

**CITY OF MASON
INGHAM COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2022

**CITY OF MASON
INGHAM COUNTY, MICHIGAN
JUNE 30, 2022**

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 of the
City of Mason, Michigan

Opinions

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 City of Mason, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Mason's basic financial statements as listed in the table of contents.

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 City of Mason, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Mason and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2022 the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Mason's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Mason's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Mason's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Mason's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maney Costeiran PC

October 28, 2022

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, 2022. 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 12 and 13 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 14 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 15 and 17.
- 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 25 through 54 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, 2022:

- The net position of the governmental activities increased by \$1,032,344, or 4.33%, and the net position of the business-type activities increased by \$273,236 or 1.94%.
- State shared revenues, the largest individual general revenue source after property taxes, increased 22.21% to \$983,679 during the current fiscal year.
- In the City's business-type activities, revenues were approximately \$3.40 million, an increase of approximately 6.32% from the prior fiscal year, while expenses were approximately \$3.13 million, an increase of approximately 1.94% from the prior fiscal year.
- Total costs of all the City's programs were approximately \$10.29 million, an increase of approximately 3.05% from the prior fiscal year.
- The General Fund reported an increase in fund balance of \$119,014, or approximately 1.94%

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, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	\$ 13,697,354	\$ 12,030,161	\$ 2,311,175	\$ 2,217,369	\$ 16,008,529	\$ 14,247,530
Capital assets, net	21,278,356	21,188,001	16,928,690	17,020,143	38,207,046	38,208,144
TOTAL ASSETS	34,975,710	33,218,162	19,239,865	19,237,512	54,215,575	52,455,674
DEFERRED OUTFLOWS OF RESOURCES	1,267,332	1,180,476	456,713	389,187	1,724,045	1,569,663
LIABILITIES						
Current Liabilities	2,166,463	900,185	849,183	568,891	3,015,646	1,469,076
Noncurrent Liabilities	6,950,607	8,171,455	3,738,060	4,423,827	10,688,667	12,595,282
TOTAL LIABILITIES	9,117,070	9,071,640	4,587,243	4,992,718	13,704,313	14,064,358
DEFERRED INFLOWS OF RESOURCES	2,255,393	1,488,763	713,881	512,263	2,969,274	2,001,026
NET POSITION						
Net investment in Capital Assets	18,247,706	18,036,221	14,290,016	13,976,469	32,537,722	32,012,690
Restricted	3,591,254	3,728,174	-	-	3,591,254	3,728,174
Unrestricted	3,031,619	2,073,840	105,438	145,249	3,137,057	2,219,089
TOTAL NET POSITION	\$ 24,870,579	\$ 23,838,235	\$ 14,395,454	\$ 14,121,718	\$ 39,266,033	\$ 37,959,953

The City's combined net position increased from approximately \$37.960 million a year ago to \$39.266 million.

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

Approximately 73.37% 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 \$3.03 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 4.33% to \$24.87 million.

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2022 and 2021.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenue						
Charges for services	\$ 1,136,217	\$ 1,251,651	\$ 3,298,263	\$ 3,179,053	\$ 4,434,480	\$ 4,430,704
Operating grants and contributions	2,216,709	2,380,419	750	1,862	2,217,459	2,382,281
Capital grants and contributions	7,193	54,159	98,592	-	105,785	54,159
General revenues						
Property taxes	3,559,888	3,478,605	-	45,872	3,559,888	3,524,477
State Revenue Sharing	983,679	804,938	-	-	983,679	804,938
Local community stabilization	313,432	301,240	-	-	313,432	301,240
Investment earnings	(71,466)	45,392	2,474	2,433	(68,992)	47,825
Miscellaneous	54,032	135,311	-	-	54,032	135,311
Transfers	-	31,346	-	(31,346)	-	-
TOTAL REVENUES	8,199,684	8,483,061	3,400,079	3,197,874	11,599,763	11,680,935
EXPENSES						
General government	1,854,811	1,575,717	-	-	1,854,811	1,575,717
Public safety	1,990,718	2,129,963	-	-	1,990,718	2,129,963
Public works	2,369,601	2,763,644	-	-	2,369,601	2,763,644
Community and economic development	247,072	126,506	-	-	247,072	126,506
Recreation and culture	585,913	400,740	-	-	585,913	400,740
Interest on long-term debt	119,225	-	-	-	119,225	-
Water and sewer	-	-	3,126,343	2,992,278	3,126,343	2,992,278
TOTAL EXPENSES	7,167,340	6,996,570	3,126,343	2,992,278	10,293,683	9,988,848
Change in net position	\$ 1,032,344	\$ 1,486,491	\$ 273,736	\$ 205,596	\$ 1,306,080	\$ 1,692,087

Governmental Activities - Governmental activities increased the City's net position by \$1,032,344. Key elements of this increase are as follows:

- The cost of all governmental activities this year was approximately \$7.17 million.
- The amount that City taxpayers paid for these activities through City taxes was approximately \$3.56 million.
- Some of the cost was paid by the beneficiaries of the program's activities (approximately \$1.14 million), or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$2.22 million).
- The City's investment in the maintenance of streets, parks and other municipal services.

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

Business-type Activities - Business-type activities increased the City's net position by \$273,736. Key elements of this increase are as follows:

- Increase in water/sewer fees to offset lower usage.
- The City's investment in infrastructure, maintenance of water and sanitary sewer mains and improvements to the wastewater treatment facility.

The City's Funds

The analysis of the City's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. 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 2022 were the General Fund, Major Streets Fund, Local Streets Fund, and American Rescue Fund. These funds, along with the remaining nonmajor governmental funds, reported a combined fund balance of approximately \$10.37 million, an increase of 0.57% from last year's combined fund balance of \$10.31 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 66.74% 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 0.35% to \$1,974,257 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 increased 15.39% to \$169,586 as of the fiscal year end.

The American Rescue Fund is a new fund in the current year for the specific purpose of tracking the expenditures related to the corresponding federal funding. Fund balance increased to \$503 as a result of the interest earned during the fiscal year.

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 \$733,115 of the General Fund's fund balance and ended the year anticipating a fund balance usage of approximately \$443,335. The City's amendments included increasing anticipated revenue and decreasing anticipated expenditures as actual amounts became known. The result was an actual increase of \$119,014 to the General Fund's fund balance as a result of capital projects that were started but not finished in the fiscal year.

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

Capital Asset and Debt Administration

At the end of the 2022 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 6 to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,855,487	\$ 25,609	\$ 1,881,096
Construction in progress	797,263	532,128	1,329,391
Land improvements, net	1,681,530	-	1,681,530
Buildings and improvements, net	4,861,020	165,316	5,026,336
Infrastructure, net	10,994,882	16,205,637	27,200,519
Vehicles and equipment, net	1,088,174	-	1,088,174
Capital assets, net	<u>\$ 21,278,356</u>	<u>\$ 16,928,690</u>	<u>\$ 38,207,046</u>

At year end, the City had \$6.13 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 7 to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 2,970,000	\$ -	\$ 2,970,000
Installment purchase agreement	6,210	-	6,210
Revolving fund loan	-	2,638,674	2,638,674
Accrued compensated absences	322,958	87,969	410,927
Unamortized bond items	101,240	-	101,240
Total outstanding debt	<u>\$ 3,400,408</u>	<u>\$ 2,726,643</u>	<u>\$ 6,127,051</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

Current market conditions continue to have an effect on availability and pricing of products.

Total expenses in the General Fund for the 2022/2023 fiscal year are estimated to be \$8.7 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 12% will be necessary for 2022/2023 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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 9,135,911	\$ 1,478,243	\$ 10,614,154	\$ 3,153,356
Investments	3,314,089	-	3,314,089	-
Receivables	757,593	694,160	1,451,753	2,068
Due from other governmental units	482,304	65,197	547,501	-
Internal balances	17	(17)	-	-
Inventory	-	73,592	73,592	-
Prepays	7,440	-	7,440	-
Total current assets	<u>13,697,354</u>	<u>2,311,175</u>	<u>16,008,529</u>	<u>3,155,424</u>
Noncurrent assets				
Capital assets not being depreciated	2,652,750	557,737	3,210,487	-
Capital assets, net of accumulated depreciation	<u>18,625,606</u>	<u>16,370,953</u>	<u>34,996,559</u>	<u>-</u>
Total noncurrent assets	<u>21,278,356</u>	<u>16,928,690</u>	<u>38,207,046</u>	<u>-</u>
TOTAL ASSETS	<u>34,975,710</u>	<u>19,239,865</u>	<u>54,215,575</u>	<u>3,155,424</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	46,800	-	46,800	-
Deferred outflows of resources related to pensions	815,767	305,254	1,121,021	-
Deferred outflows of resources related to OPEB	<u>404,765</u>	<u>151,459</u>	<u>556,224</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,267,332</u>	<u>456,713</u>	<u>1,724,045</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable	558,622	369,021	927,643	7,193
Accrued wages	87,538	26,786	114,324	-
Accrued liabilities	78,813	-	78,813	-
Due to other governmental units	-	-	-	65,197
Accrued interest payable	28,756	14,018	42,774	-
Unearned revenue	1,054,400	-	1,054,400	-
Current portion of compensated absences	229,604	24,358	253,962	-
Current portion of long-term debt	<u>128,730</u>	<u>415,000</u>	<u>543,730</u>	<u>-</u>
Total current liabilities	<u>2,166,463</u>	<u>849,183</u>	<u>3,015,646</u>	<u>72,390</u>
Noncurrent liabilities				
Noncurrent portion of compensated absences	93,354	63,611	156,965	-
Noncurrent portion of long-term debt	2,948,720	2,223,674	5,172,394	-
Net pension liability	3,362,483	1,258,217	4,620,700	-
Net other post-employment benefits liability	<u>546,050</u>	<u>192,558</u>	<u>738,608</u>	<u>-</u>
Total noncurrent liabilities	<u>6,950,607</u>	<u>3,738,060</u>	<u>10,688,667</u>	<u>-</u>
TOTAL LIABILITIES	<u>9,117,070</u>	<u>4,587,243</u>	<u>13,704,313</u>	<u>72,390</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	347,604	-	347,604	-
Deferred inflows of resources related to pensions	1,383,905	517,847	1,901,752	-
Deferred inflows of resources related to OPEB	<u>523,884</u>	<u>196,034</u>	<u>719,918</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,255,393</u>	<u>713,881</u>	<u>2,969,274</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	18,247,706	14,290,016	32,537,722	-
Restricted	3,591,254	-	3,591,254	-
Unrestricted	<u>3,031,619</u>	<u>105,438</u>	<u>3,137,057</u>	<u>3,083,034</u>
TOTAL NET POSITION	<u>\$ 24,870,579</u>	<u>\$ 14,395,454</u>	<u>\$ 39,266,033</u>	<u>\$ 3,083,034</u>

See notes to financial statements.

**CITY OF MASON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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	\$ 1,854,811	\$ 280,575	\$ 1,149,815	\$ -	\$ (424,421)	\$ -	\$ (424,421)	\$ -
Public safety	1,990,718	299,483	1,590	-	(1,689,645)	-	(1,689,645)	-
Public works	2,369,601	547,599	1,024,491	-	(797,511)	-	(797,511)	-
Community and economic development	247,072	4,140	-	7,193	(235,739)	-	(235,739)	-
Recreation and culture	585,913	4,420	40,813	-	(540,680)	-	(540,680)	-
Interest on long-term debt	119,225	-	-	-	(119,225)	-	(119,225)	-
Total governmental activities	7,167,340	1,136,217	2,216,709	7,193	(3,807,221)	-	(3,807,221)	-
Business-type activities								
Water and Sewer	3,126,343	3,298,263	750	98,592	-	271,262	271,262	-
Total primary government	<u>\$ 10,293,683</u>	<u>\$ 4,434,480</u>	<u>\$ 2,217,459</u>	<u>\$ 105,785</u>	<u>(3,807,221)</u>	<u>271,262</u>	<u>(3,535,959)</u>	<u>-</u>
Component units								
Local Development Finance Authority	\$ 126,767	\$ -	\$ 226,993	\$ -	-	-	-	100,226
Downtown Development Authority	35,741	-	9,423	-	-	-	-	(26,318)
Total component units	<u>\$ 162,508</u>	<u>\$ -</u>	<u>\$ 236,416</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,908</u>
General revenues								
Property taxes					3,559,888	-	3,559,888	527,380
State shared revenue					983,679	-	983,679	-
Local community stabilization					313,432	-	313,432	-
Investment earnings					(71,466)	2,474	(68,992)	6,045
Miscellaneous					54,032	-	54,032	-
Total general revenues					<u>4,839,565</u>	<u>2,474</u>	<u>4,842,039</u>	<u>533,425</u>
Change in net position					1,032,344	273,736	1,306,080	607,333
Net position, beginning of year					<u>23,838,235</u>	<u>14,121,718</u>	<u>37,959,953</u>	<u>2,475,701</u>
Net position, end of year					<u>\$ 24,870,579</u>	<u>\$ 14,395,454</u>	<u>\$ 39,266,033</u>	<u>\$ 3,083,034</u>

See notes to financial statements.

**CITY OF MASON
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General	Major Streets	Local Streets	American Rescue	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,718,340	\$ 2,080,962	\$ 148,188	\$ 889,343	\$ 1,578,651	\$ 8,415,484
Investments	2,752,174	-	-	-	561,915	3,314,089
Receivables						
Accounts	66,397	-	-	-	5,950	72,347
Taxes	7,728	-	-	-	-	7,728
Special assessments	-	-	-	-	305,002	305,002
Leases	351,607	-	-	-	-	351,607
Due from other governmental units	158,715	112,420	39,323	-	-	310,458
Due from other funds	155,749	-	-	-	-	155,749
Prepays	7,440	-	-	-	-	7,440
TOTAL ASSETS	\$ 7,218,150	\$ 2,193,382	\$ 187,511	\$ 889,343	\$ 2,451,518	\$ 12,939,904
LIABILITIES						
Accounts payable	\$ 306,006	\$ 215,986	\$ 13,899	\$ -	\$ 8,386	\$ 544,277
Accrued wages	77,834	3,139	4,026	-	1,022	86,021
Accrued liabilities	78,813	-	-	-	-	78,813
Due to other funds	-	-	-	-	155,732	155,732
Unearned revenue	165,560	-	-	888,840	-	1,054,400
TOTAL LIABILITIES	628,213	219,125	17,925	888,840	165,140	1,919,243
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	305,002	305,002
Unavailable revenue - leases	347,604	-	-	-	-	347,604
TOTAL DEFERRED INFLOWS OF RESOURCES	347,604	-	-	-	305,002	652,606
FUND BALANCES						
Nonspendable						
Prepays	7,440	-	-	-	-	7,440
Property acquired for resale	2,752,174	-	-	-	-	2,752,174
Restricted						
Highways	-	1,974,257	169,586	-	-	2,143,843
Community enrichment	-	-	-	-	839,878	839,878
Construction code activity	-	-	-	-	73,430	73,430
Cemetery operations	-	-	-	-	370,860	370,860
Flowers	-	-	-	-	19,494	19,494
Debt service	-	-	-	-	172,505	172,505
Committed						
Community enrichment	-	-	-	-	138,557	138,557
Capital projects	-	-	-	-	383	383
Fire equipment	-	-	-	-	190,334	190,334
Assigned						
Subsequent year's expenditures	443,820	-	-	-	-	443,820
Grant matching	46,673	-	-	-	-	46,673
Other purpose	-	-	-	503	175,935	176,438
Unassigned	2,992,226	-	-	-	-	2,992,226
TOTAL FUND BALANCES	6,242,333	1,974,257	169,586	503	1,981,376	10,368,055
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,218,150	\$ 2,193,382	\$ 187,511	\$ 889,343	\$ 2,451,518	\$ 12,939,904

See notes to financial statements.

CITY OF MASON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances - governmental funds \$ 10,368,055

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	\$ 47,690,730	
Accumulated depreciation is	<u>(27,212,228)</u>	
Capital assets, net		20,478,502

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		1,525,328
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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		305,002
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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.		171,846
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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	815,767	
Deferred inflows of resources related to pensions	(1,383,905)	
Deferred outflows of resources related to OPEB	404,765	
Deferred inflows of resources related to OPEB	<u>(523,884)</u>	
		(687,257)

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		46,800
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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	2,976,210	
Capitalized bond premiums	101,240	
Accrued interest payable	28,756	
Compensated absences	322,958	
Net pension liability	3,362,483	
Net other post-employment benefits liability	<u>546,050</u>	
		<u>(7,337,697)</u>

Net position of governmental activities		<u>\$ 24,870,579</u>
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**CITY OF MASON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022**

	General	Major Streets	Local Streets	American Rescue	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 3,692,101	\$ -	\$ -	\$ -	\$ -	\$ 3,692,101
Special assessments	-	-	-	-	43,450	43,450
Licenses and permits	11,771	-	-	-	68,669	80,440
Intergovernmental	2,429,084	727,773	286,568	-	-	3,443,425
Charges for services	792,042	2,783	-	-	-	794,825
Fines and forfeits	18,488	-	-	-	-	18,488
Investment earnings, rents, and royalties, net	3,148	4,193	240	503	(40,460)	(32,376)
Other	92,198	10,000	-	-	41,900	144,098
TOTAL REVENUES	7,038,832	744,749	286,808	503	113,559	8,184,451
EXPENDITURES						
Current						
General government	2,420,926	-	-	-	-	2,420,926
Public safety	1,844,534	-	-	-	74,103	1,918,637
Public works	800,183	737,775	876,646	-	-	2,414,604
Community and economic development	121,172	-	-	-	3,000	124,172
Recreation and culture	378,649	-	-	-	-	378,649
Capital outlay	588,492	-	-	-	43,051	631,543
Debt service	237,330	-	-	-	-	237,330
TOTAL EXPENDITURES	6,391,286	737,775	876,646	-	120,154	8,125,861
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	647,546	6,974	(589,838)	503	(6,595)	58,590
OTHER FINANCING SOURCES (USES)						
Transfers in	183,919	-	612,451	-	100,000	896,370
Transfers out	(712,451)	-	-	-	(183,919)	(896,370)
TOTAL OTHER FINANCING SOURCES (USES)	(528,532)	-	612,451	-	(83,919)	-
NET CHANGE IN FUND BALANCES	119,014	6,974	22,613	503	(90,514)	58,590
Fund balance, beginning of year	6,123,319	1,967,283	146,973	-	2,071,890	10,309,465
Fund balances, end of year	\$ 6,242,333	\$ 1,974,257	\$ 169,586	\$ 503	\$ 1,981,376	\$ 10,368,055

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, 2022

Net change in fund balances - total governmental funds \$ 58,590

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	\$ 1,611,442	
Depreciation expense	<u>(1,618,268)</u>	
Excess of depreciation expense over capital outlay		(6,826)

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		113,615
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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		15,232
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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>118,105</u>	
		121,130

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	38,400	
Change in deferred inflows of resources related to pensions	(687,716)	
Change in deferred outflows of resources related to OPEB	51,056	
Change in deferred inflows of resources related to OPEB	268,690	
Change in accrued interest payable	863	
Change in compensated absences	19,351	
Change in net pension liability	1,191,656	
Change in net other post-employment benefits liability	<u>(151,697)</u>	
		<u>730,603</u>

Change in net position of governmental activities **\$ 1,032,344**

**CITY OF MASON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service Fund - Motor Vehicle Pool</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,478,243	\$ 720,427
Accounts receivable	694,160	20,909
Due from other governmental units	65,197	-
Due from other funds	-	-
Inventory	73,592	-
Total current assets	<u>2,311,192</u>	<u>741,336</u>
Noncurrent assets		
Capital assets not being depreciated	557,737	20,000
Capital assets, net of accumulated depreciation	<u>16,370,953</u>	<u>779,854</u>
Total noncurrent assets	<u>16,928,690</u>	<u>799,854</u>
TOTAL ASSETS	<u>19,239,882</u>	<u>1,541,190</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	305,254	-
Deferred outflows of resources related to OPEB	<u>151,459</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>456,713</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accounts payable	369,021	14,345
Accrued wages	26,786	1,517
Accrued interest payable	14,018	-
Due to other funds	17	-
Current portion of compensated absences	24,358	-
Current portion of long-term debt	<u>415,000</u>	<u>-</u>
Total current liabilities	<u>849,200</u>	<u>15,862</u>
Noncurrent liabilities		
Noncurrent portion of compensated absences	63,611	-
Noncurrent portion of long-term debt	2,223,674	-
Net pension liability	1,258,217	-
Net OPEB liability	<u>192,558</u>	<u>-</u>
Total noncurrent liabilities	<u>3,738,060</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,587,260</u>	<u>15,862</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	517,847	-
Deferred inflows of resources related to OPEB	<u>196,034</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>713,881</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	14,290,016	799,854
Unrestricted	<u>105,438</u>	<u>725,474</u>
TOTAL NET POSITION	<u>\$ 14,395,454</u>	<u>\$ 1,525,328</u>

See notes to financial statements.

**CITY OF MASON
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2022**

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
OPERATING REVENUES		
Internal user charges	\$ -	\$ 509,140
Water user charges	1,740,839	-
Sewer user charges	1,503,366	-
Interest and penalty charges	43,828	-
Rent	500	-
Other	9,730	-
TOTAL OPERATING REVENUES	3,298,263	509,140
OPERATING EXPENSES		
Cost of water produced	382,735	-
Cost of sewage treatment	844,035	-
Operation and maintenance	636,821	236,375
Billing and administrative costs	301,738	-
Depreciation	898,487	191,472
TOTAL OPERATING EXPENSES	3,063,816	427,847
OPERATING INCOME	234,447	81,293
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	99,342	-
Investment income	2,474	922
Sale of capital assets	-	31,400
Interest expense and fees	(62,527)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	39,289	32,322
CHANGE IN NET POSITION	273,736	113,615
Net position, beginning of year	14,121,718	1,411,713
Net position, end of year	\$ 14,395,454	\$ 1,525,328

See notes to financial statements.

**CITY OF MASON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service Fund - Motor Vehicle Pool</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,227,390	\$ 488,231
Cash paid to suppliers	(1,944,104)	(157,866)
Cash paid to/for employees	<u>(125,290)</u>	<u>(70,862)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,157,996</u>	<u>259,503</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt (payment) of interfund balances	<u>(5,749)</u>	<u>26,150</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental	99,342	-
Payments on borrowing	(405,000)	-
Sale of capital assets	-	31,400
Purchase of capital assets	(807,034)	(288,653)
Interest expense and fees	<u>(64,678)</u>	<u>-</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,177,370)</u>	<u>(257,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>2,474</u>	<u>922</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,474</u>	<u>922</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(22,649)</u>	<u>29,322</u>
Cash and cash equivalents, beginning of year	<u>1,500,892</u>	<u>691,105</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,478,243</u></u>	<u><u>\$ 720,427</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 234,447	\$ 81,293
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	898,487	191,472
(Increase) in:		
Accounts receivable	(5,676)	(20,909)
Due from other governmental units	(65,197)	-
Inventory	(39,833)	-
Deferred outflow of resources related to pensions	(37,773)	-
Deferred outflow of resources related to OPEB	(29,753)	-
Increase (decrease) in:		
Accounts payable	261,058	12,106
Accrued wages	8,042	(292)
Compensated absences	(19,987)	(4,167)
Net pension liability	(308,799)	-
Net OPEB liability	61,362	-
Deferred inflow of resources related to pensions	278,298	-
Deferred inflow of resources related to OPEB	<u>(76,680)</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,157,996</u></u>	<u><u>\$ 259,503</u></u>

See notes to financial statements.

**CITY OF MASON
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2022**

	<u>Other Post- Employment Benefits Trust Fund</u>	<u>Custodial Funds</u>
ASSETS		
Cash	\$ -	\$ 4,438
Investments	<u>1,208,127</u>	<u>-</u>
TOTAL ASSETS	<u>1,208,127</u>	<u>4,438</u>
LIABILITIES		
Due to others	<u>-</u>	<u>4,438</u>
NET POSITION		
Restricted		
Other post-employment benefits (health insurance)	<u>\$ 1,208,127</u>	<u>\$ -</u>

**CITY OF MASON
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022**

	Other Post- Employment Benefits Trust Fund	Custodial Funds
	<u> </u>	<u> </u>
ADDITIONS		
Contributions		
Employer	\$ 197,443	\$ -
Property tax collection for other governmental units	-	10,521,721
Investment earnings	<u>(110,315)</u>	<u>-</u>
TOTAL ADDITIONS	<u>87,128</u>	<u>10,521,721</u>
DEDUCTIONS		
Benefit payments	127,443	-
Administrative expenses	2,324	-
Property tax distributions to other governmental units	<u>-</u>	<u>10,521,721</u>
TOTAL DEDUCTIONS	<u>129,767</u>	<u>10,521,721</u>
NET CHANGE IN FIDUCIARY NET POSITION	(42,639)	-
NET POSITION		
Beginning of year	<u>1,250,766</u>	<u>-</u>
End of year	<u><u>\$ 1,208,127</u></u>	<u><u>\$ -</u></u>

**CITY OF MASON
 COMPONENT UNITS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2022**

	Local Development Finance Authority	Downtown Development Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,754,196	\$ 399,160	\$ 3,153,356
Receivables	-	2,068	2,068
TOTAL ASSETS	2,754,196	401,228	3,155,424
LIABILITIES			
Current liabilities			
Accounts payable	-	7,193	7,193
Due to other governmental units	65,197	-	65,197
TOTAL LIABILITIES	65,197	7,193	72,390
NET POSITION			
Unrestricted	<u>\$ 2,688,999</u>	<u>\$ 394,035</u>	<u>\$ 3,083,034</u>

See notes to financial statements.

**CITY OF MASON
 COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2022**

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	\$ 126,767	\$ 226,993	\$ 100,226	\$ -	\$ 100,226
Downtown Development Authority	<u>35,741</u>	<u>9,423</u>	<u>-</u>	<u>(26,318)</u>	<u>(26,318)</u>
Total component units	<u>\$ 162,508</u>	<u>\$ 236,416</u>	<u>100,226</u>	<u>(26,318)</u>	<u>73,908</u>
General revenues					
Property taxes			401,048	126,332	527,380
Investment earnings			<u>5,260</u>	<u>785</u>	<u>6,045</u>
Total general revenues			<u>406,308</u>	<u>127,117</u>	<u>533,425</u>
Change in net position			506,534	100,799	607,333
Net position, beginning of year			<u>2,182,465</u>	<u>293,236</u>	<u>2,475,701</u>
Net position, end of year			<u>\$ 2,688,999</u>	<u>\$ 394,035</u>	<u>\$ 3,083,034</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.

Fiduciary Component Units

The Other Post-Employment Benefits Trust Fund was established to account for the assets set aside to fund the City's other post-employment benefits plan. The primary purpose of the Trust is to provide the necessary funding for future medical insurance for eligible retirees and their beneficiaries. The Trust was established through MERS Retiree Health Funding Vehicle, with the City Council serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors. The City Council has the ability to exercise oversight responsibility, specifically in the area of designation of management.

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

Basis of Presentation (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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

FUND FINANCIAL STATEMENTS

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

The City reports the following *Major Governmental Funds*:

- a. The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The *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.
- d. The *American Rescue Fund* is used to account for the restricted funds related to the American Rescue Plan federal funding.

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.

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 (continued)

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.

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

Basis of Accounting (continued)

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

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.

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

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.
- 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.

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.

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.

Leases

The City is a lessor for noncancelable leases of space for a cell tower, governmental office space, and farm land. The City recognizes lease receivables and deferred inflows of resources in the government-wide and governmental fund financial statements.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

Leases (continued)

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

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, 2022, 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 \$246,305,468.

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

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.

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

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.

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

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.

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, two of which arise only under a modified accrual basis of accounting and qualify for reporting in this category. The City reports unavailable revenue for long-term leases entered into by the City in which the City is the lessor. These amounts are recognized as revenue over the term of the lease agreements. The City also reports *unavailable revenue* 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 and lease 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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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.

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

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

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, 2022, 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, 2022, \$6,643,447 of the City's bank balance of \$7,638,641 was exposed to custodial credit risk because it was uninsured and uncollateralized. The balance of \$7,764,995 is reported as deposits on the financial statements as of June 30, 2022. The financial statements report \$500 of imprest cash on hand.

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.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
Michigan CLASS Investment Pool	\$ 6,006,453	0.0986

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.

Investment Type	Fair Value	Standard & Poor's Rating
Michigan CLASS Investment Pool	\$ 6,006,453	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.

Foreign Currency Risk

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

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 City'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.

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Natural resources	\$ -	\$ -	\$ 561,915	\$ 561,915
Land	-	-	2,752,174	2,752,174
Total investments at fair value	\$ -	\$ -	\$ 3,314,089	3,314,089
Investments at net assets value (NAV)				
PRIMARY GOVERNMENT				
Michigan CLASS investment pool				6,006,453
FIDUCIARY FUNDS				
MERS total market portfolio				1,208,127
Total investment at NAV				7,214,580
Total Investments				\$ 10,528,669

**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, 2022, 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	\$ 6,006,453	\$ -	No restrictions	None
FIDUCIARY FUNDS				
MERS total market portfolio	1,208,127	-	No restrictions	None
Total investments at NAV	<u>\$ 7,214,580</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, 2022:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 10,614,154	\$ 4,438	\$ 3,153,356	\$ 13,771,948
Investments	<u>3,314,089</u>	<u>1,208,127</u>	<u>-</u>	<u>4,522,216</u>
	<u>\$ 13,928,243</u>	<u>\$ 1,212,565</u>	<u>\$ 3,153,356</u>	<u>\$ 18,294,164</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - LEASE RECEIVABLE

During the current fiscal year, the City began reporting its leases of space on its cell tower, governmental office space, and farmland to third-parties. The cell tower lease, including all renewal terms, is through November 15, 2035, with annual payments increasing by 3%. The governmental office space term is through June 30, 2029, with annual payments being adjusted annually by the increase in the United States Department of Labor Consumer Price Index. The farmland lease term is through December 31, 2022, with annual payments of \$21,200.

The amount of leases receivable, unavailable revenue related to leases, lease revenue, and interest revenue for the year ended June 30, 2022, are as follows:

Governmental Activities			
General Fund			
Leases receivable	\$ 351,607	Lease revenue	\$ 51,141
		Interest revenue	10,448
Unavailable revenue - leases	\$ 347,604		\$ 61,589

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2022, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 155,732
Water and Sewer Fund	17
	\$ 155,749

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.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - 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:	
Nonmajor governmental funds	<u>\$ 183,919</u>
Transfers to Local Streets Fund from:	
General Fund	<u>\$ 612,451</u>
Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 100,000</u>

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

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

Primary Government

	<u>Balance July 1, 2021</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2022</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,855,487	\$ -	\$ -	\$ 1,855,487
Construction in progress	1,694,792	603,148	(1,500,677)	797,263
Subtotal	<u>3,550,279</u>	<u>603,148</u>	<u>(1,500,677)</u>	<u>2,652,750</u>
Capital assets being depreciated				
Land improvements	3,313,444	181,639	-	3,495,083
Buildings and improvements	7,136,547	-	-	7,136,547
Vehicles and equipment	5,010,153	1,163,791	(108,950)	6,064,994
Infrastructure	29,429,341	1,452,194	-	30,881,535
Subtotal	<u>44,889,485</u>	<u>2,797,624</u>	<u>(108,950)</u>	<u>47,578,159</u>
Less accumulated depreciation for:				
Land improvements	(1,645,465)	(168,088)	-	(1,813,553)
Buildings and improvements	(2,087,882)	(187,645)	-	(2,275,527)
Vehicles and equipment	(4,711,851)	(373,919)	108,950	(4,976,820)
Infrastructure	(18,806,565)	(1,080,088)	-	(19,886,653)
Subtotal	<u>(27,251,763)</u>	<u>(1,809,740)</u>	<u>108,950</u>	<u>(28,952,553)</u>
Net capital assets being depreciated	<u>17,637,722</u>	<u>987,884</u>	<u>-</u>	<u>18,625,606</u>
Capital assets, net	<u>\$ 21,188,001</u>	<u>\$ 1,591,032</u>	<u>\$ (1,500,677)</u>	<u>\$ 21,278,356</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 208,302
Public safety	225,227
Public works	1,222,666
Recreation and culture	<u>153,545</u>
Total depreciation expense	<u>\$ 1,809,740</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2022
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 25,609	\$ -	\$ -	\$ 25,609
Construction in progress	298,997	506,273	(273,142)	532,128
Subtotal	324,606	506,273	(273,142)	557,737
Capital assets being depreciated				
Buildings and improvements	494,114	-	-	494,114
Utility systems	31,687,272	573,903	-	32,261,175
Subtotal	32,181,386	573,903	-	32,755,289
Less accumulated depreciation for:				
Buildings and improvements	(316,973)	(11,825)	-	(328,798)
Utility systems	(15,168,876)	(886,662)	-	(16,055,538)
Subtotal	(15,485,849)	(898,487)	-	(16,384,336)
Net capital assets being depreciated	16,695,537	(324,584)	-	16,370,953
Capital assets, net	<u>\$ 17,020,143</u>	<u>\$ 181,689</u>	<u>\$ (273,142)</u>	<u>\$ 16,928,690</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS

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

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended June 30, 2022.

Primary Government

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2015 Refunding Bonds	\$ 3,085,000	\$ -	\$ (115,000)	\$ 2,970,000	\$ 120,000
Notes from direct borrowings and direct placements					
Installment purchase agreement	9,315	-	(3,105)	6,210	3,105
Compensated absences	346,476	222,806	(246,324)	322,958	229,604
	3,440,791	222,806	(364,429)	3,299,168	352,709
Capitalized bond premiums	106,865	-	(5,625)	101,240	5,625
Total governmental activities	3,547,656	222,806	(370,054)	3,400,408	358,334
Business-type Activities					
Other debt					
Drinking Water Revolving Fund Loan	3,043,674	-	(405,000)	2,638,674	415,000
Compensated absences	107,956	9,905	(29,892)	87,969	24,358
Total business-type activities	3,151,630	9,905	(434,892)	2,726,643	439,358
Total reporting entity	\$ 6,699,286	\$ 232,711	\$ (804,946)	\$ 6,127,051	\$ 797,692

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

\$3,740,000 General Obligation Refunding Bonds dated June 6, 2015, due in annual installments ranging from \$120,000 to \$220,000 through April 1, 2040, with interest ranging from 3.00% to 4.00%, payable semi-annually. \$ 2,970,000

\$15,000 Installment 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 installment purchase agreement amounts to \$15,525. The installment purchase agreement has been recorded at the present value of future minimum payments as of the date of inception. \$ 6,210

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Primary Government (continued)

\$8,000,000 Water Supply System Bonds dated September 27, 2007, due in annual installments ranging from \$415,000 to \$463,674 through April 1, 2028, with interest of 2.125%, payable semi-annually.

\$ 2,638,674

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 \$410,927 at June 30, 2022. Of this amount, \$322,958 and \$87,969 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,	General Obligation Bonds		Other Debt		Notes from Direct Borrowing and Direct Placements	
	General Obligation Bonds		Drinking Water Revolving Fund Loan		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
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	135,000	95,825	455,000	19,522	-	-
2028-2032	760,000	393,925	463,674	9,853	-	-
2033-2037	925,000	229,213	-	-	-	-
2038-2040	640,000	48,563	-	-	-	-
	<u>\$ 2,970,000</u>	<u>\$ 1,201,626</u>	<u>\$ 2,638,674</u>	<u>\$ 199,900</u>	<u>\$ 6,210</u>	<u>\$ 690</u>

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, 2022, bonds due and payable April 1, 2023 through April 1, 2040, for the 2010 Building Authority Bonds in the amount of \$2,975,000 are considered defeased.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - 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% with no max to 2.50% with 80% max.

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 4.50% to 12.50%.

At the December 31, 2021, valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	37
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>42</u>
	<u><u>109</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.

Total employer contributions for the year ended December 31, 2021, were \$1,315,554.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - RETIREMENT PLAN (continued)

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2021, 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, 2021, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary increases: 3.00% in the long-term plus merit and longevity
- Investment rate of return: 7.00%, net of investment expenses, including inflation

The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120.
- Non-disabled retired plan members and beneficiaries' mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120.
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17 and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120.

The actuarial assumptions used in the valuation were based on the results of the 2014-2018 Five-Year Experience Study.

Changes in Assumptions

The actuarial assumptions were changed during the year as follows:

- Discount rate was lowered from 7.60% to 7.25%
- Investment rate of return was lowered from 7.35% to 7.00%

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.

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - RETIREMENT PLAN (continued)

Actuarial Assumptions (continued)

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 Nominal Rate of Return</u>	<u>Long-term Expected Gross Rate Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Return</u>
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private assets	20.00%	9.50%	1.90%	2.50%	1.40%
	<u>100.00%</u>		<u>7.00%</u>		<u>4.50%</u>

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

<u>Calculating the Net Pension Liability</u>			
	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances as of December 31, 2020	\$ 20,886,473	\$ 14,765,318	\$ 6,121,155
Changes for the year			
Service cost	236,054	-	236,054
Interest on total pension liability	1,553,245	-	1,553,245
Difference between expected and actual experience	(716,325)	-	(716,325)
Changes in assumptions	811,195		811,195
Employer contributions	-	1,152,538	(1,152,538)
Employee contributions	-	163,016	(163,016)
Net investment income	-	2,093,080	(2,093,080)
Benefit payments, including employee refunds	(1,134,121)	(1,134,121)	-
Administrative expense	-	(24,010)	24,010
Net changes	<u>750,048</u>	<u>2,250,503</u>	<u>(1,500,455)</u>
Balances as of December 31, 2021	<u>\$ 21,636,521</u>	<u>\$ 17,015,821</u>	<u>\$ 4,620,700</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLAN (continued)

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

The following presents the Net Pension Liability of the employer 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	\$ 7,249,581	\$ 4,620,700	\$ 2,435,634

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

For the year ended June 30, 2022, the employer recognized pension expenses of \$302,212. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 754,043
Changes in assumptions	1,018,717	-
Net difference between projected and actual earnings on pension plan investments	-	1,147,709
Contributions subsequent to the measurement date*	102,304	-
Total	\$ 1,121,021	\$ 1,901,752

* 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, 2023.

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 (\$102,304), which will impact the net pension liability in fiscal year 2023, rather than pension expense.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLAN (continued)

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

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

Year Ending June 30,	Pension Expense
2023	\$ 14,316
2024	(398,378)
2025	(305,987)
2026	(192,986)
	\$ (883,035)

NOTE 9 - 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, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries receiving or entitled to future benefits	41
Active employees	15
	56

Contributions

For the year ended June 30, 2022, the City contributed \$70,000 in addition to its portion of premium payments.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

Inflation	2.50%	
Salary increases	3.00%	(for purpose of allocating liability)
Investment rate of return	7.00%	(including inflation)
20-year Aa Municipal bond rate	4.09%	(S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public Safety and General Employee and Healthy Retirees, Headcount weighted with MP-2021 Improvement Scale	

The assumptions used in the June 30, 2022, valuation was determined by the City's management as of June 30, 2022.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	60.00%	4.50%
Global fixed income	20.00%	2.00%
Private Assets	<u>20.00%</u>	7.00%
	<u>100.00%</u>	

The sum of each target allocation times its long-term expected rate is 7.00%, including inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. 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 \$220,000 in 2023, \$120,000 in 2024, and \$70,000 each year afterwards. While the plan does not have a Corrective Action Plan (CAP), it does have a non-commitment 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 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2022, 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, 2021	\$ 1,776,315	\$ 1,250,766	\$ 525,549
Changes for the year			
Service cost	8,284	-	8,284
Interest on total OPEB liability	126,484	-	126,484
Difference between expected and actual experience	92,439	-	92,439
Changes in assumptions	70,656	-	70,656
Employer contributions	-	70,000	(70,000)
Contributions/benefit paid from general operating	-	127,443	(127,443)
Net investment income	-	(110,315)	110,315
Benefit payments	(127,443)	(127,443)	-
Administrative expense	-	(2,324)	2,324
	170,420	(42,639)	213,059
Net changes			
Balances as of June 30, 2022	\$ 1,946,735	\$ 1,208,127	\$ 738,608

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	\$ 941,953	\$ 738,608	\$ 567,680

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	\$ 559,699	\$ 738,608	\$ 950,379

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - 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, 2022, the City recognized OPEB benefit of \$15,677. At June 30, 2022, 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	\$ 246,500	\$ 150,915
Changes in assumptions	239,616	569,003
Net difference between projected and actual earnings on OPEB plan investments	70,108	-
	\$ 556,224	\$ 719,918

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
2023	\$ (68,458)
2024	(75,186)
2025	(84,192)
2026	34,512
2027	26,693
Thereafter	2,937
	\$ (163,694)

NOTE 10 - 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.

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT (continued)

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.

NOTE 11 - 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, 2022, the City abated property taxes revenues totaling \$98,040 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 \$94,744.

NOTE 12 - 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, 2022:

PRIMARY GOVERNMENT	
Highways	\$ 2,143,843
Community enrichment	839,878
Construction code activity	73,430
Cemetery operations	370,860
Flowers	19,494
Debt service	143,749
	<hr/>
	<u>\$ 3,591,254</u>

**CITY OF MASON
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - CONTINGENT LIABILITIES

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

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

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which was issued in June 2017. 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 restatement of the beginning of year had no impact on net position. The change to leases receivable and unavailable revenue related to leases is as follows:

	Governmental Activities	
	Leases Receivable	Unavailable Revenue - Leases
Balances as of July 1, 2021, as previously stated	\$ -	\$ -
Adoption of GASB Statement No. 87	402,748	402,748
Balances as of July 1, 2021, as restated	\$ 402,748	\$ 402,748

CITY OF MASON
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used by not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MASON
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 3,606,865	\$ 3,557,865	\$ 3,559,888	\$ 2,023
Penalties and interest	11,000	16,500	20,057	3,557
Administration fees	110,300	112,100	112,156	56
Total taxes	<u>3,728,165</u>	<u>3,686,465</u>	<u>3,692,101</u>	<u>5,636</u>
Licenses and permits	<u>10,600</u>	<u>12,100</u>	<u>11,771</u>	<u>(329)</u>
Intergovernmental				
Federal	90,000	-	-	-
State	1,019,570	1,259,400	1,267,863	8,463
Local	1,158,685	1,173,685	1,161,221	(12,464)
Total intergovernmental	<u>2,268,255</u>	<u>2,433,085</u>	<u>2,429,084</u>	<u>(4,001)</u>
Charges for services				
Refuse collection	415,500	418,250	418,253	3
Cable franchise fee	32,000	32,000	31,390	(610)
Other	325,725	347,095	342,399	(4,696)
Total charges for services	<u>773,225</u>	<u>797,345</u>	<u>792,042</u>	<u>(5,303)</u>
Fines and forfeits	<u>30,000</u>	<u>20,900</u>	<u>18,488</u>	<u>(2,412)</u>
Interest and rents	<u>42,000</u>	<u>42,500</u>	<u>3,148</u>	<u>(39,352)</u>
Other				
Miscellaneous	<u>89,270</u>	<u>126,180</u>	<u>92,198</u>	<u>(33,982)</u>
TOTAL REVENUES	<u>6,941,515</u>	<u>7,118,575</u>	<u>7,038,832</u>	<u>(79,743)</u>

**CITY OF MASON
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
EXPENDITURES				
Current				
General government				
Clerk	\$ 303,495	\$ 312,060	\$ 271,134	\$ 40,926
City Council	59,380	61,380	37,587	23,793
Administrator	398,530	410,990	375,347	35,643
Assessor	58,295	58,295	56,443	1,852
Board of Review	650	650	450	200
Treasurer	563,550	547,150	493,620	53,530
Technology	85,435	85,435	57,713	27,722
Building office and City Hall	460,905	364,200	313,406	50,794
Attorney	115,000	95,000	75,148	19,852
Workers compensation	87,370	87,370	53,709	33,661
Retiree benefits	698,810	698,810	686,369	12,441
Total general government	<u>2,831,420</u>	<u>2,721,340</u>	<u>2,420,926</u>	<u>300,414</u>
Public safety				
Police administration	374,140	404,960	349,536	55,424
Crossing guards	33,485	33,485	29,801	3,684
Police patrolling	1,126,275	1,134,365	1,098,997	35,368
Fire department	398,950	406,975	364,940	42,035
Civil defense	3,860	3,860	1,260	2,600
Total public safety	<u>1,936,710</u>	<u>1,983,645</u>	<u>1,844,534</u>	<u>139,111</u>
Public works				
Public services	10,870	10,870	9,912	958
Sidewalks	2,220	2,220	2,220	-
Street lighting	112,205	112,205	106,712	5,493
Cemetery	262,070	282,555	261,978	20,577
Refuse collection	419,990	419,990	419,361	629
Total public works	<u>807,355</u>	<u>827,840</u>	<u>800,183</u>	<u>27,657</u>
Community and economic development				
Planning and zoning	135,480	125,585	113,174	12,411
Planning commission	10,860	10,860	3,536	7,324
Christmas decorations	6,845	6,845	4,462	2,383
Total community and economic development	<u>153,185</u>	<u>143,290</u>	<u>121,172</u>	<u>22,118</u>

**CITY OF MASON
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
EXPENDITURES (continued)				
Current (continued)				
Recreation and culture				
Parks	\$ 260,995	\$ 274,850	\$ 249,744	\$ 25,106
Library	7,140	7,940	3,234	4,706
Forestry	98,945	139,325	117,515	21,810
Senior citizens	8,180	8,180	8,156	24
Total recreation and culture	<u>375,260</u>	<u>430,295</u>	<u>378,649</u>	<u>51,646</u>
Capital outlay	<u>873,000</u>	<u>697,650</u>	<u>588,492</u>	<u>109,158</u>
Debt service				
Principal	118,105	118,105	118,105	-
Interest and fiscal fees	119,225	119,225	119,225	-
Total debt service	<u>237,330</u>	<u>237,330</u>	<u>237,330</u>	<u>-</u>
TOTAL EXPENDITURES	<u>7,214,260</u>	<u>7,041,390</u>	<u>6,391,286</u>	<u>650,104</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(272,745)</u>	<u>77,185</u>	<u>647,546</u>	<u>570,361</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	231,980	229,480	183,919	(45,561)
Transfers out	<u>(692,350)</u>	<u>(750,000)</u>	<u>(712,451)</u>	<u>37,549</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(460,370)</u>	<u>(520,520)</u>	<u>(528,532)</u>	<u>(8,012)</u>
NET CHANGE IN FUND BALANCE	(733,115)	(443,335)	119,014	562,349
Fund balance, beginning of year	<u>6,123,319</u>	<u>6,123,319</u>	<u>6,123,319</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,390,204</u>	<u>\$ 5,679,984</u>	<u>\$ 6,242,333</u>	<u>\$ 562,349</u>

**CITY OF MASON
MAJOR STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 703,350	\$ 725,350	\$ 727,773	\$ 2,423
Charges for services	2,000	2,780	2,783	3
Interest	4,000	3,800	4,193	393
Other	-	10,000	10,000	-
TOTAL REVENUES	<u>709,350</u>	<u>741,930</u>	<u>744,749</u>	<u>2,819</u>
EXPENDITURES				
Current				
Public works	<u>732,500</u>	<u>825,100</u>	<u>737,775</u>	<u>87,325</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(23,150)</u>	<u>(83,170)</u>	<u>6,974</u>	<u>90,144</u>
OTHER FINANCING (USES)				
Transfers out	<u>(30,855)</u>	<u>(34,820)</u>	<u>-</u>	<u>34,820</u>
NET CHANGE IN FUND BALANCE	(54,005)	(117,990)	6,974	124,964
Fund balance, beginning of year	<u>1,967,283</u>	<u>1,967,283</u>	<u>1,967,283</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,913,278</u></u>	<u><u>\$ 1,849,293</u></u>	<u><u>\$ 1,974,257</u></u>	<u><u>\$ 124,964</u></u>

**CITY OF MASON
LOCAL STREETS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
REVENUES				
Intergovernmental	\$ 266,930	\$ 286,020	\$ 286,568	\$ 548
Charges for services	600	-	-	-
Interest	200	200	240	40
	<u>267,730</u>	<u>286,220</u>	<u>286,808</u>	<u>588</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	890,935	971,040	876,646	94,394
EXCESS OF REVENUES (UNDER) EXPENDITURES	(623,205)	(684,820)	(589,838)	94,982
OTHER FINANCING SOURCES				
Transfers in	623,205	684,820	612,451	(72,369)
NET CHANGE IN FUND BALANCE	-	-	22,613	22,613
Fund balance, beginning of year	146,973	146,973	146,973	-
Fund balance, end of year	<u>\$ 146,973</u>	<u>\$ 146,973</u>	<u>\$ 169,586</u>	<u>\$ 22,613</u>

**CITY OF MASON
 AMERICAN RESCUE FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
REVENUES				
Interest	\$ -	\$ 400	\$ 503	\$ 103
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	400	503	103
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 503</u>	<u>\$ 103</u>

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 236,054	\$ 241,897	\$ 265,041	\$ 279,971	\$ 290,730	\$ 308,162	\$ 286,412	\$ 344,630
Interest	1,553,245	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	(716,325)	(300,952)	(265,298)	(446,696)	(257,406)	(316,425)	102,106	-
Changes of assumptions	811,195	471,236	698,809	-	-	-	992,404	-
Benefit payments, including employee refunds	(1,134,121)	(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	750,048	434,418	1,070,746	244,878	368,131	397,424	1,754,961	723,202
Total Pension Liability, beginning	20,886,473	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>\$ 21,636,521</u>	<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	\$ 1,152,538	\$ 747,053	\$ 641,014	\$ 576,530	\$ 588,286	\$ 465,129	\$ 364,270	\$ 302,481
Contributions-employee	163,016	164,232	170,272	188,382	204,586	226,555	239,773	273,318
Net Investment income	2,093,080	1,688,140	1,627,669	(500,397)	1,539,414	1,231,987	(169,894)	697,815
Benefit payments including employee refunds	(1,134,121)	(1,165,864)	(1,143,184)	(1,087,029)	(1,134,174)	(1,052,211)	(948,754)	(909,285)
Administrative expense	(24,010)	(26,717)	(28,025)	(24,911)	(24,385)	(24,324)	(24,907)	(25,588)
Net Change in Plan Fiduciary Net Position	2,250,503	1,406,844	1,267,746	(847,425)	1,173,727	847,136	(539,512)	338,741
Plan Fiduciary Net Position, beginning	14,765,318	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>\$ 17,015,821</u>	<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	\$ 4,620,700	\$ 6,121,155	\$ 7,093,581	\$ 7,290,581	\$ 6,198,278	\$ 7,003,874	\$ 7,453,586	\$ 5,159,113
Plan Fiduciary Net Position as a percentage of the total Pension Liability	79%	71%	65%	62%	68%	63%	59%	69%
Covered employee payroll	\$ 2,211,404	\$ 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	209%	278%	304%	319%	271%	330%	355%	231%

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

	<u>2022</u>	<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⁾	\$ 719,076	\$ 633,895	\$ 558,778	\$ 541,538	\$ 562,761	\$ 459,148	\$ 426,002	\$ 340,936
Contributions in relation to the actuarially determined contribution	<u>912,506</u>	<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>\$ (193,430)</u>	<u>\$ (175,000)</u>	<u>\$ (90,420)</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,301,495	\$ 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	40%	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 FIVE MEASUREMENT DATES (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 8,284	\$ 9,527	\$ 35,225	\$ 41,265	\$ 27,236
Interest	126,484	129,933	111,535	102,149	72,464
Changes of benefit terms	-	-	(92,994)	(56,745)	-
Difference between expected and actual experience	92,439	3,362	(296,028)	8,630	443,399
Changes of assumptions	70,656	(63,586)	(1,033,530)	81,199	479,399
Benefit payments, including employee refunds	<u>(127,443)</u>	<u>(122,378)</u>	<u>(112,423)</u>	<u>(121,912)</u>	<u>(129,891)</u>
Net Change in Total OPEB Liability	170,420	(43,142)	(1,388,215)	54,586	892,607
Total OPEB Liability, beginning	<u>1,776,315</u>	<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>\$ 1,946,735</u>	<u>\$ 1,776,315</u>	<u>\$ 1,819,457</u>	<u>\$ 3,207,672</u>	<u>\$ 3,153,086</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 70,000	\$ 70,000	\$ 115,000	\$ 261,912	\$ 154,891
Contributions/benefit payments from general operating	127,443	122,378	112,423	-	-
Net Investment income	(110,315)	267,168	19,973	20,048	44,726
Benefit payments including employee refunds	(127,443)	(122,378)	(112,423)	(121,912)	(129,891)
Administrative expense	<u>(2,324)</u>	<u>(1,966)</u>	<u>(1,583)</u>	<u>(1,344)</u>	<u>(1,453)</u>
Net Change in Plan Fiduciary Net Position	(42,639)	335,202	133,390	158,704	68,273
Plan Fiduciary Net Position, beginning	<u>1,250,766</u>	<u>915,564</u>	<u>782,174</u>	<u>623,470</u>	<u>555,197</u>
Plan Fiduciary Net Position, ending	<u>\$ 1,208,127</u>	<u>\$ 1,250,766</u>	<u>\$ 915,564</u>	<u>\$ 782,174</u>	<u>\$ 623,470</u>
City's Net OPEB Liability	\$ 738,608	\$ 525,549	\$ 903,893	\$ 2,425,498	\$ 2,529,616
Plan Fiduciary Net Position as a percentage of the total OPEB Liability	62%	70%	50%	24%	20%
Covered employee payroll	\$ 1,193,946	\$ 1,097,967	\$ 1,127,299	\$ 2,787,850	\$ 2,467,064
City's Net OPEB Liability as a percentage of covered employee payroll	62%	48%	80%	87%	103%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 133,549	\$ 193,297	\$ 264,676	\$ 275,281	\$ 223,141
Contributions in relation to the actuarially determined contribution	<u>197,443</u>	<u>192,378</u>	<u>227,423</u>	<u>261,912</u>	<u>154,891</u>
Contribution deficiency (excess)	<u>\$ (63,894)</u>	<u>\$ 919</u>	<u>\$ 37,253</u>	<u>\$ 13,369</u>	<u>\$ 68,250</u>
Covered employee payroll	\$ 1,193,946	\$ 1,097,967	\$ 1,127,299	\$ 2,787,850	\$ 2,467,064
Contributions as a percentage of covered employee payroll	17%	18%	20%	9%	6%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expenses	-9.16%	24.48%	2.17%	2.66%	7.34%

CITY OF MASON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - PENSION PLAN

Actuarial valuation information relative to the determination of contributions:

Valuation date:	December 31, 2021
Measurement date:	December 31, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Asset valuation method	5 year smoothing
Remaining amortization period	17 years
Investment rate of return	7.00%, net of investment expenses, including inflation
Discount rate	7.25%
Salary increases	3.00% in the long-term plus merit and longevity
Inflation rate	2.50%
Mortality	Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120; Non-disabled retired plan members and beneficiaries' mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120; Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17 and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

Changes of benefits terms: There were no changes of benefit terms in plan year 2021

Changes in assumptions: Discount rate was lowered from 7.60% to 7.25%
Investment rate of return was lowered from 7.35% to 7.00%

CITY OF MASON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial valuation information relative to the determination of contributions:

Valuation date: June 30, 2022
Measurement date: June 30, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Remaining amortization period	5 years
Long-term expected rate of return	7.00%
Discount rate	7.35%
Salary growth rate	3.00%
Healthcare cost trend rate	Pre-Medicare 7.25% graded down to 4.5% by 0.25% per year; Post-Medicare, 5.50% graded down to 4.5% by 0.25% per year
AA 20-year municipal bond rate	4.09%
Utilization	100%, covered employees at the valuation date will elect the same coverage at retirement
Mortality	2010 Public General and Public Safety Employee and Healthy Retirees, Headcount weighted with MP-2021 Improvement Scale

Changes of benefits terms: There were no changes of benefit terms for the plan year 2021

Changes in assumptions: Mortality improvement scale updated from MP-2020 to MP-2021
Discount rate updated from 7.35% to 7.00%

OTHER SUPPLEMENTARY INFORMATION

**CITY OF MASON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022**

	Special Revenue			
	Special Assessment	Building Inspection	Economic Development Corporation	Rayner Bond
ASSETS				
Cash and cash equivalents	\$ 348,436	\$ 82,838	\$ 2,220	\$ 563,301
Investment	-	-	-	561,915
Accounts receivable	-	-	-	5,950
Special assessments receivable	305,002	-	-	-
TOTAL ASSETS	\$ 653,438	\$ 82,838	\$ 2,220	\$ 1,131,166
LIABILITIES				
Accounts payable	\$ -	\$ 8,386	\$ -	\$ -
Accrued wages	-	1,022	-	-
Due to other funds	-	-	-	154,951
TOTAL LIABILITIES	-	9,408	-	154,951
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	305,002	-	-	-
FUND BALANCES				
Restricted				
Community enrichment	-	-	2,220	837,658
Construction code activity	-	73,430	-	-
Cemetery operations	-	-	-	-
Flowers	-	-	-	-
Debt service	172,501	-	-	-
Committed				
Community enrichment	-	-	-	138,557
Capital projects	-	-	-	-
Fire equipment	-	-	-	-
Assigned				
Other purposes	175,935	-	-	-
TOTAL FUND BALANCES	348,436	73,430	2,220	976,215
TOTAL LIABILITIES AND INFLOWS OF RESOURCES, FUND BALANCES	\$ 653,438	\$ 82,838	\$ 2,220	\$ 1,131,166

Debt Service Mason Building Authority	Capital Projects		Permanent Cemetery Trust	Total Nonmajor Governmental Funds
	Fire Equipment	Capital Improvement		
\$ 4	\$ 190,334	\$ 383	\$ 391,135	\$ 1,578,651
-	-	-	-	561,915
-	-	-	-	5,950
-	-	-	-	305,002
<u>\$ 4</u>	<u>\$ 190,334</u>	<u>\$ 383</u>	<u>\$ 391,135</u>	<u>\$ 2,451,518</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,386
-	-	-	-	1,022
-	-	-	781	155,732
-	-	-	781	165,140
-	-	-	-	305,002
-	-	-	-	839,878
-	-	-	-	73,430
-	-	-	370,860	370,860
-	-	-	19,494	19,494
4	-	-	-	172,505
-	-	-	-	138,557
-	-	383	-	383
-	190,334	-	-	190,334
-	-	-	-	175,935
<u>4</u>	<u>190,334</u>	<u>383</u>	<u>390,354</u>	<u>1,981,376</u>
<u>\$ 4</u>	<u>\$ 190,334</u>	<u>\$ 383</u>	<u>\$ 391,135</u>	<u>\$ 2,451,518</u>

**CITY OF MASON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022**

	Special Revenue			
	Special Assessment	Building Inspection	Economic Development Corporation	Rayner Bond
REVENUES				
Special assessments	\$ 43,450	\$ -	\$ -	\$ -
Licenses and permits	-	68,669	-	-
Investment earnings and royalties, net	742	113	2	(42,293)
Contributions	-	-	-	-
Other	-	-	-	34,198
TOTAL REVENUES	<u>44,192</u>	<u>68,782</u>	<u>2</u>	<u>(8,095)</u>
EXPENDITURES				
Current				
Public safety	-	74,103	-	-
Economic and community development	-	-	3,000	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>74,103</u>	<u>3,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>44,192</u>	<u>(5,321)</u>	<u>(2,998)</u>	<u>(8,095)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(22,980)	-	-	(160,158)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,980)</u>	<u>-</u>	<u>-</u>	<u>(160,158)</u>
NET CHANGE IN FUND BALANCES	21,212	(5,321)	(2,998)	(168,253)
Fund balances, beginning of year	<u>327,224</u>	<u>78,751</u>	<u>5,218</u>	<u>1,144,468</u>
Fund balances, end of year	<u>\$ 348,436</u>	<u>\$ 73,430</u>	<u>\$ 2,220</u>	<u>\$ 976,215</u>

Debt Service		Capital Projects		Permanent	Total
Park Street Property	Mason Building Authority	Fire Equipment	Capital Improvements	Cemetery Trust	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,450
-	-	-	-	-	68,669
-	-	194	-	782	(40,460)
-	-	-	-	-	-
-	-	-	-	7,702	41,900
-	-	194	-	8,484	113,559
-	-	-	-	-	74,103
-	-	-	-	-	3,000
-	-	43,051	-	-	43,051
-	-	43,051	-	-	120,154
-	-	(42,857)	-	8,484	(6,595)
-	-	100,000	-	-	100,000
-	-	-	-	(781)	(183,919)
-	-	100,000	-	(781)	(83,919)
-	-	57,143	-	7,703	(90,514)
-	4	133,191	383	382,651	2,071,890
\$ -	\$ 4	\$ 190,334	\$ 383	\$ 390,354	\$ 1,981,376

**CITY OF MASON
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022**

	Delinquent Tax	Current Tax Collection	Total
ASSETS			
Cash and cash equivalents	\$ 4,438	\$ -	\$ 4,438
LIABILITIES			
Due to others	4,438	-	4,438
NET POSITION	\$ -	\$ -	\$ -

**CITY OF MASON
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022**

	<u>Delinquent Tax</u>	<u>Current Tax Collection</u>	<u>Total</u>
ADDITIONS			
Property tax collection for other governmental units	\$ 4,118	\$ 10,521,721	\$ 10,521,721
DEDUCTIONS			
Property tax distributions to other governmental units	<u>4,118</u>	<u>10,521,721</u>	<u>10,521,721</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>

**CITY OF MASON
 COMPONENT UNIT FUNDS
 BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY
 JUNE 30, 2022**

	General
ASSETS	
Cash and cash equivalents	\$ 2,754,196
LIABILITIES	
Due to other governmental units	\$ 65,197
FUND BALANCE	
Unassigned	2,688,999
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,754,196

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, 2022.

**CITY OF MASON
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 LOCAL DEVELOPMENT FINANCE AUTHORITY
 YEAR ENDED JUNE 30, 2022**

	General
REVENUES	
Taxes	\$ 401,048
Intergovernmental	226,993
Interest	5,260
TOTAL REVENUES	633,301
EXPENDITURES	
Current	
Community and economic development	126,767
NET CHANGE IN FUND BALANCES	506,534
Fund balance, beginning of year	2,182,465
Fund balance, end of year	\$ 2,688,999

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, 2022.

**CITY OF MASON
 COMPONENT UNIT FUNDS
 BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
 JUNE 30, 2022**

	General
ASSETS	
Cash and cash equivalents	\$ 399,160
Taxes receivable	1,563
Accounts receivable	505
TOTAL ASSETS	\$ 401,228
LIABILITIES	
Accounts payable	\$ 7,193
FUND BALANCE	
Unassigned	394,035
TOTAL LIABILITIES AND FUND BALANCE	\$ 401,228

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, 2022.

**CITY OF MASON
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2022**

	General
REVENUES	
Taxes	\$ 126,332
Intergovernmental	9,423
Interest	785
TOTAL REVENUES	136,540
EXPENDITURES	
Current	
Community and economic development	35,741
NET CHANGE IN FUND BALANCE	100,799
Fund balance, beginning of year	293,236
Fund balance, end of year	\$ 394,035

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, 2022.