

**CITY OF MASON
INGHAM COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2021

**CITY OF MASON
INGHAM COUNTY, MICHIGAN
JUNE 30, 2021**

CITY COUNCIL AND ADMINISTRATION

Russell Whipple	Mayor
Marlon Brown	Mayor Pro-Tem
Jerry Schaffer	Council member
Leon Clark	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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 13 to the financial statements, the City implemented GASB Statement No. 84, *Fiduciary Activities*, during the year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 Costerian PC

October 20, 2021

CITY OF MASON MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021. 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

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 activities but provides more detail and additional information.
 - We use an Internal Service Fund (the other type of proprietary fund) to report activities that provide services and supplies to other programs and activities within the City. The City's Motor Vehicle Pool Fund falls into this category.
- Fiduciary funds - The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The delinquent tax and payroll funds are fiduciary funds.

**CITY OF MASON
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 24 through 52 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, 2021:

- The net position of the governmental activities increased by \$1,486,497, or 6.65%, and the net position of the business-type activities increased by \$205,596 or 1.48%.
- State shared revenues, the largest individual general revenue source after property taxes, increased \$13,000 to \$804,938 during the current fiscal year.
- In the City's business-type activities, revenues were approximately \$3.20 million, an increase of approximately 8.03% from the prior fiscal year, while expenses were approximately \$2.992 million, a decrease of approximately 1.33% from the prior fiscal year.
- Total costs of all the City's programs were approximately \$9.99 million, a decrease of approximately 6.36% from the prior fiscal year.
- The General Fund reported an increase in fund balance of \$465,586, or approximately 8.23%

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, 2021 and 2020:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 12,030,161	\$ 11,609,157	\$ 2,217,369	\$ 2,347,295	\$ 14,247,530	\$ 13,956,452
Capital assets, net	21,188,001	21,335,355	17,020,143	17,448,285	38,208,144	38,783,640
Total assets	<u>33,218,162</u>	<u>32,944,512</u>	<u>19,237,512</u>	<u>19,795,580</u>	<u>52,455,674</u>	<u>52,740,092</u>
Deferred Outflows of Resources	<u>1,180,476</u>	<u>1,194,247</u>	<u>389,187</u>	<u>385,433</u>	<u>1,569,663</u>	<u>1,579,680</u>
Current Liabilities	900,185	1,283,275	568,891	659,360	1,469,076	1,942,635
Noncurrent Liabilities	<u>8,171,455</u>	<u>9,260,865</u>	<u>4,423,827</u>	<u>5,186,141</u>	<u>12,595,282</u>	<u>14,447,006</u>
Total liabilities	<u>9,071,640</u>	<u>10,544,140</u>	<u>4,992,718</u>	<u>5,845,501</u>	<u>14,064,358</u>	<u>16,389,641</u>
Deferred Inflows of Resources	<u>1,488,763</u>	<u>1,242,875</u>	<u>512,263</u>	<u>419,390</u>	<u>2,001,026</u>	<u>1,662,265</u>
Net Position						
Net investment in Capital Assets	18,036,221	18,017,445	13,976,469	14,004,611	32,012,690	32,022,056
Restricted	3,728,174	3,527,335	-	-	3,728,174	3,527,335
Unrestricted	<u>2,073,840</u>	<u>806,964</u>	<u>145,249</u>	<u>(88,489)</u>	<u>2,219,089</u>	<u>718,475</u>
Total net position	<u>\$ 23,838,235</u>	<u>\$ 22,351,744</u>	<u>\$ 14,121,718</u>	<u>\$ 13,916,122</u>	<u>\$ 37,959,953</u>	<u>\$ 36,267,866</u>

The City's combined net position increased from approximately \$36.268 million a year ago to \$37.960 million.

**CITY OF MASON
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Approximately 84.33% 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 \$0.81 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 6.65% to \$23.84million.

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, 2021 and 2020.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenue						
Charges for services	\$ 1,251,651	\$ 984,791	\$ 3,179,053	\$ 2,972,379	\$ 4,430,704	\$ 3,957,170
Operating grants and contributions	2,380,419	2,078,223	1,862	3,007	2,382,281	2,081,230
Capital grants and contributions	54,159	7,223	-	-	54,159	7,223
General revenues						
Property taxes	3,478,605	3,382,900	45,872	-	3,524,477	3,382,900
State Revenue Sharing	804,938	791,938	-	-	804,938	791,938
Local community stabilization	301,240	276,868	-	-	301,240	276,868
Investment earnings	45,392	25,411	2,433	18,991	47,825	44,402
Sale of capital assets	-	1,990	-	-	-	1,990
Miscellaneous	135,311	127,488	-	-	135,311	127,488
Transfers	31,346	34,414	(31,346)	(34,414)	-	-
Total revenues	8,483,061	7,711,246	3,197,874	2,959,963	11,680,935	10,671,209
Expenses						
General government	1,575,717	2,695,655	-	-	1,575,717	2,695,655
Public safety	2,129,963	1,929,870	-	-	2,129,963	1,929,870
Public works	2,763,644	2,205,037	-	-	2,763,644	2,205,037
Community and economic development	126,506	176,606	-	-	126,506	176,606
Recreation and culture	400,740	498,212	-	-	400,740	498,212
Interest on long-term debt	-	129,338	-	-	-	129,338
Water and sewer	-	-	2,992,278	3,032,753	2,992,278	3,032,753
Total expenses	6,996,570	7,634,718	2,992,278	3,032,753	9,988,848	10,667,471
Change in net position	\$ 1,486,491	\$ 76,528	\$ 205,596	\$ (72,790)	\$ 1,692,087	\$ 3,738

Governmental activities - Governmental activities increased the City's net position by \$1,486,491. Key elements of this increase are as follows:

- The cost of all governmental activities this year was approximately \$7.00 million.
- The amount that City taxpayers paid for these activities through City taxes was approximately \$3.47 million.
- Some of the cost was paid by the beneficiaries of the program's activities (approximately \$1.25 million), or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$2.38 million).
- COVID-19 has delayed many capital projects as there are delays in all industries.

**CITY OF MASON
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type activities - Business-type activities decreased the City's net position by \$205,596. Key elements of this increase are as follows:

- Increase in water/sewer fees to offset lower usage.
- COVID-19 has delayed many capital projects as there are delays in all industries.

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 2021 were the General Fund, Major Streets Fund, and Local Streets Fund. These funds, along with the remaining nonmajor governmental funds, reported a combined fund balance of approximately \$10.30 million, an increase from last year's combined fund balance of \$9.60 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 72.46% of the total General Fund expenditures.

The Major Streets Fund accounts for resources used for the repair and maintenance of the City's major streets. Fund balance increased to \$1,967,283 as of the fiscal year end.

The Local Streets Fund accounts for resources used for the repair and maintenance of the City's local streets. Fund balance decreased to \$146,973 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 \$223,185 of the General Fund's fund balance and ended the year anticipating a fund balance usage of approximately \$256,885. The City's amendments included increasing both revenue, expenditures, and other financing sources and uses as actual amounts became known. The result was an actual increase of \$465,583 to the General Fund's fund balance as a result of a delay on many approved capital projects that were not finished in the fiscal year.

**CITY OF MASON
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

At the end of the 2021 fiscal year, the City had invested approximately \$38.21 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.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 1,855,487	\$ 25,609	\$ 1,881,096
Construction in progress	1,694,792	298,997	1,993,789
Land improvements, net	1,667,979	-	1,667,979
Buildings and improvements, net	5,048,665	177,141	5,225,806
Infrastructure, net	10,622,776	16,518,396	27,141,172
Vehicles and equipment, net	<u>298,302</u>	<u>-</u>	<u>298,302</u>
Capital assets, net	<u>\$ 21,188,001</u>	<u>\$ 17,020,143</u>	<u>\$ 38,208,144</u>

At year end, the City had \$6.70 million in bonds, notes, and compensated absences outstanding. This represents a net decrease of \$0.57 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.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 3,085,000	\$ -	\$ 3,085,000
Special assessment bonds	-	-	-
Capital lease	9,315	-	9,315
Revolving fund loan	-	3,043,674	3,043,674
Accrued compensated absences	346,476	107,956	454,432
Unamortized bond items	<u>106,865</u>	<u>-</u>	<u>106,865</u>
Total outstanding debt	<u>\$ 3,547,656</u>	<u>\$ 3,151,630</u>	<u>\$ 6,699,286</u>

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

**CITY OF MASON
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors and Next Year's Budgets and Rates

COVID-19 continues to have an impact on the Country and many industries. It is causing significant delays in availability of products and services and increasing prices based on supply and demand.

Total expenses in the General Fund for the 2021/2022 fiscal year are estimated to be \$7.9 million. This includes continuing the General Fund's contribution to the street program per Charter, the increasing costs for pension and other post-employment benefits, investments in capital projects and maintaining operations and essential services to the residents of the City of Mason.

Water and sewer rates are evaluated on an annual basis to determine the need for rate increases. An increase of 8% will be necessary for 2021/2022 fiscal year to address inflation and increase in costs and necessary capital expenditures.

Contacting the City of Mason's 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, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,826,575	\$ 1,500,892	\$ 9,327,467	\$ 2,479,121
Investments	3,401,281	-	3,401,281	-
Receivables	351,159	688,484	1,039,643	1,841
Due from other governmental units	431,953	-	431,953	-
Internal balances	5,766	(5,766)	-	-
Inventory	-	33,759	33,759	-
Prepays	13,427	-	13,427	-
Total current assets	<u>12,030,161</u>	<u>2,217,369</u>	<u>14,247,530</u>	<u>2,480,962</u>
Noncurrent assets				
Capital assets not being depreciated	3,550,279	324,606	3,874,885	-
Capital assets, net of accumulated depreciation	<u>17,637,722</u>	<u>16,695,537</u>	<u>34,333,259</u>	<u>-</u>
Total noncurrent assets	<u>21,188,001</u>	<u>17,020,143</u>	<u>38,208,144</u>	<u>-</u>
TOTAL ASSETS	<u>33,218,162</u>	<u>19,237,512</u>	<u>52,455,674</u>	<u>2,480,962</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	49,400	-	49,400	-
Deferred outflows of resources related to pensions	777,367	267,481	1,044,848	-
Deferred outflows of resources related to OPEB	<u>353,709</u>	<u>121,706</u>	<u>475,415</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,180,476</u>	<u>389,187</u>	<u>1,569,663</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable	247,439	107,963	355,402	5,261
Accrued wages	73,862	18,744	92,606	-
Accrued liabilities	76,809	-	76,809	-
Accrued interest payable	29,619	16,169	45,788	-
Unearned revenue	147,763	-	147,763	-
Current portion of compensated absences	200,963	21,015	221,978	-
Current portion of long-term debt	<u>123,730</u>	<u>405,000</u>	<u>528,730</u>	<u>-</u>
Total current liabilities	<u>900,185</u>	<u>568,891</u>	<u>1,469,076</u>	<u>5,261</u>
Noncurrent liabilities				
Noncurrent portion of compensated absences	145,513	86,941	232,454	-
Noncurrent portion of long-term debt	3,077,450	2,638,674	5,716,124	-
Net pension liability	4,554,139	1,567,016	6,121,155	-
Net other post-employment benefits liability	<u>394,353</u>	<u>131,196</u>	<u>525,549</u>	<u>-</u>
Total noncurrent liabilities	<u>8,171,455</u>	<u>4,423,827</u>	<u>12,595,282</u>	<u>-</u>
TOTAL LIABILITIES	<u>9,071,640</u>	<u>4,992,718</u>	<u>14,064,358</u>	<u>5,261</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	696,189	239,549	935,738	-
Deferred inflows of resources related to OPEB	<u>792,574</u>	<u>272,714</u>	<u>1,065,288</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,488,763</u>	<u>512,263</u>	<u>2,001,026</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	18,036,221	13,976,469	32,012,690	-
Restricted	3,728,174	-	3,728,174	-
Unrestricted	<u>2,073,840</u>	<u>145,249</u>	<u>2,219,089</u>	<u>2,475,701</u>
TOTAL NET POSITION	<u>\$ 23,838,235</u>	<u>\$ 14,121,718</u>	<u>\$ 37,959,953</u>	<u>\$ 2,475,701</u>

See notes to financial statements.

**CITY OF MASON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

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	
Primary government								
Governmental activities								
General government	\$ 1,575,717	\$ 315,864	\$ 1,386,838	\$ -	\$ 126,985	\$ -	\$ 126,985	\$ -
Public safety	2,129,963	214,856	35,032	995	(1,879,080)	-	(1,879,080)	-
Public works	2,763,644	637,224	957,549	-	(1,168,871)	-	(1,168,871)	-
Community and economic development	126,506	-	-	5,261	(121,245)	-	(121,245)	-
Recreation and culture	400,740	83,707	1,000	47,903	(268,130)	-	(268,130)	-
Total governmental activities	6,996,570	1,251,651	2,380,419	54,159	(3,310,341)	-	(3,310,341)	-
Business-type activities								
Water and Sewer	2,992,278	3,179,053	1,862	-	-	188,637	188,637	-
Total primary government	<u>\$ 9,988,848</u>	<u>\$ 4,430,704</u>	<u>\$ 2,382,281</u>	<u>\$ 54,159</u>	<u>(3,310,341)</u>	<u>188,637</u>	<u>(3,121,704)</u>	<u>-</u>
Component units								
Local Development Finance Authority	\$ 31,622	\$ -	\$ 208,185	\$ -	-	-	-	176,563
Downtown Development Authority	118,405	-	60,247	-	-	-	-	(58,158)
Total component units	<u>\$ 150,027</u>	<u>\$ -</u>	<u>\$ 268,432</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,405</u>
General revenues								
Property taxes					3,478,605	45,872	3,524,477	540,838
State shared revenue					804,938	-	804,938	-
Local community stabilization					301,240	-	301,240	-
Investment earnings					45,392	2,433	47,825	2,477
Miscellaneous					135,311	-	135,311	-
Transfers					31,346	(31,346)	-	-
Total general revenues and transfers					<u>4,796,832</u>	<u>16,959</u>	<u>4,813,791</u>	<u>543,315</u>
Change in net position					1,486,491	205,596	1,692,087	661,720
Net position, beginning of year					<u>22,351,744</u>	<u>13,916,122</u>	<u>36,267,866</u>	<u>1,813,981</u>
Net position, end of year					<u>\$ 23,838,235</u>	<u>\$ 14,121,718</u>	<u>\$ 37,959,953</u>	<u>\$ 2,475,701</u>

See notes to financial statements.

**CITY OF MASON
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,539,343	\$ 1,957,923	\$ 161,472	\$ 1,476,732	\$ 7,135,470
Investments	2,795,976	-	-	605,305	3,401,281
Receivables					
Accounts	21,896	-	-	2,153	24,049
Taxes	6,502	-	-	-	6,502
Special assessments	-	-	-	320,608	320,608
Due from other governmental units	139,231	112,370	39,344	-	290,945
Due from other funds	386	-	63,810	-	64,196
Prepays	13,427	-	-	-	13,427
TOTAL ASSETS	\$ 6,516,761	\$ 2,070,293	\$ 264,626	\$ 2,404,798	\$ 11,256,478
LIABILITIES					
Accounts payable	\$ 36,782	\$ 86,188	\$ 111,371	\$ 10,859	\$ 245,200
Accrued wages	62,027	4,265	4,706	1,055	72,053
Accrued liabilities	76,809	-	-	-	76,809
Due to other governmental units	-	-	-	-	-
Due to other funds	70,061	12,557	1,576	386	84,580
Unearned revenue	147,763	-	-	-	147,763
TOTAL LIABILITIES	393,442	103,010	117,653	12,300	626,405
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	320,608	320,608
FUND BALANCES					
Nonspendable					
Prepays	13,427	-	-	-	13,427
Property acquired for resale	2,795,976	-	-	-	2,795,976
Restricted					
Highways	-	1,967,283	146,973	-	2,114,256
Community enrichment	-	-	-	1,011,129	1,011,129
Construction code activity	-	-	-	78,751	78,751
Cemetery operations	-	-	-	363,157	363,157
Flowers	-	-	-	19,494	19,494
Debt service	-	-	-	151,293	151,293
Committed					
Community enrichment	-	-	-	138,557	138,557
Capital projects	-	-	-	383	383
Fire equipment	-	-	-	133,191	133,191
Assigned					
Subsequent year's expenditures	733,115	-	-	175,935	909,050
Grant matching	46,673	-	-	-	46,673
Other purpose	-	-	-	-	-
Unassigned	2,534,128	-	-	-	2,534,128
TOTAL FUND BALANCES	6,123,319	1,967,283	146,973	2,071,890	10,309,465
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,516,761	\$ 2,070,293	\$ 264,626	\$ 2,404,798	\$ 11,256,478

See notes to financial statements.

CITY OF MASON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances - governmental funds \$ 10,309,465

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	\$ 46,094,288	
Accumulated depreciation is	<u>(25,608,960)</u>	
Capital assets, net		20,485,328

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		1,411,713
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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		320,608
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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.		141,008
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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	777,367	
Deferred inflows of resources related to pensions	(696,189)	
Deferred outflows of resources related to OPEB	353,709	
Deferred inflows of resources related to OPEB	<u>(792,574)</u>	
		(357,687)

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		49,400
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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	3,094,315	
Capitalized bond premiums	106,865	
Accrued interest payable	29,619	
Compensated absences	342,309	
Net pension liability	4,554,139	
Net other post-employment benefits liability	<u>394,353</u>	
		<u>(8,521,600)</u>

Net position of governmental activities		<u><u>\$ 23,838,235</u></u>
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**CITY OF MASON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,604,454	\$ -	\$ -	\$ -	\$ 3,604,454
Special assessments	-	-	-	121,579	121,579
Licenses and permits	8,794	-	-	65,306	74,100
Intergovernmental	2,500,803	686,278	271,271	-	3,458,352
Charges for services	785,134	-	-	-	785,134
Fines and forfeits	18,549	-	-	-	18,549
Investment earnings, rents, and royalties, net	113,692	3,238	169	26,424	143,523
Other	125,617	-	-	120,407	246,024
TOTAL REVENUES	7,157,043	689,516	271,440	333,716	8,451,715
EXPENDITURES					
Current					
General government	2,080,372	-	-	-	2,080,372
Public safety	1,973,317	-	-	122,104	2,095,421
Public works	794,843	810,174	1,038,913	-	2,643,930
Community and economic development	123,506	-	-	3,000	126,506
Recreation and culture	306,881	-	-	60,475	367,356
Capital outlay	79,636	-	-	95,803	175,439
Debt service	235,630	-	-	51,138	286,768
TOTAL EXPENDITURES	5,594,185	810,174	1,038,913	332,520	7,775,792
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,562,858	(120,658)	(767,473)	1,196	675,923
OTHER FINANCING SOURCES (USES)					
Transfers in	130,590	356,753	767,474	109,580	1,364,397
Transfers out	(1,227,862)	(5,945)	-	(99,244)	(1,333,051)
TOTAL OTHER FINANCING SOURCES (USES)	(1,097,272)	350,808	767,474	10,336	31,346
NET CHANGE IN FUND BALANCES	465,586	230,150	1	11,532	707,269
Fund balance, beginning of year	5,657,733	1,737,133	146,972	2,060,358	9,602,196
Fund balances, end of year	<u>\$ 6,123,319</u>	<u>\$ 1,967,283</u>	<u>\$ 146,973</u>	<u>\$ 2,071,890</u>	<u>\$ 10,309,465</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, 2021

Net change in fund balances - total governmental funds \$ 707,269

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	\$ 1,484,062	
Depreciation expense	<u>(1,532,172)</u>	
Excess of depreciation expense over capital outlay		(48,110)

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

Change in net position of Internal Service Fund		71,216
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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.

Change in unavailable receivable		(96,222)
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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>163,105</u>	
		166,130

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:

Change in deferred outflows of resources related to pensions	136,498	
Change in deferred inflows of resources related to pensions	(284,988)	
Change in deferred outflows of resources related to OPEB	(147,669)	
Change in deferred inflows of resources related to OPEB	39,100	
Change in accrued interest payable	1,204	
Change in compensated absences	(21,972)	
Change in net pension liability	749,732	
Change in net other post-employment benefits liability	<u>214,303</u>	
		<u>686,208</u>

Change in net position of governmental activities		<u>\$ 1,486,491</u>
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**CITY OF MASON
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021**

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,500,892	\$ 691,105
Accounts receivable	688,484	-
Due from other funds	-	26,150
Inventory	33,759	-
Total current assets	2,223,135	717,255
Noncurrent assets		
Capital assets not being depreciated	324,606	56,596
Capital assets, net of accumulated depreciation	16,695,537	646,077
Total noncurrent assets	17,020,143	702,673
TOTAL ASSETS	19,243,278	1,419,928
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	267,481	-
Deferred outflows of resources related to OPEB	121,706	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	389,187	-
LIABILITIES		
Current liabilities		
Accounts payable	107,963	2,239
Accrued wages	18,744	1,809
Accrued interest payable	16,169	-
Due to other funds	5,766	-
Current portion of compensated absences	21,015	2,417
Current portion of long-term debt	405,000	-
Total current liabilities	574,657	6,465
Noncurrent liabilities		
Noncurrent portion of compensated absences	86,941	1,750
Noncurrent portion of long-term debt	2,638,674	-
Net pension liability	1,567,016	-
Net OPEB liability	131,196	-
Total noncurrent liabilities	4,423,827	1,750
TOTAL LIABILITIES	4,998,484	8,215
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	239,549	-
Deferred inflows of resources related to OPEB	272,714	-
TOTAL DEFERRED INFLOWS OF RESOURCES	512,263	-
NET POSITION		
Net investment in capital assets	13,976,469	702,673
Unrestricted	145,249	709,040
TOTAL NET POSITION	\$ 14,121,718	\$ 1,411,713

See notes to financial statements.

**CITY OF MASON
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2021**

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
OPERATING REVENUES		
Internal user charges	\$ -	\$ 463,662
Water user charges	1,690,992	-
Sewer user charges	1,435,870	-
Interest and penalty charges	26,735	-
Rent	500	-
Other	24,956	-
TOTAL OPERATING REVENUES	<u>3,179,053</u>	<u>463,662</u>
OPERATING EXPENSES		
Cost of water produced	378,162	-
Cost of sewage treatment	888,924	-
Operation and maintenance	589,664	228,051
Billing and administrative costs	202,595	-
Depreciation	861,880	172,593
TOTAL OPERATING EXPENSES	<u>2,921,225</u>	<u>400,644</u>
OPERATING INCOME	<u>257,828</u>	<u>63,018</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	1,862	-
Taxes	45,872	-
Investment income	2,433	898
Sale of capital assets	-	7,300
Interest expense and fees	(71,053)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(20,886)</u>	<u>8,198</u>
INCOME BEFORE TRANSFERS	236,942	71,216
OTHER FINANCING (USES)		
Transfers out	(31,346)	-
CHANGE IN NET POSITION	205,596	71,216
Net position, beginning of year	<u>13,916,122</u>	<u>1,340,497</u>
Net position, end of year	<u>\$ 14,121,718</u>	<u>\$ 1,411,713</u>

See notes to financial statements.

**CITY OF MASON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2021**

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,163,259	\$ 464,899
Cash paid to suppliers	(1,314,336)	(146,393)
Cash paid to employees	(1,102,505)	(83,080)
	746,418	235,426
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt (payment) of interfund balances	(26,991)	(24,739)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental	1,862	-
Taxes	45,872	-
Payments on borrowing	(400,000)	-
Sale of capital assets	-	7,300
Purchase of capital assets	(433,738)	(73,349)
Interest expense and fees	(73,178)	-
	(859,182)	(66,049)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2,433	898
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(137,322)	145,536
Cash and cash equivalents, beginning of year	1,638,214	545,569
Cash and cash equivalents, end of year	\$ 1,500,892	\$ 691,105
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 257,828	\$ 63,018
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	861,880	172,593
(Increase) decrease in:		
Accounts receivable	(15,794)	1,237
Inventory	4,043	-
Deferred outflow of resources related to pensions	(51,230)	-
Deferred outflow of resources related to OPEB	47,476	-
Increase (decrease) in:		
Accounts payable	(68,430)	(2,073)
Accrued wages	(5,521)	505
Compensated absences	10,028	146
Net pension liability	(222,694)	-
Net OPEB liability	(164,041)	-
Deferred inflow of resources related to pensions	100,795	-
Deferred inflow of resources related to OPEB	(7,922)	-
	746,418	235,426
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 746,418	\$ 235,426

See notes to financial statements.

**CITY OF MASON
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

	Other Post- Employment Benefits Trust Fund	Custodial Funds
ASSETS		
Cash	\$ -	\$ 321
Investments	1,250,766	-
TOTAL ASSETS	1,250,766	321
LIABILITIES		
Due to others	-	321
NET POSITION		
Restricted		
Other post-employment benefits (health insurance)	\$ 1,250,766	\$ -

**CITY OF MASON
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021**

	Other Post- Employment Benefits Trust Fund	Custodial Funds
	<u> </u>	<u> </u>
ADDITIONS		
Contributions		
Employer	\$ 192,378	\$ -
Property tax collection for other governmental units	-	10,619,984
Investment earnings	267,168	-
	<u> </u>	<u> </u>
TOTAL ADDITIONS	459,546	10,619,984
	<u> </u>	<u> </u>
DEDUCTIONS		
Benefit payments	122,378	-
Administrative expenses	1,966	-
Property tax distributions to other governmental units	-	10,619,984
	<u> </u>	<u> </u>
TOTAL DEDUCTIONS	124,344	10,619,984
	<u> </u>	<u> </u>
NET CHANGE IN FIDUCIARY NET POSITION	335,202	-
NET POSITION		
Beginning of year	915,564	-
	<u> </u>	<u> </u>
End of year	<u>\$ 1,250,766</u>	<u>\$ -</u>

**CITY OF MASON
 COMPONENT UNITS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2021**

	<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total Component Units</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,182,465	\$ 296,656	\$ 2,479,121
Receivables	-	1,841	1,841
TOTAL ASSETS	<u>2,182,465</u>	<u>298,497</u>	<u>2,480,962</u>
LIABILITIES			
Current liabilities			
Accounts payable	-	5,261	5,261
NET POSITION			
Unrestricted	<u>\$ 2,182,465</u>	<u>\$ 293,236</u>	<u>\$ 2,475,701</u>

**CITY OF MASON
 COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position		
			Local Development Finance Authority	Downtown Development Authority	Total Component Units
Governmental activities					
Local Development Finance Authority	\$ 31,622	\$ 208,185	\$ 176,563	\$ -	\$ 176,563
Downtown Development Authority	118,405	60,247	-	(58,158)	(58,158)
Total component units	<u>\$ 150,027</u>	<u>\$ 268,432</u>	<u>176,563</u>	<u>(58,158)</u>	<u>118,405</u>
General revenues					
Property taxes			421,110	119,728	540,838
Investment earnings			2,166	311	2,477
Total general revenues			<u>423,276</u>	<u>120,039</u>	<u>543,315</u>
Change in net position			599,839	61,881	661,720
Net position, beginning of year			<u>1,582,626</u>	<u>231,355</u>	<u>1,813,981</u>
Net position, end of year			<u>\$ 2,182,465</u>	<u>\$ 293,236</u>	<u>\$ 2,475,701</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-Term. 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 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 Major Street Fund accounts for restricted resources that are used for repairs and maintenance of the City's major streets.
- c. The Local Streets Fund accounts for restricted resources that are used for repairs and maintenance of the City's local streets.

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 the following fund types:

- a. Internal service funds account for the management of motor vehicle pool provided to various departments of the City on cost reimbursement basis.
- b. Component units fiduciary funds are used to account for the assets held in a trustee capacity. The Other Post-Employment Benefits Trust Fund accounts for the assets held by the Municipal Employees' Retirement System (MERS) to fund future medical insurance for eligible retirees and their beneficiaries.
- c. Custodial funds account for assets held by the City as a custodian for other governments, private organizations, or individuals. The City's custodial funds are the Delinquent Tax Fund and Current Tax Collection Fund.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus

The government-wide, proprietary, and fiduciary 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.

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.

The fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the City to disburse fiduciary resources.

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

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.
- 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.

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

Investments (continued)

- 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.

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 Intermediate School District, 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 Custodial 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, 2021, the City levied 15.2500 mills per \$1,000 of taxable valuation for general governmental services. The total ad valorem taxable value for the 2020 levy for property within the City was \$241,731,070.

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

Fund Balance Classification

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:

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

Fund Balance Classification (continued)

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.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the City had deposits and investments subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2021, \$6,017,325 of the City's bank balance of \$6,959,726 was exposed to custodial credit risk because it was uninsured and uncollateralized. The balance of \$7,074,911 is reported as deposits on the financial statements as of June 30, 2021. The financial statements report \$547 of imprest cash on hand.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City 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 allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

Interest Rate Risk

In accordance with its investment policy, 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 in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Michigan CLASS Investment Pool	<u>\$ 4,731,451</u>	<u>0.1507</u>

One day maturity equals 0.0027, one year equals 1.00.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
Michigan CLASS Investment Pool	<u>\$ 4,731,451</u>	AAAm

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.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- 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 prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Township's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level				
Natural resources	\$ -	\$ -	\$ 605,305	\$ 605,305
Land	-	-	2,795,976	2,795,976
Total investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,401,281</u>	3,401,281
Investments at net assets value (NAV)				
PRIMARY GOVERNMENT				
Michigan CLASS investment pool				4,731,451
FIDUCIARY FUNDS				
MERS total market portfolio				<u>1,250,766</u>
Total investment at NAV				<u>5,982,217</u>
Total Investments				<u>\$ 9,383,498</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
PRIMARY GOVERNMENT				
Michigan CLASS Investment Pool	\$ 4,731,451	\$ -	No restrictions	None
FIDUCIARY FUNDS				
MERS total market portfolio	1,250,766	-	No restrictions	None
Total investments at NAV	<u>\$ 5,982,217</u>	<u>\$ -</u>		

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

The following summarizes the categorization of these amounts as of June 30, 2021:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 9,327,467	\$ 321	\$ 2,479,121	\$ 11,806,909
Investments	<u>3,401,281</u>	<u>1,250,766</u>	<u>-</u>	<u>4,652,047</u>
	<u>\$ 12,728,748</u>	<u>\$ 1,251,087</u>	<u>\$ 2,479,121</u>	<u>\$ 16,458,956</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2021, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 386
	<u> </u>
Due to Local Street Fund from:	
General Fund	\$ 57,865
Major Streets Fund	5,945
	<u> </u>
	<u>\$ 63,810</u>
Due to Internal Service Fund from:	
General Fund	\$ 12,196
Major Streets Fund	6,612
Water and Sewer Fund	5,766
Nonmajor governmental funds	1,576
	<u> </u>
	<u>\$ 26,150</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	\$ 91,537
Water and Sewer Fund	31,346
Nonmajor governmental funds	7,707
	<u> </u>
	<u>\$ 130,590</u>
Transfers to Major Streets fund from:	
General Fund	\$ 356,753
	<u> </u>
Transfers to Local Streets fund from:	
General Fund	\$ 767,474
	<u> </u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 103,635
Major Streets Fund	5,945
	<u> </u>
	<u>\$ 109,580</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 venues 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, 2021, was as follows:

Primary Government

	<u>Balance July 1, 2020</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2021</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,855,487	\$ -	\$ -	\$ 1,855,487
Construction in progress	<u>1,662,856</u>	<u>927,736</u>	<u>(895,800)</u>	<u>1,694,792</u>
Subtotal	<u>3,518,343</u>	<u>927,736</u>	<u>(895,800)</u>	<u>3,550,279</u>
Capital assets being depreciated				
Land improvements	3,217,636	95,808	-	3,313,444
Buildings and improvements	7,101,194	35,353	-	7,136,547
Vehicles and equipment	4,640,658	369,495	-	5,010,153
Infrastructure	<u>28,404,522</u>	<u>1,024,819</u>	<u>-</u>	<u>29,429,341</u>
Subtotal	<u>43,364,010</u>	<u>1,525,475</u>	<u>-</u>	<u>44,889,485</u>
Less accumulated depreciation for:				
Land improvements	(1,483,076)	(162,389)	-	(1,645,465)
Buildings and improvements	(2,063,551)	(24,331)	-	(2,087,882)
Vehicles and equipment	(4,353,750)	(358,101)	-	(4,711,851)
Infrastructure	<u>(17,646,621)</u>	<u>(1,159,944)</u>	<u>-</u>	<u>(18,806,565)</u>
Subtotal	<u>(25,546,998)</u>	<u>(1,704,765)</u>	<u>-</u>	<u>(27,251,763)</u>
Net capital assets being depreciated	<u>17,817,012</u>	<u>(179,290)</u>	<u>-</u>	<u>17,637,722</u>
Capital assets, net	<u>\$ 21,335,355</u>	<u>\$ 748,446</u>	<u>\$ (895,800)</u>	<u>\$ 21,188,001</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 222,294
Public safety	206,355
Public works	1,125,890
Recreation and culture	<u>150,226</u>
Total depreciation expense	<u>\$ 1,704,765</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2020	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2021
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 25,609	\$ -	\$ -	\$ 25,609
Construction in progress	397,528	31,709	(130,240)	298,997
Subtotal	423,137	31,709	(130,240)	324,606
Capital assets being depreciated				
Buildings and improvements	482,220	11,894	-	494,114
Utility systems	31,166,897	520,375	-	31,687,272
Subtotal	31,649,117	532,269	-	32,181,386
Less accumulated depreciation for:				
Buildings and improvements	(305,520)	(11,453)	-	(316,973)
Utility systems	(14,318,449)	(850,427)	-	(15,168,876)
Subtotal	(14,623,969)	(861,880)	-	(15,485,849)
Net capital assets being depreciated	17,025,148	(329,611)	-	16,695,537
Capital assets, net	<u>\$ 17,448,285</u>	<u>\$ (297,902)</u>	<u>\$ (130,240)</u>	<u>\$ 17,020,143</u>

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.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended June 30, 2021.

Primary Government

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2015 Refunding Bonds	\$ 3,195,000	\$ -	\$ (110,000)	\$ 3,085,000	\$ 115,000
Other debt					
Special Assessment Bonds	50,000	-	(50,000)	-	-
Notes from direct borrowings and direct placements					
Capital lease	12,420	-	(3,105)	9,315	3,105
Compensated absences	324,358	210,252	(188,134)	346,476	200,963
	3,581,778	210,252	(351,239)	3,440,791	319,068
Capitalized bond premiums	112,490	-	(5,625)	106,865	5,625
Total governmental activities	3,694,268	210,252	(356,864)	3,547,656	324,693
Business-type Activities					
Other debt					
Drinking Water Revolving Fund Loan	3,443,674	-	(400,000)	3,043,674	405,000
Compensated absences	97,928	29,091	(19,063)	107,956	21,015
Total business-type activities	3,541,602	29,091	(419,063)	3,151,630	426,015
Total reporting entity	\$ 7,235,870	\$ 239,343	\$ (775,927)	\$ 6,699,286	\$ 750,708

Significant details regarding outstanding long-term obligations (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 \$115,000 to \$220,000 through April 1, 2040, with interest ranging from 3.00% to 4.00%, payable semi-annually.

\$ 3,085,000

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

Capital Lease

\$15,000 Lease purchase agreement dated August 30, 2019, consisted of an obligation for tasers. Annual payments of \$3,450 are due through September 17, 2023, including interest of 2.20%. The cost of the tasers under the lease purchase agreement amounts to \$15,525. The lease purchase agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of future minimum payments as of the date of inception.

\$ 9,315

Drinking Water Revolving Fund Loan

\$8,000,000 Water Supply System Bonds dated September 27, 2007, due in annual installments ranging from \$405,000 to \$463,674 through April 1, 2028, with interest of 2.125%, payable semi-annually.

\$ 3,043,674

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 \$454,432 at June 30, 2021. Of this amount, \$346,476 and \$107,956 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,	<u>General Obligation Bonds</u>		<u>Other Debt</u>		<u>Notes from Direct Borrowing and Direct Placements</u>	
	<u>General Obligation Bonds</u>		<u>Drinking Water Revolving Fund Loan</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 115,000	\$ 118,475	\$ 405,000	\$ 64,678	\$ 3,105	\$ 345
2023	120,000	115,025	415,000	56,072	3,105	345
2024	125,000	111,425	425,000	47,253	3,105	345
2025	130,000	106,425	435,000	38,222	-	-
2026	135,000	101,225	445,000	28,978	-	-
2027-2031	730,000	423,125	918,674	29,375	-	-
2032-2036	895,000	264,525	-	-	-	-
2037-2040	835,000	79,875	-	-	-	-
	<u>\$ 3,085,000</u>	<u>\$ 1,320,100</u>	<u>\$ 3,043,674</u>	<u>\$ 264,578</u>	<u>\$ 9,315</u>	<u>\$ 1,035</u>

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Primary Government (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, 2021, bonds due and payable April 1, 2022 through April 1, 2040, for the 2010 Building Authority Bonds in the amount of \$3,085,000 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.

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, 2020, valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	37
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>42</u>
	<u><u>110</u></u>

Contributions

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

Employer contributions range from 3.61% to 4.92% based on annual payroll for open divisions. Four divisions, closed to new employees, had a total annual employer contribution of \$579,924.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2020, 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, 2020, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.00% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.35%, 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 2013-2018 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>	<u>Expected Money-Weighted Rate of Return</u>
Global equity	60.00%	5.25%	3.15%
Global fixed income	20.00%	1.25%	0.25%
Private Assets	<u>20.00%</u>	7.25%	1.45%
	<u>100.00%</u>		
Inflation			<u>2.50%</u>
Assumed investment rate of turn			7.35%
Administrative expense netted above			<u>0.25%</u>
Investment rate of return			<u>7.60%</u>

Discount Rate

The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT PLAN (continued)

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2019	\$ 20,452,055	\$ 13,358,474	\$ 7,093,581
Changes for the year			
Service cost	241,897	-	241,897
Interest on total pension liability	1,519,246	-	1,519,246
Changes in benefits	(331,145)	-	(331,145)
Difference between expected and actual experience	(300,952)	-	(300,952)
Changes in assumptions	471,236		471,236
Employer contributions	-	747,053	(747,053)
Employee contributions	-	164,232	(164,232)
Net investment income	-	1,688,140	(1,688,140)
Benefit payments, including employee refunds	(1,165,864)	(1,165,864)	-
Administrative expense	-	(26,717)	26,717
Other changes	-	-	-
Net changes	434,418	1,406,844	(972,426)
Balances as of December 31, 2020	\$ 20,886,473	\$ 14,765,318	\$ 6,121,155

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

The following presents the Net Pension Liability of the employer as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 8,614,820	\$ 6,121,155	\$ 4,062,034

**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

For the year ended June 30, 2021, the employer recognized pension expenses of \$34,827. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 470,036
Changes in assumptions	702,832	-
Net difference between projected and actual earnings on pension plan investments	-	465,702
Contributions subsequent to the measurement date*	<u>342,016</u>	<u>-</u>
Total	<u>\$ 1,044,848</u>	<u>\$ 935,738</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2021.

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 (\$342,016), which will impact the net pension liability in fiscal year 2022, rather than pension expense.

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2022	\$ (50,666)
2023	183,585
2024	(229,109)
2025	<u>(136,716)</u>
	<u>\$ (232,906)</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

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, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries receiving or entitled to future benefits	15
Active employees	43
	58

Contributions

For the year ended June 30, 2021, the City contributed \$70,000 in addition to its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

Inflation	2.50%	
Salary increases	3.50%	(for purpose of allocating liability)
Investment rate of return	7.35%	(including inflation)
20-year Aa Municipal bond rate	2.18%	(S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality		Public Safety and General 2010 Employee and Healthy Retiree, Headcount weighted MP-2020 Improvement Scale

The assumptions used in the June 30, 2020 valuation was determined by the City’s management as of June 30, 2020.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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</u>	<u>Long-term Expected</u>
Global equity	60.00%	5.25%
Global fixed income	20.00%	1.25%
Private Assets	20.00%	7.25%

The sum of each target allocation times its long-term expected rate is 7.35%, including inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed, in addition to paying benefits from general operating funds, the City will contribute \$70,000 per year. While the plan does not have a Corrective Action Plan (CAP), it does have a noncommitment funding goal such that the City will make contributions until the plan is at least 100% funded. Based on this assumption, the assets are to be sufficient to make projected future benefit payments of current plan members. This discount rate is used to determine the Total OPEB Liability.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2021, 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, 2020	\$ 1,819,457	\$ 915,564	\$ 903,893
Changes for the year			
Service cost	9,527	-	9,527
Interest on total OPEB liability	129,933	-	129,933
Difference between expected and actual experience	3,362	-	3,362
Changes in benefits	-	-	-
Changes in assumptions	(63,586)	-	(63,586)
Employer contributions	-	70,000	(70,000)
Contributions/benefit paid from general operating	-	122,378	(122,378)
Net investment income	-	267,168	(267,168)
Benefit payments	(122,378)	(122,378)	-
Administrative expense	-	(1,966)	1,966
Net changes	(43,142)	335,202	(378,344)
Balances as of June 30, 2021	\$ 1,776,315	\$ 1,250,766	\$ 525,549

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 or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 708,005	\$ 525,549	\$ 371,801

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 348,653	\$ 525,549	\$ 735,227

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2021, the City recognized OPEB expense of (\$37,843) At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 226,013	\$ 199,286
Changes in assumptions	249,402	748,621
Differences between investment earning	-	117,381
	\$ 475,415	\$ 1,065,288

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

Year Ending June 30,	OPEB Expense
2022	\$ (125,990)
2023	(136,098)
2024	(142,826)
2025	(151,832)
2026	(33,127)
	\$ (589,873)

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, fire/EMS replacements, sewage system overflows, and auto losses. The pool is organized under Public Act 138 of 1982, as amended. State pool members' limits of coverage (per occurrence) are detailed in their policy agreements with the Authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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, 2021, the City abated property taxes revenues totaling \$109,442 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 \$105,669.

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, 2021:

PRIMARY GOVERNMENT	
Highways	\$ 1,967,283
Community enrichment	1,011,129
Construction code activity	78,751
Cemetery operations	363,157
Flowers	19,494
Debt service	288,360
	<hr/>
	\$ 3,728,174
	<hr/> <hr/>

NOTE 12 - 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 13 - CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 84, *Fiduciary Activities*, establishes specific criteria for identifying activities that should be reported as fiduciary activities. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The City has three funds that meet the criteria, delinquent tax, current tax collection fund, and other post-employment benefits trust fund.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to increase 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City is current evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is current evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 15 - SUBSEQUENT EVENTS

The American Rescue Plan (ARP) Act was signed into law on March 11, 2021, and it guaranteed financial relief to local municipalities. The City is estimated to receive approximately \$885,287 in ARP funding as a non-entitlement unit. Funding will be released by the U.S. Department of Treasury, and subsequently by the Michigan Department of Treasury, in two tranches. Half of the funding the City may apply to receive became available in July 2021, and the second half of the funding will be released under the second tranche one year after the disbursement of the first tranche. The City will have until 2024 to obligate the federal funds received and until 2026 to spend the funds on allowable expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MASON
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property taxes	\$ 3,540,865	\$ 3,540,865	\$ 3,478,605	\$ (62,260)
Penalties and interest	11,000	11,000	16,486	5,486
Administration fees	106,500	106,500	109,363	2,863
Total taxes	<u>3,658,365</u>	<u>3,658,365</u>	<u>3,604,454</u>	<u>(53,911)</u>
Licenses and permits	<u>10,600</u>	<u>10,600</u>	<u>8,794</u>	<u>(1,806)</u>
Intergovernmental				
Federal	-	-	177,833	177,833
State	797,000	797,000	1,111,550	314,550
Local	1,205,140	1,205,140	1,211,420	6,280
Total intergovernmental	<u>2,002,140</u>	<u>2,002,140</u>	<u>2,500,803</u>	<u>498,663</u>
Charges for services				
Refuse collection	401,400	401,400	403,265	1,865
Cable franchise fee	35,000	35,000	35,039	39
Other	268,005	268,005	346,830	78,825
Total charges for services	<u>704,405</u>	<u>704,405</u>	<u>785,134</u>	<u>80,729</u>
Fines and forfeits	<u>31,600</u>	<u>31,600</u>	<u>18,549</u>	<u>(13,051)</u>
Interest and rents	<u>129,700</u>	<u>129,700</u>	<u>113,692</u>	<u>(16,008)</u>
Other				
Miscellaneous	<u>85,415</u>	<u>85,415</u>	<u>125,617</u>	<u>40,202</u>
TOTAL REVENUES	<u>6,622,225</u>	<u>6,622,225</u>	<u>7,157,043</u>	<u>534,818</u>

**CITY OF MASON
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
Current				
General government				
Clerk	\$ 271,525	\$ 273,525	\$ 271,874	\$ 1,651
City Council	48,650	48,650	38,296	10,354
Administrator	402,420	402,420	319,301	83,119
Assessor	56,775	56,775	55,582	1,193
Board of Review	650	650	510	140
Treasurer	597,455	597,455	530,245	67,210
Technology	84,050	84,050	63,018	21,032
Building office and City Hall	396,315	436,315	359,017	77,298
Attorney	115,000	115,000	77,617	37,383
Workers compensation	73,500	73,500	41,984	31,516
Retiree benefits	326,550	326,550	322,928	3,622
Total general government	<u>2,372,890</u>	<u>2,414,890</u>	<u>2,080,372</u>	<u>334,518</u>
Public safety				
Police administration	388,345	443,195	414,815	28,380
Crossing guards	33,420	33,420	21,230	12,190
Police patrolling	1,120,055	1,120,055	1,079,538	40,517
Fire department	444,805	649,805	455,979	193,826
Civil defense	3,855	3,855	1,755	2,100
Total public safety	<u>1,990,480</u>	<u>2,250,330</u>	<u>1,973,317</u>	<u>277,013</u>
Public works				
Public services	9,810	9,810	7,332	2,478
Sidewalks	2,195	2,195	2,195	-
Street lighting	112,420	112,420	111,217	1,203
Cemetery	287,430	287,430	267,221	20,209
Refuse collection	407,715	407,715	406,878	837
Total public works	<u>819,570</u>	<u>819,570</u>	<u>794,843</u>	<u>24,727</u>
Community and economic development				
Planning and zoning	132,010	132,010	114,306	17,704
Planning commission	12,850	12,850	7,195	5,655
Christmas decorations	6,340	6,340	2,005	4,335
Total community and economic development	<u>151,200</u>	<u>151,200</u>	<u>123,506</u>	<u>27,694</u>

**CITY OF MASON
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
Current (continued)				
Recreation and culture				
Parks	\$ 271,905	\$ 271,905	\$ 206,083	\$ 65,822
Library	6,935	6,935	6,135	800
Forestry	99,220	99,220	88,536	10,684
Senior citizens	8,165	8,165	6,127	2,038
Total recreation and culture	<u>386,225</u>	<u>386,225</u>	<u>306,881</u>	<u>79,344</u>
Capital outlay	<u>-</u>	<u>295,500</u>	<u>79,636</u>	<u>215,864</u>
Debt service				
Principal	110,000	113,150	113,105	45
Interest and fiscal fees	122,525	122,525	122,525	-
Total debt service	<u>232,525</u>	<u>235,675</u>	<u>235,630</u>	<u>45</u>
TOTAL EXPENDITURES	<u>5,952,890</u>	<u>6,553,390</u>	<u>5,594,185</u>	<u>959,205</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>669,335</u>	<u>68,835</u>	<u>1,562,858</u>	<u>1,494,023</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	134,480	134,480	130,590	(3,890)
Transfers out	(1,027,000)	(1,228,000)	(1,227,862)	138
TOTAL OTHER FINANCING SOURCES (USES)	<u>(892,520)</u>	<u>(1,093,520)</u>	<u>(1,097,272)</u>	<u>(3,752)</u>
NET CHANGE IN FUND BALANCE	<u>(223,185)</u>	<u>(1,024,685)</u>	<u>465,586</u>	<u>1,490,271</u>
Fund balance, beginning of year	<u>5,657,733</u>	<u>5,657,733</u>	<u>5,657,733</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,434,548</u></u>	<u><u>\$ 4,633,048</u></u>	<u><u>\$ 6,123,319</u></u>	<u><u>\$ 1,490,271</u></u>

**CITY OF MASON
MAJOR STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 600,000	\$ 600,000	\$ 686,278	\$ 86,278
Charges for services	2,000	2,000	-	(2,000)
Interest	15,000	15,000	3,238	(11,762)
TOTAL REVENUES	<u>617,000</u>	<u>617,000</u>	<u>689,516</u>	<u>72,516</u>
EXPENDITURES				
Current				
Public works	683,180	828,980	810,174	18,806
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(66,180)</u>	<u>(211,980)</u>	<u>(120,658)</u>	<u>91,322</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	144,870	144,870	356,753	211,883
Transfers out	(57,135)	(6,000)	(5,945)	55
TOTAL OTHER FINANCING SOURCES (USES)	<u>87,735</u>	<u>138,870</u>	<u>350,808</u>	<u>211,938</u>
NET CHANGE IN FUND BALANCE	21,555	(73,110)	230,150	303,260
Fund balance, beginning of year	<u>1,737,133</u>	<u>1,737,133</u>	<u>1,737,133</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,758,688</u>	<u>\$ 1,664,023</u>	<u>\$ 1,967,283</u>	<u>\$ 303,260</u>

**CITY OF MASON
LOCAL STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 236,420	\$ 236,420	\$ 271,271	\$ 34,851
Charges for services	600	600	-	(600)
Interest	500	500	169	(331)
	<u>237,520</u>	<u>237,520</u>	<u>271,440</u>	<u>33,920</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	<u>1,076,785</u>	<u>1,076,785</u>	<u>1,038,913</u>	<u>37,872</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(839,265)	(839,265)	(767,473)	71,792
OTHER FINANCING SOURCES				
Transfers in	<u>839,265</u>	<u>839,265</u>	<u>767,474</u>	<u>(71,791)</u>
NET CHANGE IN FUND BALANCE	-	-	1	1
Fund balance, beginning of year	<u>146,972</u>	<u>146,972</u>	<u>146,972</u>	<u>-</u>
Fund balance, end of year	<u>\$ 146,972</u>	<u>\$ 146,972</u>	<u>\$ 146,973</u>	<u>\$ 1</u>

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 241,897	\$ 265,041	\$ 279,971	\$ 290,730	\$ 308,162	\$ 286,412	\$ 344,630
Interest	1,519,246	1,515,380	1,498,632	1,467,726	1,439,908	1,302,779	1,248,831
Changes of benefit terms	(331,145)	-	-	1,254	17,991	(20,699)	-
Difference between expected and actual experience	(300,952)	(265,298)	(446,696)	(257,406)	(316,425)	102,106	-
Changes of assumptions	471,236	698,809	-	-	-	992,404	-
Benefit payments, including employee refunds	(1,165,864)	(1,143,184)	(1,087,029)	(1,134,174)	(1,052,211)	(948,754)	(909,285)
Other	-	(2)	-	1	(1)	40,713	39,026
Net Change in Total Pension Liability	434,418	1,070,746	244,878	368,131	397,424	1,754,961	723,202
Total Pension Liability, beginning	20,452,055	19,381,309	19,136,431	18,768,300	18,370,876	16,615,915	15,892,713
Total Pension Liability, ending	<u>\$ 20,886,473</u>	<u>\$ 20,452,055</u>	<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	\$ 747,053	\$ 641,014	\$ 576,530	\$ 588,286	\$ 465,129	\$ 364,270	\$ 302,481
Contributions-employee	164,232	170,272	188,382	204,586	226,555	239,773	273,318
Net Investment income	1,688,140	1,627,669	(500,397)	1,539,414	1,231,987	(169,894)	697,815
Benefit payments including employee refunds	(1,165,864)	(1,143,184)	(1,087,029)	(1,134,174)	(1,052,211)	(948,754)	(909,285)
Administrative expense	(26,717)	(28,025)	(24,911)	(24,385)	(24,324)	(24,907)	(25,588)
Net Change in Plan Fiduciary Net Position	1,406,844	1,267,746	(847,425)	1,173,727	847,136	(539,512)	338,741
Plan Fiduciary Net Position, beginning	13,358,474	12,090,728	12,938,153	11,764,426	10,917,290	11,456,802	11,118,061
Plan Fiduciary Net Position, ending	<u>\$ 14,765,318</u>	<u>\$ 13,358,474</u>	<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>\$ 6,121,155</u>	<u>\$ 7,093,581</u>	<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	71%	65%	62%	68%	63%	59%	69%
Covered employee payroll	\$ 2,200,819	\$ 2,335,931	\$ 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	278%	304%	319%	271%	330%	355%	231%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions ⁽¹⁾	\$ 633,895	\$ 558,778	\$ 541,538	\$ 562,761	\$ 459,148	\$ 426,002	\$ 340,936
Contributions in relation to the actuarially determined contribution	<u>808,895</u>	<u>649,198</u>	<u>591,538</u>	<u>562,761</u>	<u>459,148</u>	<u>426,002</u>	<u>340,936</u>
Contribution deficiency (excess)	<u>\$ (175,000)</u>	<u>\$ (90,420)</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,215,548	\$ 2,364,414	\$ 2,370,641	\$ 2,376,582	\$ 2,254,766	\$ 2,298,302	\$ 2,191,564
Contributions as a percentage of covered employee payroll	37%	27%	25%	24%	20%	19%	16%

⁽¹⁾ The actuarially determined contribution was calculated based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially determined contribution has been expressed above as a percentage of actual payroll.

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 9,527	\$ 35,225	\$ 41,265	\$ 27,236
Interest	129,933	111,535	102,149	72,464
Changes of benefit terms	-	(92,994)	(56,745)	-
Difference between expected and actual experience	3,362	(296,028)	8,630	443,399
Changes of assumptions	(63,586)	(1,033,530)	81,199	479,399
Benefit payments, including employee refunds	<u>(122,378)</u>	<u>(112,423)</u>	<u>(121,912)</u>	<u>(129,891)</u>
Net Change in Total OPEB Liability	(43,142)	(1,388,215)	54,586	892,607
Total OPEB Liability, beginning	<u>1,819,457</u>	<u>3,207,672</u>	<u>3,153,086</u>	<u>2,260,479</u>
Total OPEB Liability, ending	<u><u>\$ 1,776,315</u></u>	<u><u>\$ 1,819,457</u></u>	<u><u>\$ 3,207,672</u></u>	<u><u>\$ 3,153,086</u></u>
Plan Fiduciary Net Position				
Contributions-employer	\$ 70,000	\$ 115,000	\$ 261,912	\$ 154,891
Contributions/benefit payments from general operating	122,378	112,423	-	-
Net Investment income	267,168	19,973	20,048	44,726
Benefit payments including employee refunds	(122,378)	(112,423)	(121,912)	(129,891)
Administrative expense	<u>(1,966)</u>	<u>(1,583)</u>	<u>(1,344)</u>	<u>(1,453)</u>
Net Change in Plan Fiduciary Net Position	335,202	133,390	158,704	68,273
Plan Fiduciary Net Position, beginning	<u>915,564</u>	<u>782,174</u>	<u>623,470</u>	<u>555,197</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 1,250,766</u></u>	<u><u>\$ 915,564</u></u>	<u><u>\$ 782,174</u></u>	<u><u>\$ 623,470</u></u>
City's Net OPEB Liability	<u><u>\$ 525,549</u></u>	<u><u>\$ 903,893</u></u>	<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	70%	50%	24%	20%
Covered employee payroll	\$ 1,097,967	\$ 1,127,299	\$ 2,787,850	\$ 2,467,064
City's Net OPEB Liability as a percentage of covered employee payroll	48%	80%	87%	103%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 193,297	\$ 264,676	\$ 275,281	\$ 223,141
Contributions in relation to the actuarially determined contribution	<u>192,378</u>	<u>227,423</u>	<u>261,912</u>	<u>154,891</u>
Contribution deficiency (excess)	<u>\$ 919</u>	<u>\$ 37,253</u>	<u>\$ 13,369</u>	<u>\$ 68,250</u>
Covered employee payroll	\$ 1,097,967	\$ 1,127,299	\$ 2,787,850	\$ 2,467,064
Contributions as a percentage of covered employee payroll	18%	20%	9%	6%

Actuarial valuation information relative to the determination of contributions:

Valuation Date June 30, 2020
Measurement Date June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal
Amortization method Level percentage of pay
Remaining amortization period 6 years
Investment rate of return 7.35% including inflation
20-year Aa municipal bond rate 2.18%
Salary increase 3.50%
Inflation rate 2.50%
Utilization 100% of covered employees at the valuation date will elect the same coverage of retirement
Mortality 2010 Public General and Public Safety Employees, Headcount-weighted and Healthy retiree with MP-2019 Mortality Improvement Scale

CITY OF MASON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

NOTE 1 - PENSION PLAN

Changes of benefits terms: Participant contribution rates increased to 4.5%, 10%, 12%, or 12.5% depending on division.
Temporary benefits modifications as a result of COVID.

Changes in assumptions: A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020 actuarial valuation, first impacting 2022 contributions. A complete description of the assumptions may be found in the Appendix to the valuation.

Reduction in discount rate from 8.00% to 7.60%.

Reduction in the investment rate of return assumption from 7.75% to 7.60%.

Reduction in the rate of wage inflation from 3.75% to 3.00%.

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of benefits terms: There were no changes of benefit terms for the plan year 2020

Changes in assumptions: Mortality improvement scale updated from MP-2019 to MP-2020.
Trend rates updated to that prescribed by Public Act 202 for 2021.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF MASON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Special Revenue			
	Special Assessment	Building Inspection	Economic Development Corporation	Rayner Bond
ASSETS				
Cash and cash equivalents	\$ 327,224	\$ 90,665	\$ 5,218	\$ 537,010
Investment	-	-	-	605,305
Accounts receivable	-	-	-	2,153
Special assessments receivable	320,608	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ 647,832	\$ 90,665	\$ 5,218	\$ 1,144,468
LIABILITIES				
Accounts payable	\$ -	\$ 10,859	\$ -	\$ -
Accrued wages	-	1,055	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	-	11,914	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	320,608	-	-	-
FUND BALANCES				
Restricted				
Highways	-	-	-	-
Community enrichment	-	-	5,218	1,005,911
Construction code activity	-	78,751	-	-
Cemetery operations	-	-	-	-
Flowers	-	-	-	-
Debt service	151,289	-	-	-
Committed				
Community enrichment	-	-	-	138,557
Capital projects	-	-	-	-
Fire equipment	-	-	-	-
Assigned				
Highways	-	-	-	-
Other purposes	175,935	-	-	-
TOTAL FUND BALANCES	327,224	78,751	5,218	1,144,468
TOTAL LIABILITIES AND INFLOWS OF RESOURCES, FUND BALANCES	\$ 647,832	\$ 90,665	\$ 5,218	\$ 1,144,468

Debt Service Mason Building Authority	Capital Projects		Permanent Cemetery Trust	Total Nonmajor Governmental Funds
	Fire Equipment	Capital Improvement		
\$ 4	\$ 133,191	\$ 383	\$ 383,037	\$ 1,476,732
-	-	-	-	605,305
-	-	-	-	2,153
-	-	-	-	320,608
-	-	-	-	-
-	-	-	-	-
<u>\$ 4</u>	<u>\$ 133,191</u>	<u>\$ 383</u>	<u>\$ 383,037</u>	<u>\$ 2,404,798</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,859
-	-	-	-	1,055
-	-	-	386	386
-	-	-	386	12,300
-	-	-	-	320,608
-	-	-	-	-
-	-	-	-	1,011,129
-	-	-	-	78,751
-	-	-	363,157	363,157
-	-	-	19,494	19,494
4	-	-	-	151,293
-	-	-	-	138,557
-	-	383	-	383
-	133,191	-	-	133,191
-	-	-	-	-
-	-	-	-	175,935
<u>4</u>	<u>133,191</u>	<u>383</u>	<u>382,651</u>	<u>2,071,890</u>
<u>\$ 4</u>	<u>\$ 133,191</u>	<u>\$ 383</u>	<u>\$ 383,037</u>	<u>\$ 2,404,798</u>

**CITY OF MASON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	Special Revenue			
	Special Assessment	Building Inspection	Economic Development Corporation	Rayner Bond
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Special assessments	121,579	-	-	-
Licenses and permits	-	65,306	-	-
Investment earnings and royalties, net	5,700	-	7	20,251
Other	-	137	-	55,851
TOTAL REVENUES	127,279	65,443	7	76,102
EXPENDITURES				
Current				
Public safety	-	122,104	-	-
Public works	-	-	-	-
Community and economic development	-	-	3,000	-
Recreation and culture	-	-	-	60,475
Capital outlay	-	-	-	-
Debt service	51,138	-	-	-
TOTAL EXPENDITURES	51,138	122,104	3,000	60,475
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	76,141	(56,661)	(2,993)	15,627
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(91,537)	-	-	(7,321)
TOTAL OTHER FINANCING SOURCES (USES)	(91,537)	-	-	(7,321)
NET CHANGE IN FUND BALANCES	(15,396)	(56,661)	(2,993)	8,306
Fund balances, beginning of year	342,620	135,412	8,211	1,136,162
Fund balances, end of year	<u>\$ 327,224</u>	<u>\$ 78,751</u>	<u>\$ 5,218</u>	<u>\$ 1,144,468</u>

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent</u>	<u>Total</u>
<u>Mason</u>	<u>Fire</u>	<u>Capital</u>	<u>Cemetery</u>	<u>Nonmajor</u>
<u>Building</u>	<u>Equipment</u>	<u>Improvements</u>	<u>Trust</u>	<u>Governmental</u>
<u>Authority</u>				<u>Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	121,579
-	-	-	-	65,306
-	80	-	386	26,424
-	-	47,903	16,516	120,407
-	80	47,903	16,902	333,716
-	-	-	-	122,104
-	-	-	-	-
-	-	-	-	3,000
-	-	-	-	60,475
-	-	95,803	-	95,803
-	-	-	-	51,138
-	-	95,803	-	332,520
-	80	(47,900)	16,902	1,196
-	100,000	9,580	-	109,580
-	-	-	(386)	(99,244)
-	100,000	9,580	(386)	10,336
-	100,080	(38,320)	16,516	11,532
4	33,111	38,703	366,135	2,060,358
<u>\$ 4</u>	<u>\$ 133,191</u>	<u>\$ 383</u>	<u>\$ 382,651</u>	<u>\$ 2,071,890</u>

**CITY OF MASON
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2021**

	Delinquent Tax	Current Tax Collection	Total
ASSETS			
Cash and cash equivalents	\$ 321	\$ -	\$ 321
LIABILITIES			
Due to others	\$ 321	\$ -	\$ 321

**CITY OF MASON
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021**

	<u>Delinquent Tax</u>	<u>Current Tax Collection</u>	<u>Total</u>
ADDITIONS			
Property tax collection for other governmental units	\$ 7,451	\$ 10,619,984	\$ 10,619,984
DEDUCTIONS			
Property tax distributions to other governmental units	<u>7,451</u>	<u>10,619,984</u>	<u>10,619,984</u>
NET CHANGE IN FIDUCIARY NET POSITION	-	-	-
NET POSITION			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF MASON
COMPONENT UNIT FUNDS
BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY
JUNE 30, 2021**

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,182,465</u>
FUND BALANCE	
Unassigned	<u>\$ 2,182,465</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of June 30, 2021.

**CITY OF MASON
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 LOCAL DEVELOPMENT FINANCE AUTHORITY
 YEAR ENDED JUNE 30, 2021**

	General
REVENUES	
Taxes	\$ 421,110
Intergovernmental	208,185
Interest	2,166
TOTAL REVENUES	631,461
EXPENDITURES	
Current	
Community and economic development	31,622
NET CHANGE IN FUND BALANCES	599,839
Fund balance, beginning of year	1,582,626
Fund balance, end of year	\$ 2,182,465

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, 2021.

**CITY OF MASON
 COMPONENT UNIT FUNDS
 BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
 JUNE 30, 2021**

	General
ASSETS	
Cash and cash equivalents	\$ 296,656
Taxes receivable	1,505
Accounts receivable	336
TOTAL ASSETS	\$ 298,497
LIABILITIES	
Accounts payable	\$ 5,261
FUND BALANCE	
Unassigned	293,236
TOTAL LIABILITIES AND FUND BALANCE	\$ 298,497

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, 2021.

**CITY OF MASON
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2021**

	General
REVENUES	
Taxes	\$ 119,728
Intergovernmental	9,447
Interest	311
Other	50,800
TOTAL REVENUES	180,286
EXPENDITURES	
Current	
Community and economic development	118,405
NET CHANGE IN FUND BALANCE	61,881
Fund balance, beginning of year	231,355
Fund balance, end of year	\$ 293,236

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, 2021.