Fund	\$ 104,529
Water and Sewer Fund	36,065
Nonmajor governmental funds	<u>47,167</u>
	<u><u>\$ 187,761</u></u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 624,467
Nonmajor governmental funds	<u>51,720</u>
	<u><u>\$ 676,187</u></u>

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INTERFUND TRANSFERS (continued)**

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

**NOTE 5 - CAPITAL ASSETS**

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

**Primary Government**

	Restated Balance July 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2019
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,855,487	\$ -	\$ -	\$ 1,855,487
Construction in progress	1,013,372	479,077	(845,410)	647,039
Subtotal	2,868,859	479,077	(845,410)	2,502,526
Capital assets being depreciated				
Land improvements	2,009,802	994,146	-	3,003,948
Buildings and improvements	6,912,233	188,961	-	7,101,194
Vehicles and equipment	5,016,113	250,190	(724,642)	4,541,661
Infrastructure	26,770,385	645,314	-	27,415,699
Subtotal	40,708,533	2,078,611	(724,642)	42,062,502
Less accumulated depreciation for:				
Land improvements	(1,215,833)	(116,604)	-	(1,332,437)
Buildings and improvements	(1,693,715)	(181,844)	-	(1,875,559)
Vehicles and equipment	(3,851,074)	(264,683)	724,642	(3,391,115)
Infrastructure	(16,502,742)	(944,171)	-	(17,446,913)
Subtotal	(23,263,364)	(1,507,302)	724,642	(24,046,024)
Net capital assets being depreciated	17,445,169	571,309	-	18,016,478
Capital assets, net	<u>\$ 20,314,028</u>	<u>\$ 1,050,386</u>	<u>\$ (845,410)</u>	<u>\$ 20,519,004</u>

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS (continued)**

**Primary Government (continued)**

Depreciation expense was charged to the following governmental activities:

General government	\$ 224,756
Public safety	123,743
Public works	1,050,868
Recreation and culture	<u>107,935</u>
Total depreciation expense	<u><u>\$ 1,507,302</u></u>

	Balance July 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2019
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 25,609	\$ -	\$ -	\$ 25,609
Construction in progress	<u>217,624</u>	<u>140,303</u>	<u>(241,582)</u>	<u>116,345</u>
Subtotal	243,233	140,303	(241,582)	141,954
Capital assets being depreciated				
Buildings and improvements	482,220	-	-	482,220
Utility systems	<u>30,636,978</u>	<u>336,789</u>	<u>-</u>	<u>30,973,767</u>
Subtotal	31,119,198	336,789	-	31,455,987
Less accumulated depreciation for:				
Buildings and improvements	(283,805)	(10,857)	-	(294,662)
Utility systems	<u>(12,603,065)</u>	<u>(860,962)</u>	<u>-</u>	<u>(13,464,027)</u>
Subtotal	<u>(12,886,870)</u>	<u>(871,819)</u>	<u>-</u>	<u>(13,758,689)</u>
Net capital assets being depreciated	<u>18,232,328</u>	<u>(535,030)</u>	<u>-</u>	<u>17,697,298</u>
Capital assets, net	<u><u>\$ 18,475,561</u></u>	<u><u>\$ (394,727)</u></u>	<u><u>\$ (241,582)</u></u>	<u><u>\$ 17,839,252</u></u>

**Component Unit**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>Component Unit (LDFA)</b>				
Capital assets being depreciated				
Equipment	\$ 710,587	\$ -	\$ -	\$ 710,587
Less accumulated depreciation for:				
Equipment	<u>(710,587)</u>	<u>-</u>	<u>-</u>	<u>(710,587)</u>
Capital assets, net	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS**

The City issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the government.

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2019.

**Primary Government**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Amounts Due Within One Year
<b>Governmental activities</b>					
General Obligation Bonds					
1997 Building Authority Bonds	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
2015 Refunding Bonds	3,415,000	-	(110,000)	3,305,000	110,000
Other debt					
Special Assessment Bonds	155,000	-	(50,000)	105,000	55,000
Compensated absences	313,431	180,509	(177,832)	316,108	179,351
	<u>3,923,431</u>	<u>180,509</u>	<u>(377,832)</u>	<u>3,726,108</u>	<u>344,351</u>
Capitalized bond premiums	123,740	-	(5,625)	118,115	5,625
Total governmental activities	4,047,171	180,509	(383,457)	3,844,223	349,976
<b>Business-type activities</b>					
Other debt					
Drinking Water Revolving Fund Loan	4,213,674	-	(380,000)	3,833,674	390,000
Compensated absences	152,583	35,719	(60,965)	127,337	50,878
Total business-type activities	<u>4,366,257</u>	<u>35,719</u>	<u>(440,965)</u>	<u>3,961,011</u>	<u>440,878</u>
<b>Total reporting entity</b>	<u>\$ 8,413,428</u>	<u>\$ 216,228</u>	<u>\$ (824,422)</u>	<u>\$ 7,805,234</u>	<u>\$ 790,854</u>

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

2015 Refunding Bonds

\$3,740,000 General Obligation Refunding Bonds dated June 6, 2015, due in annual installments ranging from \$110,000 to \$220,000 through April 1, 2040, with interest ranging from 3.00% to 4.00%, payable semi-annually.

\$ 3,305,000

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

**Primary Government (continued)**

Special Assessment Bonds

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

\$750,000 2005 Special Assessment dated November 18, 2005, due in annual installments ranging from \$50,000 to \$55,000 through November 1, 2020, with interest ranging from 4.50% to 4.55% , payable semi-annually. \$ 105,000

Drinking Water Revolving Fund Loan

\$8,000,000 Water Supply System Bonds dated September 27, 2007, due in annual installments ranging from \$390,000 to \$463,674 through April 1, 2028, with interest of 2.125%, payable semi-annually. \$ 3,833,674

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. Retiring employees are paid for unused vacation and a portion of sick pay. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$443,445 at June 30, 2019. Of this amount, \$316,108 and \$127,337 are shown as accrued liabilities within the government-wide financial statements' governmental and business-type activities, respectively, in accordance with criteria disclosed in Note 1.

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

Year Ending June 30,	Governmental Activities				Business-type Activities	
	General Obligation Bonds		Special Assessment Bonds		Drinking Water Revolving Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 110,000	\$ 125,075	\$ 55,000	\$ 3,513	\$ 390,000	\$ 81,466
2021	110,000	121,775	50,000	1,138	400,000	73,178
2022	115,000	118,475	-	-	405,000	64,678
2023	120,000	115,025	-	-	415,000	56,072
2024	125,000	111,425	-	-	425,000	47,253
2025-2029	685,000	478,725	-	-	1,798,674	96,575
2030-2034	825,000	331,925	-	-	-	-
2035-2039	995,000	156,275	-	-	-	-
2040	220,000	8,250	-	-	-	-
	<u><u>\$ 3,305,000</u></u>	<u><u>\$ 1,566,950</u></u>	<u><u>\$ 105,000</u></u>	<u><u>\$ 4,651</u></u>	<u><u>\$ 3,833,674</u></u>	<u><u>\$ 419,222</u></u>

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

Advance Refunding - Prior

On June 6, 2015, the City defeased a portion of the 2010 Building Authority Bonds, which are due and payable April 1, 2017 through May 1, 2040. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation 2015 Refunding Bonds in the amount of \$3,740,000 to provide resources to fund the escrow amounts and pay the costs of insurance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2019, bonds due and payable April 1, 2020 through April 1, 2040, for the 2010 Building Authority Bonds in the amount of \$3,295,000 are considered defeased.

**NOTE 7 - RETIREMENT PLAN**

Plan Description

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

Summary of Significant Accounting Policies

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

Benefits Provided

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

Vesting period of 10 years.

Normal retirement age is 60. Unreduced early retirement is available at 55 with 15 years of service. Reduced early retirement is available at 50 with 25 years of service.

Final average compensation is calculated based a range of 3 to 5 years. Employee contributions range from 4.00% to 12.00%.

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT PLAN (continued)**

Benefits Provided (continued)

At the December 31, 2018, valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	37
Inactive employees entitled to but not yet receiving benefits	28
Active employees	44
	<hr/>
	109
	<hr/> <hr/>

Contributions

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

Employer contributions range from 2.99% to 3.61% based on annual payroll for open divisions. Four divisions, closed to new employees, had a total annual employer contribution of \$554,888.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2018, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the valuation were based on the results of the 2009-2013 Five-Year Experience Study.

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT PLAN (continued)**

Actuarial Assumptions (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.50%	8.65%
Global Fixed Income	18.50%	3.76%
Real Assets	13.50%	9.72%
Diversifying Strategies	12.50%	7.50%

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Calculating the Net Pension Liability</u>		
		<u>Increase (Decrease)</u>	
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances as of December 31, 2017	\$ 19,136,431	\$ 12,938,153	\$ 6,198,278
Changes for the year			
Service cost	279,971	-	279,971
Interest on total pension liability	1,498,632	-	1,498,632
Difference between expected and actual experience	(446,696)	-	(446,696)
Employer contributions	-	576,530	(576,530)
Employee contributions	-	188,382	(188,382)
Net investment income	-	(500,397)	500,397
Benefit payments, including employee refunds	(1,087,029)	(1,087,029)	-
Administrative expense	-	(24,911)	24,911
Net changes	244,878	(847,425)	1,092,303
Balances as of December 31, 2018	<u>\$ 19,381,309</u>	<u>\$ 12,090,728</u>	<u>\$ 7,290,581</u>

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT PLAN (continued)**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rates of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 9,531,416	\$ 7,290,581	\$ 5,428,909

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

For the year ended June 30, 2019, the employer recognized pension expenses of \$930,274. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,422	\$ 590,294
Changes in assumptions	198,480	-
Net difference between projected and actual earnings on pension plan investments	914,254	-
Contributions subsequent to the measurement date*	271,991	-
Total	\$ 1,405,147	\$ 590,294

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$271,991), which will impact the net pension liability in fiscal year 2020, rather than pension expense.

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RETIREMENT PLAN (continued)**

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2020	\$ 300,856
2021	(132,370)
2022	70,064
2023	304,312

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City of Mason Retiree Healthcare Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the City of Mason. The Plan was established and is being funded under the authority of the City and under agreements with the unions representing various classes of employees. The Plan can be amended at the discretion of the City. The Plan does not issue separate stand-alone financial statements.

Benefits Provided

The Plan provides retirees age 55 with 15 years of service with medical, prescription drug, dental and vision coverage in accordance with union agreements and/or personnel policies. The City covers the cost of coverage for these benefits less the balance of premiums required to be contributed by retirees in accordance with Plan provisions.

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

Summary of Plan Participants

At the June 30, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries receiving or entitled to future benefits	17
Active employees	<u>32</u>
	<u><u>49</u></u>

Contributions

For the year ended June 30, 2019, the City contributed \$140,000 in addition to its portion of premium payments.

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Salary growth rate	3.50%
Investment rate of return	7.75%
Inflation	2.50%
20-year Aa municipal bond rate	2.79%
Mortality rates for police were based on the Public Safety 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale.	
Mortality rates for all others participants were based on the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale.	

The assumptions used in the June 30, 2019 valuation was determined by the City's management as of June 30, 2019.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	55.50%	6.15%
Global fixed income	18.50%	1.26%
Real assets	13.50%	7.22%
Diversifying strategies	12.50%	5.00%

The sum of each target allocation times its long-term expected rate is 5.25%.



**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed City contributions of \$90,000 in 2019 and \$50,000 in subsequent years. Based on this assumption, the assets are not projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (2033, the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. Based on those assumptions, the retirement plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members.

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2019, is as follows:

Calculating the Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2018	\$ 3,153,086	\$ 623,470	\$ 2,529,616
Changes for the year			
Service cost	41,265	-	41,265
Interest on total OPEB liability	102,149	-	102,149
Difference between expected and actual experience	8,630	-	8,630
Changes in benefits	(56,745)	-	(56,745)
Changes in assumptions	81,199	-	81,199
Employer contributions	-	261,912	(261,912)
Net investment income	-	20,048	(20,048)
Benefit payments	(121,912)	(121,912)	-
Administrative expense	-	(1,344)	1,344
Net changes	54,586	158,704	(104,118)
Balances as of June 30, 2019	\$ 3,207,672	\$ 782,174	\$ 2,425,498

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 2,919,294	\$ 2,425,498	\$ 2,028,634

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower (7.50%) or 1-percentage-point higher (9.50%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 1,977,896	\$ 2,425,498	\$ 2,989,969

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$182,735. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 338,901	\$ -
Changes in assumptions	417,016	-
Net difference between projected and actual	27,025	-
	\$ 782,942	\$ -

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2020	\$ 148,414
2021	148,414
2022	131,898
2023	121,790
2024	115,062
Thereafter	117,364

**NOTE 9 - RISK MANAGEMENT**

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

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

**NOTE 10 - PROPERTY TAX ABATEMENT**

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2019, the City abated property taxes revenues totaling \$176,355 under this program, including the following tax abatement agreements that exceeded 10% of the total amount abated:

- A 50% property tax reduction for a metal manufacturer allowing for additional investments in equipment, facilities, and employment. The abatement amounts to \$170,047.

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - RESTRICTED NET POSITION**

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of June 30, 2019:

PRIMARY GOVERNMENT	
Highways	\$ 1,559,350
Community enrichment	1,095,323
Construction code activity	165,429
Cemetery operations	341,939
Flowers	19,494
Debt service	<u>147,573</u>
	<u>\$ 3,329,108</u>

**NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLES**

GASB issued Statements No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

**NOTE 13 - CONTINGENT LIABILITIES**

The City participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The periodic compliance audits of many of the State programs have not yet been conducted, completed, or resolved. Accordingly, the City's compliance with the applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are potential legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions, for which a reasonable estimated can be determined of the potential liability, if any, are considered by City management and legal counsel to be immaterial.

**CITY OF MASON**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 - DETAILS OF FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

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

**CITY OF MASON  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 - DETAILS OF FUND BALANCE CLASSIFICATIONS (continued)**

Fund Balance Classification Policies and Procedures (continued)

	General Fund	Special Assessment	Capital Improvement	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepays	\$ 14,754	\$ -	\$ -	\$ -	\$ 14,754
Property acquired for resale	2,857,736	-	-	-	2,857,736
Restricted					
Highways	-	-	-	1,559,350	1,559,350
Community enrichment	-	-	-	1,095,323	1,095,323
Construction code activity	-	-	-	165,429	165,429
Cemetery operations	-	-	-	341,939	341,939
Flowers	-	-	-	19,494	19,494
Debt service	-	179,629	-	4	179,633
Committed					
Community enrichment	-	-	46,605	138,557	185,162
Fire equipment	-	-	-	755,611	755,611
Assigned					
Subsequent year's expenditures	849,250	-	-	-	849,250
Grant matching	46,673	-	-	-	46,673
Other purposes	-	175,935	-	-	175,935
Unassigned	2,021,746	-	-	-	2,021,746
<b>TOTAL FUND BALANCES</b>	<b>\$ 5,790,159</b>	<b>\$ 355,564</b>	<b>\$ 46,605</b>	<b>\$ 4,075,707</b>	<b>\$ 10,268,035</b>

**NOTE 15 - CONTRACTUAL COMMITMENT**

Prior to June 30, 2019, the City entered into a contract for the purchase of a fire truck which was to be delivered subsequent to the fiscal year end. The total contractual commitment outstanding at June 30, 2019, totaled \$822,110. The City's Fire Equipment Fund balance, along with future anticipated revenues are expected to be sufficient to cover this commitment.

**NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is current evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MASON  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 3,418,225	\$ 3,328,325	\$ 3,321,638	\$ (6,687)
Penalties and interest	10,000	23,000	23,692	692
Administration fees	90,000	103,000	102,996	(4)
Total taxes	3,518,225	3,454,325	3,448,326	(5,999)
Licenses and permits	50,100	95,010	94,951	(59)
Intergovernmental				
Federal	-	650	648	(2)
State	927,500	901,710	909,305	7,595
Local	1,182,820	1,204,470	1,137,946	(66,524)
Total intergovernmental	2,110,320	2,106,830	2,047,899	(58,931)
Charges for services				
Refuse collection	378,725	378,725	377,447	(1,278)
Cable franchise fee	45,000	38,000	37,867	(133)
Other	272,115	290,330	280,243	(10,087)
Total charges for services	695,840	707,055	695,557	(11,498)
Fines and forfeits	31,200	35,700	34,982	(718)
Interest and rents	82,965	131,015	177,718	46,703
Other				
Miscellaneous	92,440	100,755	99,305	(1,450)
Sale of capital assets	200,000	210,000	210,000	-
	292,440	310,755	309,305	(1,450)
<b>TOTAL REVENUES</b>	6,781,090	6,840,690	6,808,738	(31,952)



**CITY OF MASON  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (continued)  
YEAR ENDED JUNE 30, 2019**

EXPENDITURES	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Current				
General government				
Clerk	\$ 139,540	\$ 157,830	\$ 149,822	\$ 8,008
City Council	47,650	47,650	37,305	10,345
Administrator	484,385	481,835	416,033	65,802
Assessor	54,235	56,235	55,080	1,155
Board of Review	650	650	540	110
Treasurer	656,135	537,015	491,225	45,790
Technology	77,000	80,000	70,427	9,573
Building office and City Hall	393,085	451,410	414,623	36,787
Attorney	115,000	135,000	120,307	14,693
Workers compensation	80,440	80,440	77,827	2,613
Retiree benefits	208,905	275,605	272,458	3,147
Total general government	2,257,025	2,303,670	2,105,647	198,023
Public safety				
Police administration	409,015	390,525	335,590	54,935
Crossing guards	29,580	29,580	26,738	2,842
Police patrolling	1,098,645	1,073,105	998,200	74,905
Fire department	437,820	438,890	392,573	46,317
Civil defense	3,055	3,355	1,496	1,859
Total public safety	1,978,115	1,935,455	1,754,597	180,858
Public works				
Public services	7,555	13,655	10,593	3,062
Sidewalks	2,155	2,155	2,155	-
Street lighting	95,450	104,450	100,314	4,136
Cemetery	251,150	274,795	254,247	20,548
Refuse collection	385,940	385,940	383,150	2,790
Total public works	742,250	780,995	750,459	30,536
Community and economic development				
Cable commission	3,930	3,930	330	3,600
Planning and zoning	165,225	170,230	147,683	22,547
Planning commission	65,830	65,830	8,044	57,786
Christmas decorations	5,000	6,715	6,003	712
Total community and economic development	239,985	246,705	162,060	84,645

**CITY OF MASON  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (continued)  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
EXPENDITURES (continued)				
Current (continued)				
Recreation and culture				
Parks	\$ 224,905	\$ 262,070	\$ 231,410	\$ 30,660
Library	7,255	7,255	1,973	5,282
Forestry	103,370	102,845	92,272	10,573
Senior citizens	8,135	8,135	8,135	-
Total recreation and culture	343,665	380,305	333,790	46,515
Capital outlay	166,100	173,105	117,219	55,886
Debt service				
Principal	110,000	110,000	110,000	-
Interest and fiscal fees	128,025	128,025	128,025	-
Total debt service	238,025	238,025	238,025	-
TOTAL EXPENDITURES	5,965,165	6,058,260	5,461,797	596,463
EXCESS OF REVENUES OVER EXPENDITURES	815,925	782,430	1,346,941	564,511
OTHER FINANCING SOURCES (USES)				
Transfers in	233,530	214,475	187,761	(26,714)
Transfers out	(1,083,085)	(852,675)	(624,467)	228,208
TOTAL OTHER FINANCING SOURCES (USES)	(849,555)	(638,200)	(436,706)	201,494
NET CHANGE IN FUND BALANCE	(33,630)	144,230	910,235	766,005
Fund balance, beginning of year	4,879,924	4,879,924	4,879,924	-
Fund balance, end of year	\$ 4,846,294	\$ 5,024,154	\$ 5,790,159	\$ 766,005

**CITY OF MASON  
SPECIAL ASSESSMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Special assessments	\$ 107,000	\$ 107,595	\$ 107,595	\$ -
Interest				
Investment earnings	1,000	6,000	6,217	217
Special assessment interest	16,590	16,595	16,591	(4)
TOTAL REVENUES	124,590	130,190	130,403	213
EXPENDITURES				
Debt service	55,865	55,865	55,863	2
EXCESS OF REVENUES OVER EXPENDITURES	68,725	74,325	74,540	215
OTHER FINANCING (USES)				
Transfers out	(96,355)	(104,530)	(104,529)	1
NET CHANGE IN FUND BALANCE	(27,630)	(30,205)	(29,989)	216
Fund balance, beginning of year	385,553	385,553	385,553	-
Fund balance, end of year	<u>\$ 357,923</u>	<u>\$ 355,348</u>	<u>\$ 355,564</u>	<u>\$ 216</u>

**CITY OF MASON**  
**SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST FIVE MEASUREMENT DATES (ULTIMATELY**  
**TEN FISCAL YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)**

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 279,971	\$ 290,730	\$ 308,162	\$ 286,412	\$ 344,630
Interest	1,498,632	1,467,726	1,439,908	1,302,779	1,248,831
Changes of benefit terms	-	1,254	17,991	(20,699)	-
Difference between expected and actual experience	(446,696)	(257,406)	(316,425)	102,106	-
Changes of assumptions	-	-	-	992,404	-
Benefit payments, including employee refunds	(1,087,029)	(1,134,174)	(1,052,211)	(948,754)	(909,285)
Other	-	1	(1)	40,713	39,026
Net Change in Total Pension Liability	244,878	368,131	397,424	1,754,961	723,202
Total Pension Liability, beginning	19,136,431	18,768,300	18,370,876	16,615,915	15,892,713
Total Pension Liability, ending	<u>\$ 19,381,309</u>	<u>\$ 19,136,431</u>	<u>\$ 18,768,300</u>	<u>\$ 18,370,876</u>	<u>\$ 16,615,915</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 576,530	\$ 588,286	\$ 465,129	\$ 364,270	\$ 302,481
Contributions-employee	188,382	204,586	226,555	239,773	273,318
Net Investment income	(500,397)	1,539,414	1,231,987	(169,894)	697,815
Benefit payments including employee refunds	(1,087,029)	(1,134,174)	(1,052,211)	(948,754)	(909,285)
Administrative expense	(24,911)	(24,385)	(24,324)	(24,907)	(25,588)
Net Change in Plan Fiduciary Net Position	(847,425)	1,173,727	847,136	(539,512)	338,741
Plan Fiduciary Net Position, beginning	12,938,153	11,764,426	10,917,290	11,456,802	11,118,061
Plan Fiduciary Net Position, ending	<u>\$ 12,090,728</u>	<u>\$ 12,938,153</u>	<u>\$ 11,764,426</u>	<u>\$ 10,917,290</u>	<u>\$ 11,456,802</u>
City's Net Pension Liability	<u>\$ 7,290,581</u>	<u>\$ 6,198,278</u>	<u>\$ 7,003,874</u>	<u>\$ 7,453,586</u>	<u>\$ 5,159,113</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	62%	68%	63%	59%	69%
Covered employee payroll	\$ 2,286,806	\$ 2,287,596	\$ 2,123,390	\$ 2,101,401	\$ 2,232,680
City's Net Pension Liability as a percentage of covered employee payroll	319%	271%	330%	355%	231%

**CITY OF MASON**  
**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**  
**LAST FIVE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 541,538	\$ 562,761	\$ 459,148	\$ 426,002	\$ 340,936
Contributions in relation to the actuarially determined contribution	<u>591,538</u>	<u>562,761</u>	<u>459,148</u>	<u>426,002</u>	<u>340,936</u>
Contribution deficiency (excess)	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,370,641	\$ 2,376,582	\$ 2,254,766	\$ 2,298,302	\$ 2,191,564
Contributions as a percentage of covered employee payroll	25%	24%	20%	19%	16%

**CITY OF MASON**  
**SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS**  
**LAST TWO MEASUREMENT DATES (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 41,265	\$ 27,236
Interest	102,149	72,464
Changes of benefit terms	(56,745)	-
Difference between expected and actual experience	8,630	443,399
Changes of assumptions	81,199	479,399
Benefit payments, including employee refunds	<u>(121,912)</u>	<u>(129,891)</u>
Net Change in Total OPEB Liability	54,586	892,607
Total OPEB Liability, beginning	<u>3,153,086</u>	<u>2,260,479</u>
Total OPEB Liability, ending	<u><u>\$ 3,207,672</u></u>	<u><u>\$ 3,153,086</u></u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 261,912	\$ 154,891
Net Investment income	20,048	44,726
Benefit payments including employee refunds	(121,912)	(129,891)
Administrative expense	<u>(1,344)</u>	<u>(1,453)</u>
Net Change in Plan Fiduciary Net Position	158,704	68,273
Plan Fiduciary Net Position, beginning	<u>623,470</u>	<u>555,197</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 782,174</u></u>	<u><u>\$ 623,470</u></u>
City's Net OPEB Liability	<u><u>\$ 2,425,498</u></u>	<u><u>\$ 2,529,616</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	24%	20%
Covered employee payroll	\$ 2,787,850	\$ 2,467,064
City's Net OPEB Liability as a percentage of covered employee payroll	87%	103%

**CITY OF MASON**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 275,281	\$ 223,141
Contributions in relation to the actuarially determined contribution	<u>261,912</u>	<u>154,891</u>
Contribution deficiency (excess)	<u>\$ 13,369</u>	<u>\$ 68,250</u>
Covered employee payroll	\$ 2,787,850	\$ 2,467,064
Contributions as a percentage of covered employee payroll	9%	6%

**CITY OF MASON**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 1 - PENSION PLAN**

Changes of benefits terms: There were no changes of benefit terms for the plan year 2018.

Changes in assumptions: There were no changes in assumptions for the plan year 2018.

**NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN**

Changes of benefits terms: Years of service requirement for the 50% tier for Police, both supervisory and non-supervisory, was corrected from 20 to 25 years.

Changes in assumptions: The discount rate changed from 3.26% to 3.50%.  
Trend rates updated.  
Mortality tables updated.  
Salary scale changed from 2.00% to 3.50%.



## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF MASON  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	Special		
	Major Street	Local Street	Building Inspection
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,352,366	\$ 138,393	\$ 164,210
Investment	-	-	-
Accounts receivable	-	300	-
Due from other governmental units	103,925	36,388	-
Due from other funds	106,188	147,703	1,219
<b>TOTAL ASSETS</b>	<b>\$ 1,562,479</b>	<b>\$ 322,784</b>	<b>\$ 165,429</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 96,736	\$ 76,741	\$ -
Accrued wages	1,970	1,561	-
Due to other governmental units	4,616	1,617	-
Due to other funds	55,913	86,759	-
<b>TOTAL LIABILITIES</b>	<b>159,235</b>	<b>166,678</b>	<b>-</b>
<b>FUND BALANCES</b>			
Restricted			
Highways	1,403,244	156,106	-
Community enrichment	-	-	-
Construction code activity	-	-	165,429
Cemetery operations	-	-	-
Flowers	-	-	-
Debt service	-	-	-
Committed			
Community enrichment	-	-	-
Fire equipment	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,403,244</b>	<b>156,106</b>	<b>165,429</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,562,479</b>	<b>\$ 322,784</b>	<b>\$ 165,429</b>

<u>Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
<u>Economic</u>	<u>Rayner</u>	<u>Mason</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Nonmajor</u>
<u>Development</u>	<u>Bond</u>	<u>Building</u>	<u>Equipment</u>	<u>Trust</u>	<u>Governmental</u>
<u>Corporation</u>		<u>Authority</u>			<u>Funds</u>
\$ 11,144	\$ 528,211	\$ 4	\$ 755,611	\$ 366,976	\$ 3,316,915
-	726,625	-	-	-	726,625
-	1,147	-	-	-	1,447
-	-	-	-	-	140,313
-	-	-	-	-	255,110
<u>\$ 11,144</u>	<u>\$ 1,255,983</u>	<u>\$ 4</u>	<u>\$ 755,611</u>	<u>\$ 366,976</u>	<u>\$ 4,440,410</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,477
-	-	-	-	-	3,531
-	-	-	-	-	6,233
-	33,247	-	-	5,543	181,462
-	33,247	-	-	5,543	364,703
-	-	-	-	-	1,559,350
11,144	1,084,179	-	-	-	1,095,323
-	-	-	-	-	165,429
-	-	-	-	341,939	341,939
-	-	-	-	19,494	19,494
-	-	4	-	-	4
-	138,557	-	-	-	138,557
-	-	-	755,611	-	755,611
<u>11,144</u>	<u>1,222,736</u>	<u>4</u>	<u>755,611</u>	<u>361,433</u>	<u>4,075,707</u>
<u>\$ 11,144</u>	<u>\$ 1,255,983</u>	<u>\$ 4</u>	<u>\$ 755,611</u>	<u>\$ 366,976</u>	<u>\$ 4,440,410</u>

**CITY OF MASON  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019**

	Special		
	Major Street	Local Street	Building Inspection
<b>REVENUES</b>			
Intergovernmental	\$ 687,208	\$ 234,471	\$ -
Charges for services	2,618	300	-
Investment earnings and royalties, net	13,788	342	-
Other	-	-	18
<b>TOTAL REVENUES</b>	<b>703,614</b>	<b>235,113</b>	<b>18</b>
<b>EXPENDITURES</b>			
Current			
Public works	480,089	335,792	-
Community and economic development	-	-	-
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>480,089</b>	<b>335,792</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>223,525</b>	<b>(100,679)</b>	<b>18</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	144,612	100,679	165,411
Transfers out	(51,719)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>92,893</b>	<b>100,679</b>	<b>165,411</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>316,418</b>	<b>-</b>	<b>165,429</b>
Fund balances, beginning of year	1,086,826	156,106	-
Fund balances, end of year	<u>\$ 1,403,244</u>	<u>\$ 156,106</u>	<u>\$ 165,429</u>

<u>Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
<u>Economic</u>	<u>Rayner</u>	<u>Mason</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Nonmajor</u>
<u>Development</u>	<u>Bond</u>	<u>Building</u>	<u>Equipment</u>	<u>Trust</u>	<u>Governmental</u>
<u>Corporation</u>		<u>Authority</u>			<u>Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 921,679
-	-	-	-	-	2,918
120	(3,407)	-	5,573	5,542	21,958
-	-	-	-	4,573	4,591
120	(3,407)	-	5,573	10,115	951,146
-	-	-	-	-	815,881
3,000	-	-	-	-	3,000
-	-	41,030	-	-	41,030
3,000	-	41,030	-	-	859,911
(2,880)	(3,407)	(41,030)	5,573	10,115	91,235
-	-	40,485	225,000	-	676,187
-	(41,625)	-	-	(5,543)	(98,887)
-	(41,625)	40,485	225,000	(5,543)	577,300
(2,880)	(45,032)	(545)	230,573	4,572	668,535
14,024	1,267,768	549	525,038	356,861	3,407,172
\$ 11,144	\$ 1,222,736	\$ 4	\$ 755,611	\$ 361,433	\$ 4,075,707

**CITY OF MASON  
 AGENCY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 JUNE 30, 2019**

	Delinquent Tax	Payroll	Total Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 681	\$ 20,084	\$ 20,765
<b>LIABILITIES</b>			
Due to individuals and agencies	\$ 681	\$ 20,084	\$ 20,765

**CITY OF MASON  
COMPONENT UNIT FUNDS  
BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY  
JUNE 30, 2019**

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 996,780</u>
LIABILITIES	
Due to other governmental units	\$ 1,800
FUND BALANCE	
Unassigned	<u>994,980</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 996,780</u>

**CITY OF MASON  
 COMPONENT UNIT FUNDS  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF  
 NET POSITION - LOCAL DEVELOPMENT FINANCE AUTHORITY  
 JUNE 30, 2019**

**Total fund balance - governmental fund** \$ 994,980

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

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

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

-

**Net position of governmental activities** \$ 994,980



**CITY OF MASON  
 COMPONENT UNIT FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 LOCAL DEVELOPMENT FINANCE AUTHORITY  
 YEAR ENDED JUNE 30, 2019**

	General
REVENUES	
Taxes	\$ 541,049
Intergovernmental	82,748
Interest	10,500
TOTAL REVENUES	634,297
EXPENDITURES	
Current	
Community and economic development	33,710
NET CHANGE IN FUND BALANCES	600,587
Fund balance, beginning of year	394,393
Fund balance, end of year	\$ 994,980

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended June 30, 2019.

**CITY OF MASON  
 COMPONENT UNIT FUNDS  
 BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY  
 JUNE 30, 2019**

	General
<b>ASSETS</b>	
Cash and cash equivalents	\$ 174,564
Taxes receivable	3,780
Accounts receivable	983
<b>TOTAL ASSETS</b>	<b>\$ 179,327</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 15,613
Due to other governments	800
<b>TOTAL LIABILITIES</b>	16,413
<b>FUND BALANCE</b>	
Unassigned	162,914
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 179,327</b>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of June 30, 2019.

**CITY OF MASON  
 COMPONENT UNIT FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 DOWNTOWN DEVELOPMENT AUTHORITY  
 YEAR ENDED JUNE 30, 2019**

	General
REVENUES	
Taxes	\$ 85,648
Intergovernmental	8,522
Interest	2,192
Other	608
TOTAL REVENUES	96,970
EXPENDITURES	
Current	
Community and economic development	115,187
NET CHANGE IN FUND BALANCE	(18,217)
Fund balance, beginning of year	181,131
Fund balance, end of year	\$ 162,914

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended June 30, 2019.