

# **City of Mason, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2007**

# City of Mason, Michigan

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-11
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets (Deficit)	12
Statement of Activities	13-14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of the Balance Sheet to the Statement of Net Assets (Deficit)	16
Statement of Revenue, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Proprietary Funds:	
Statement of Net Assets	19
Statement of Revenue, Expenses, and Changes in Net Assets	20
Statement of Cash Flows	21
Fiduciary Funds - Statement of Assets and Liabilities	22
Component Units:	
Statement of Net Assets (Deficit)	23
Statement of Activities	24-25
Notes to Financial Statements	26-45
<b>Required Supplemental Information</b>	46
Budgetary Comparison Schedule - General Fund	47-48
Budgetary Comparison Schedule - Local Street Fund	49
Budgetary Comparison Schedule - Special Assessment Fund	50

# City of Mason, Michigan

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## Contents (Continued)

<b>Other Supplemental Information</b>	51
Nonmajor Governmental Funds:	
Combining Balance Sheet	52-53
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	54-55
Fiduciary Funds - Combining Statement of Assets and Liabilities	56



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## Independent Auditor's Report

To the City Council  
City of Mason, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mason, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mason, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mason, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the City Council  
City of Mason, Michigan

The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 11, the City has fully implemented the financial reporting for retroactive reporting of infrastructure, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2006.

*Plante & Moran, PLLC*

October 5, 2007

Our discussion and analysis of the City of Mason, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. 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 assets (deficit) 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 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, such as 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 begin on page 12 of this report. These statements report information about the City as a whole under the full accrual method of accounting, which is similar to the accounting used by most private-sector companies. The statement of net assets (deficit) 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 assets and how they have changed. The reporting of net assets is one way to measure the City's financial health or position.

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

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

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.

# City of Mason, Michigan

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements

The City's fund financial statements begin on page 15 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 government activities and governmental funds in a reconciliation on pages 16 and 18).
- Proprietary funds - When the City charges customers fees for the services it provides, the fees are generally reported in proprietary funds. Similar to the reporting method used on the government-wide statements, proprietary funds provide both long- and short-term financial information.
  - In fact, the City's Enterprise Fund (water and sewer) is the same as its business-type activity, but provides more detail and additional information.
  - We use an Internal Service Fund (the other type of proprietary fund) to report activities that provide services and supplies to other programs and activities within the City. The City's Motor Vehicle Pool Fund falls into this category.
- Fiduciary funds - The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The delinquent tax and payroll funds are fiduciary funds.

# City of Mason, Michigan

## Management's Discussion and Analysis (Continued)

### 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, 2007:

- The City's total net assets increased as a result of the fiscal year's operations and the addition of previously unrecorded capital assets. The net assets of our business-type activities increased by \$473,000, or 3.4 percent, and net assets of our governmental activities increased by \$1,021,000, or 5.5 percent. As discussed in Note 11, a prior period adjustment to reflect the reporting of retroactive infrastructure was recorded in the governmental activities, which resulted in an increase in net assets. This addition fulfilled the reporting requirements for GASB 34 implementation and amounted to \$9.5 million.
- During the year, the City had revenues that were \$1,021,000 more than the \$4.1 million in expenses.
- Improved interest rates boosted investment income as a revenue source.
- In the City's business-type activities, revenues were \$2.4 million while expenses were \$1.9 million.
- Total costs of all the City's programs were \$6.0 million.
- The General Fund reported an increase of \$736,500.

# City of Mason, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

As described in Note 11, net assets for the prior year have been restated. The following table shows, in a condensed format, the current year's net assets for the years ended June 30, 2007 and 2006, including restated amounts:

Table 1

	Governmental Activities (as restated)		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current assets	\$ 6,118,529	\$ 5,415,231	\$ 5,055,824	\$ 5,031,704	\$ 11,174,353	\$ 10,446,935
Noncurrent assets	15,916,443	15,519,685	9,406,133	8,980,602	25,322,576	24,500,287
Total assets	22,034,972	20,934,916	14,461,957	14,012,306	36,496,929	34,947,222
<b>Liabilities</b>						
Current liabilities	396,962	380,648	137,856	102,485	534,818	483,133
Long-term liabilities	1,954,423	1,892,080	91,548	150,339	2,045,971	2,042,419
Total liabilities	2,351,385	2,272,728	229,404	252,824	2,580,789	2,525,552
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	14,015,976	13,719,798	9,347,820	8,909,257	23,363,796	22,629,055
Restricted	2,090,511	1,942,422	-	-	2,090,511	1,942,422
Unrestricted	3,577,100	2,999,968	4,884,733	4,850,225	8,461,833	7,850,193
Total net assets	<u>\$ 19,683,587</u>	<u>\$ 18,662,188</u>	<u>\$ 14,232,553</u>	<u>\$ 13,759,482</u>	<u>\$ 33,916,140</u>	<u>\$ 32,421,670</u>

The City's combined net assets were increased from a year ago from \$32.4 million to \$33.9 million.

Approximately 71.0 percent of the City's net assets of governmental activities reflect 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 assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets of governmental activities of \$3.6 million represent the amount that may be used to meet the City's ongoing obligations.

Prior year net assets of the City's governmental activities were restated, resulting in an increase of nearly 104.0 percent to \$18.7 million. This increase was due to the City having recognized assets owned by the City but not previously recorded. These amounts have also been added to capital assets as infrastructure additions.

The net assets of our business-type activities increased by 3.4 percent or to \$14.2 million during the fiscal year. This increase is due to revenues exceeding expenses and continued investment in infrastructure (water and sewer mains) without additional debt being incurred.

# City of Mason, Michigan

## Management's Discussion and Analysis (Continued)

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net assets, for the years ended June 30, 2007 and 2006.

Table 2

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,031,497	\$ 811,023	\$ 2,127,058	\$ 1,897,891	\$ 3,158,555	\$ 2,708,914
Operating grants and contributions	440,218	503,624	-	-	440,218	503,624
Capital grants and contributions	83,747	1,021,723	-	909,444	83,747	1,931,167
General revenue:						
Property taxes	2,735,046	2,453,396	-	-	2,735,046	2,453,396
State-shared revenue	651,730	659,474	-	-	651,730	659,474
Investment earnings	155,924	115,376	292,469	67,658	448,393	183,034
Miscellaneous	2,962	3,371	-	-	2,962	3,371
Total revenue	5,101,124	5,567,987	2,419,527	2,874,993	7,520,651	8,442,980
<b>Program Expenses</b>						
General government	1,197,777	1,193,132	-	-	1,197,777	1,193,132
Public safety	1,289,605	1,235,424	-	-	1,289,605	1,235,424
Public works	1,263,037	772,718	-	-	1,263,037	772,718
Community and economic development	6,362	7,710	-	-	6,362	7,710
Recreation and culture	235,549	193,025	-	-	235,549	193,025
Interest on long-term debt	87,395	55,203	-	-	87,395	55,203
Water and sewer	-	-	1,946,456	1,827,573	1,946,456	1,827,573
Total program expenses	4,079,725	3,457,212	1,946,456	1,827,573	6,026,181	5,284,785
<b>Change in Net Assets</b>	<b>\$ 1,021,399</b>	<b>\$ 2,110,775</b>	<b>\$ 473,071</b>	<b>\$ 1,047,420</b>	<b>\$ 1,494,470</b>	<b>\$ 3,158,195</b>

### Governmental Activities

- The cost of all governmental activities this year was \$4.1 million.
- The amount that City taxpayers paid for these activities through City taxes was only \$2.7 million.
- Some of the cost was paid by the beneficiaries of the program's activities (\$1.0 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$0.5 million).
- Charges for services increased due to one large building permit for an addition to an industrial facility.
- Public works expense increased primarily due to the depreciation on infrastructure assets that were retroactively recognized.
- Capital grants and contributions decreased due to a nonrecurring special assessment project that was recognized in 2006.

# City of Mason, Michigan

## Management's Discussion and Analysis (Continued)

### Business-type Activities

- Total revenues of the City's business-type activities, water and sewer, decreased to \$2.4 million for 2007 from \$2.9 million in 2006 and total expenses increased to \$1.9 million in 2007 from \$1.8 million in 2006. The City experienced a change in net assets of \$475,000 in its water and sewer operations. Factors contributing to these results include:
  - Increased interest income of \$225,000
  - Increased user fees
  - Capital grants and contributions decreased due to a nonrecurring special assessment project that was recognized in 2006

### The City's Funds

Our analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2007 include the General Fund, the Local Street Fund, and the Special Assessment Fund. These funds, along with the remaining nonmajor funds, reported a combined fund balance of \$3.4 million, representing an increase over last year's combined fund balance of \$2.7 million.

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. We began the year expecting to set aside additional funds in the General Fund earmarked specifically for future City Hall improvements. The original budget predicted a surplus of \$347,000. The City ended the year with a surplus of \$736,500.

# City of Mason, Michigan

## Management's Discussion and Analysis (Continued)

### Capital Asset and Debt Administration

At the end of the 2007 fiscal year, the City had invested approximately \$25.3 million in a broad range of capital assets, including police equipment, buildings and improvements, computer equipment and software, parks and recreational facilities, roads, and water and sewer lines (see Table 3 below).

Table 3

	Governmental Activities (as restated)		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
	Land	\$ 1,426,251	\$ 1,426,251	\$ 25,609	\$ 25,609	\$ 1,451,860
Construction in progress	-	960,050	713,363	1,039,002	713,363	1,999,052
Land improvements	875,043	793,000	-	-	875,043	793,000
Buildings and improvements	1,535,960	1,535,960	455,637	455,637	1,991,597	1,991,597
Infrastructure	20,858,784	19,216,358	13,887,118	12,746,179	34,745,902	31,962,537
Vehicles and equipment	2,445,188	2,121,002	-	-	2,445,188	2,121,002
Subtotal assets	27,141,226	26,052,621	15,081,727	14,266,427	42,222,953	40,319,048
Accumulated depreciation	11,224,783	10,479,175	5,675,594	5,285,825	16,900,377	15,765,000
Net capital assets	<b>\$ 15,916,443</b>	<b>\$ 15,573,446</b>	<b>\$ 9,406,133</b>	<b>\$ 8,980,602</b>	<b>\$ 25,322,576</b>	<b>\$ 24,554,048</b>

This year's major additions to capital assets included:

- Purchase of a pumper/tanker truck for the fire department for \$280,000
- Construction of a new playground in Laylin Park for \$65,000
- Construction of roads and sidewalks amounting to approximately \$680,000

### Debt

At year end, the City had \$2.0 million in bonds and notes outstanding. This represents an \$87,550 increase from the previous year (see Table 4 below). More detailed information about the City's long-term liabilities is presented in Note 7 to the basic financial statements.

Table 4

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligations debt	\$ 918,467	\$ 752,887	\$ -	\$ -	\$ 918,467	\$ 752,887
Special assessment obligations	982,000	1,047,000	-	-	982,000	1,047,000
Revenue bonds	-	-	58,313	71,345	58,313	71,345
Total	<b>\$ 1,900,467</b>	<b>\$ 1,799,887</b>	<b>\$ 58,313</b>	<b>\$ 71,345</b>	<b>\$ 1,958,780</b>	<b>\$ 1,871,232</b>

The City has been given a bond rating of "A" by Standards and Poor.

# City of Mason, Michigan

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## Management's Discussion and Analysis (Continued)

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

The City's budget for the 2007/2008 fiscal year is balanced with no property tax rate increase. Estimated property tax revenues are expected to increase by approximately \$300,000 from the prior year due mainly to added tax base from new development in the industrial area and increases in commercial and residential.

Total expenses in the General Fund for the 2007/2008 fiscal year are estimated to be \$5.5 million. Included in those costs are the General Fund's contributions to support the streets program (\$400,000). A portion of the anticipated surplus will be used to finance future improvements to City Hall.

Due to revised radium standards, the City of Mason is in the process of planning construction of a water treatment plant. At least one new well site is also needed. Testing over the last two years has ruled out several potential sites. The City is conducting a cost study for water and sewer user fees during the 2007/2008 fiscal year to ensure that user fees adequately cover current and future needs.

### **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 administrator's office at the City of Mason, 517-676-9155.

# City of Mason, Michigan

## Statement of Net Assets (Deficit) June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 3,840,308	\$ 4,642,737	\$ 8,483,045	\$ 1,030,997
Receivables:				
Taxes	29,025	-	29,025	11,748
Customer	13,386	372,140	385,526	-
Assessments	1,923,847	-	1,923,847	-
Due from other governmental units	295,591	-	295,591	21,596
Other	5,774	-	5,774	1,292
Inventories	-	28,606	28,606	-
Prepaid costs and other assets	10,598	12,341	22,939	-
Capital assets - Net (Note 4):				
Nondepreciable	1,426,251	738,972	2,165,223	-
Depreciable	14,490,192	8,667,161	23,157,353	213,175
Total assets	22,034,972	14,461,957	36,496,929	1,278,808
<b>Liabilities</b>				
Accounts payable	10,555	113,090	123,645	3,899
Accrued and other liabilities	65,970	-	65,970	8,289
Due to other governmental units	12,015	-	12,015	21,596
Deferred revenue (Note 6)	9,100	-	9,100	-
Current portion of long-term liabilities:				
Compensated absences	105,763	11,153	116,916	-
Long-term debt (Note 7)	193,559	13,613	207,172	334,448
Noncurrent portion of long-term liabilities:				
Compensated absences	247,515	46,848	294,363	-
Long-term debt (Note 7)	1,706,908	44,700	1,751,608	1,134,964
Total liabilities	2,351,385	229,404	2,580,789	1,503,196
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	14,015,976	9,347,820	23,363,796	213,175
Restricted:				
Streets and highways	643,614	-	643,614	-
Debt service funds	273,003	-	273,003	-
Capital improvements	42,039	-	42,039	-
Cemetery	316,702	-	316,702	-
Rayner Bond	505,941	-	505,941	-
Construction code activities	309,212	-	309,212	-
Unrestricted (deficit)	3,577,100	4,884,733	8,461,833	(437,563)
Total net assets (deficit)	\$ 19,683,587	\$ 14,232,553	\$ 33,916,140	\$ (224,388)

# City of Mason, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 1,197,777	\$ 517,729	\$ -	\$ 83,747
Public safety	1,289,605	171,483	1,410	-
Public works	1,263,037	309,435	438,808	-
Community and economic development	6,362	29,770	-	-
Recreation and culture	235,549	3,080	-	-
Interest expense	87,395	-	-	-
Total governmental activities	4,079,725	1,031,497	440,218	83,747
Business-type activities - Water and sewer	1,946,456	2,127,058	-	-
Total primary government	<b>\$ 6,026,181</b>	<b>\$ 3,158,555</b>	<b>\$ 440,218</b>	<b>\$ 83,747</b>
Component units:				
Local Development Finance Authority	\$ 141,052	\$ -	\$ -	\$ -
Downtown Development Authority	113,417	-	-	-
Economic Development Committee	-	-	-	-
Total component units	<b>\$ 254,469</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenues:				
Property taxes				
State-shared revenues				
Investment earnings				
Miscellaneous				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets (Deficit) - Beginning of year, as restated (Note 11)</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2007**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (596,301)	\$ -	\$ (596,301)	\$ -
(1,116,712)	-	(1,116,712)	-
(514,794)	-	(514,794)	-
23,408	-	23,408	-
(232,469)	-	(232,469)	-
(87,395)	-	(87,395)	-
(2,524,263)	-	(2,524,263)	-
-	180,602	180,602	-
(2,524,263)	180,602	(2,343,661)	-
-	-	-	(141,052)
-	-	-	(113,417)
-	-	-	-
-	-	-	(254,469)
2,735,046	-	2,735,046	422,047
651,730	-	651,730	-
155,924	292,469	448,393	71,731
2,962	-	2,962	-
3,545,662	292,469	3,838,131	493,778
1,021,399	473,071	1,494,470	239,309
18,662,188	13,759,482	32,421,670	(463,697)
<b><u>\$ 19,683,587</u></b>	<b><u>\$ 14,232,553</u></b>	<b><u>\$ 33,916,140</u></b>	<b><u>\$ (224,388)</u></b>

# City of Mason, Michigan

## Governmental Funds Balance Sheet June 30, 2007

	General Fund	Local Street Fund	Special Assessment Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 1,575,715	\$ 60,690	\$ 272,710	\$ 1,380,861	\$ 3,289,976
Receivables:					
Property taxes	29,025	-	-	-	29,025
Special assessments	-	-	1,923,847	-	1,923,847
Other governmental units	105,953	19,926	-	53,179	179,058
Other	17,629	-	-	-	17,629
Prepaid costs and other assets	10,598	-	-	-	10,598
Due from other funds (Note 5)	-	80,425	-	-	80,425
<b>Total assets</b>	<b>\$ 1,738,920</b>	<b>\$ 161,041</b>	<b>\$ 2,196,557</b>	<b>\$ 1,434,040</b>	<b>\$ 5,530,558</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 4,423	\$ 5,000	\$ -	\$ 1,064	\$ 10,487
Accrued and other liabilities	51,278	-	-	-	51,278
Due to other governmental units	12,015	-	-	-	12,015
Due to other funds (Note 5)	-	-	-	80,425	80,425
Deferred revenue (Note 6)	9,100	-	1,923,850	-	1,932,950
<b>Total liabilities</b>	<b>76,816</b>	<b>5,000</b>	<b>1,923,850</b>	<b>81,489</b>	<b>2,087,155</b>
<b>Fund Balances</b>					
Reserved for:					
Construction code activities	309,212	-	-	-	309,212
Cemetery trust	-	-	-	316,702	316,702
Designated for City Hall Project	500,000	-	-	-	500,000
Unreserved, reported in:					
General Fund	852,892	-	-	-	852,892
Special Revenue Funds	-	156,041	272,707	993,514	1,422,262
Debt Service Funds	-	-	-	296	296
Capital Projects Funds	-	-	-	42,039	42,039
<b>Total fund balances</b>	<b>1,662,104</b>	<b>156,041</b>	<b>272,707</b>	<b>1,352,551</b>	<b>3,443,403</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,738,920</b>	<b>\$ 161,041</b>	<b>\$ 2,196,557</b>	<b>\$ 1,434,040</b>	<b>\$ 5,530,558</b>

# City of Mason, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets (Deficit) June 30, 2007

**Fund Balance - Total Governmental Funds** \$ 3,443,403

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds 15,679,698

Internal Service Funds are included as part of governmental activities 777,835

Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures 1,923,850

Various receivables are not expected to be collected within 60 days of year end and are not available to pay for current year expenditures 116,533

Accumulated employee paid time off is recorded when earned in the statement of activities (342,573)

Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the funds (1,915,159)

**Net Assets - Governmental Activities** \$ 19,683,587

# City of Mason, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	Local Street Fund	Special Assessment Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 2,735,046	\$ -	\$ -	\$ -	\$ 2,735,046
Licenses and permits	213,951	-	-	-	213,951
State-shared revenues and state grants	653,140	114,917	-	323,891	1,091,948
Local sources	462,495	83,747	-	-	546,242
Special assessment revenue	-	-	161,476	-	161,476
Refuse collection	288,677	-	-	-	288,677
Charges for services	203,656	21,942	-	8,470	234,068
Cable franchise fees	31,974	-	-	-	31,974
Fines and forfeitures	143,938	-	-	-	143,938
Interest and rentals	81,065	3,876	14,354	102,367	201,662
Other	74,946	-	-	1,167	76,113
<b>Total revenue</b>	<b>4,888,888</b>	<b>224,482</b>	<b>175,830</b>	<b>435,895</b>	<b>5,725,095</b>
<b>Expenditures</b>					
Current:					
General government	1,570,525	-	-	-	1,570,525
Public safety	1,538,783	-	-	-	1,538,783
Public works	381,066	739,771	-	411,553	1,532,390
Community and economic development	6,362	-	-	-	6,362
Recreation and culture	231,638	-	-	-	231,638
Capital outlay	74,164	-	-	17,805	91,969
Debt service	-	-	116,680	101,940	218,620
<b>Total expenditures</b>	<b>3,802,538</b>	<b>739,771</b>	<b>116,680</b>	<b>531,298</b>	<b>5,190,287</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,086,350</b>	<b>(515,289)</b>	<b>59,150</b>	<b>(95,403)</b>	<b>534,808</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 5)	107,600	531,941	-	237,480	877,021
Transfers out (Note 5)	(688,996)	-	(60,235)	(127,790)	(877,021)
Financing proceeds from debt	231,530	-	-	-	231,530
<b>Total other financing sources (uses)</b>	<b>(349,866)</b>	<b>531,941</b>	<b>(60,235)</b>	<b>109,690</b>	<b>231,530</b>
<b>Net Change in Fund Balances</b>	<b>736,484</b>	<b>16,652</b>	<b>(1,085)</b>	<b>14,287</b>	<b>766,338</b>
<b>Fund Balances - Beginning of year</b>	<b>925,620</b>	<b>139,389</b>	<b>273,792</b>	<b>1,338,264</b>	<b>2,677,065</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,662,104</b>	<b>\$ 156,041</b>	<b>\$ 272,707</b>	<b>\$ 1,352,551</b>	<b>\$ 3,443,403</b>

# City of Mason, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$ 766,338

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	1,106,031
Depreciation	(710,352)

Internal Service Funds are included as part of governmental activities	57,620
--	--------

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(78,714)
--	----------

Interest expense is recorded in the statement of activities when incurred; it is not reported in the funds until paid or payable within 60 days of year end	9,865
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State-shared revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	(9,353)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	130,950
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Bond proceeds are not reported as financing sources on the statement of activities	(231,530)
--	-----------

Change in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	<u>(19,456)</u>
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**Change in Net Assets of Governmental Activities** \$ 1,021,399

# City of Mason, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2007

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Pool
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 4,642,737	\$ 550,332
Customer receivables	372,140	1,531
Inventory	28,606	-
Prepaid and other assets	12,341	-
Total current assets	5,055,824	551,863
Noncurrent assets - Capital assets (Note 4)	9,406,133	236,745
Total assets	14,461,957	788,608
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	113,090	68
Current portion of long-term liabilities:		
Compensated absences	11,153	3,883
Long-term debt (Note 7)	13,613	-
Total current liabilities	137,856	3,951
Noncurrent liabilities:		
Compensated absences	46,848	6,822
Long-term debt (Note 7)	44,700	-
Total noncurrent liabilities	91,548	6,822
Total liabilities	229,404	10,773
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	9,347,820	236,745
Unrestricted	4,884,733	541,090
Total net assets	\$ 14,232,553	\$ 777,835

# City of Mason, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Pool
<b>Operating Revenue</b>		
User charges	\$ 1,883,326	\$ 287,560
Interest and penalty charges	34,427	-
Other charges for services	209,305	9,389
Total operating revenue	2,127,058	296,949
<b>Operating Expenses</b>		
Cost of water produced	120,563	-
Cost of sewage treatment	729,768	-
Operation and maintenance	628,862	184,445
Billing and administrative costs	74,244	-
Depreciation	389,769	74,439
Total operating expenses	1,943,206	258,884
<b>Operating Income</b>	183,852	38,065
<b>Nonoperating Revenue (Expense)</b>		
Investment income	292,469	19,555
Interest expense	(3,250)	-
<b>Change in Net Assets</b>	473,071	57,620
<b>Net Assets - Beginning of year</b>	13,759,482	720,215
<b>Net Assets - End of year</b>	<b>\$ 14,232,553</b>	<b>\$ 777,835</b>

# City of Mason, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Pool
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 2,090,287	\$ 296,102
Payments to suppliers	(1,014,337)	(142,517)
Payments to employees	(537,327)	(40,202)
Net cash provided by operating activities	538,623	113,383
<b>Cash Flows from Capital and Related Financing Activities -</b>		
Principal and interest paid on capital debt	(16,282)	-
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets	(815,300)	(75,519)
Interest received on investments	292,469	19,555
Net cash used in investing activities	(522,831)	(55,964)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(490)	57,419
<b>Cash and Cash Equivalents - Beginning of year</b>	4,643,227	492,913
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 4,642,737</b>	<b>\$ 550,332</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 183,852	\$ 38,065
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	389,769	74,439
Changes in assets and liabilities:		
Receivables	(36,771)	(850)
Due from other funds	1,200	-
Due from other governmental units	1,018	-
Inventory	(52)	-
Prepaid and other assets	10,676	-
Accounts payable	61,426	68
Accrued and other liabilities	(72,495)	1,661
Net cash provided by operating activities	<b>\$ 538,623</b>	<b>\$ 113,383</b>

**Noncash Capital and Related Financing Activities** – There were no noncash financing activities during the year ended June 30, 2007.

# City of Mason, Michigan

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## Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2007

	<u>Agency Funds</u>
<b>Assets - Cash and cash equivalents (Note 3)</b>	<b><u>\$ 25,778</u></b>
<b>Liabilities</b>	
Accrued and other liabilities	\$ 25,446
Due to other governmental units	<u>332</u>
 Total liabilities	 <b><u>\$ 25,778</u></b>

# City of Mason, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2007

	Local Development Finance Authority	Downtown Development Authority	Economic Development Corporation	Total
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 905,231	\$ 105,415	\$ 20,351	\$ 1,030,997
Receivables:				
Taxes	-	11,748	-	11,748
Other	-	1,292	-	1,292
Due from other governmental units	21,596	-	-	21,596
Prepaid costs and other assets	-	-	-	-
Net capital assets (Note 4)	<u>213,175</u>	<u>-</u>	<u>-</u>	<u>213,175</u>
Total assets	1,140,002	118,455	20,351	1,278,808
<b>Liabilities</b>				
Accounts payable	3,899	-	-	3,899
Accrued and other liabilities	8,289	-	-	8,289
Due to other governmental units	-	21,596	-	21,596
Current portion of long-term debt (Note 7)	334,448	-	-	334,448
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	<u>1,134,964</u>	<u>-</u>	<u>-</u>	<u>1,134,964</u>
Total liabilities	<u>1,481,600</u>	<u>21,596</u>	<u>-</u>	<u>1,503,196</u>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	213,175	-	-	213,175
Unrestricted (deficit)	<u>(554,773)</u>	<u>96,859</u>	<u>20,351</u>	<u>(437,563)</u>
Total net assets (deficit)	<u>\$ (341,598)</u>	<u>\$ 96,859</u>	<u>\$ 20,351</u>	<u>\$ (224,388)</u>

# City of Mason, Michigan

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	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Local Development Finance Authority	\$ 141,052	\$ -	\$ -	\$ -
Downtown Development Authority	113,417	-	-	-
Economic Development Corporation	-	-	-	-
Total component units	<u>\$ 254,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes  
Investment earnings

Total general revenues

**Change in Net Assets**

**Net Assets (Deficit) - Beginning of year**

**Net Assets (Deficit) - End of year**

**Component Units  
Statement of Activities  
June 30, 2007**

Net (Expense) Revenue and Changes in Net Assets			
Local			
Development Finance Authroity	Downtown Development Authority	Economic Development Corporation	Total
\$ (141,052)	\$ -	\$ -	\$ (141,052)
-	(113,417)	-	(113,417)
-	-	-	-
(141,052)	(113,417)	-	(254,469)
349,097	72,950	-	422,047
67,223	3,506	1,002	71,731
416,320	76,456	1,002	493,778
275,268	(36,961)	1,002	239,309
(616,866)	133,820	19,349	(463,697)
<b>\$ (341,598)</b>	<b>\$ 96,859</b>	<b>\$ 20,351</b>	<b>\$ (224,388)</b>

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Mason, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Mason, Michigan:

### **Reporting Entity**

The City of Mason is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

The criteria established by GASB for determining which of the City's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the City.

### **Blended Component Units**

The City of Mason has one blended component unit, the Mason Building Authority, which was established for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, and automobile parking lots or structures, recreational 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 in the Mason Building Authority Debt Service Fund, in conformity with GASB 14, as the component unit provides services entirely to the primary government.

### **Discretely Presented Component Units**

The following entities are listed as discretely presented component units of the City in the component unit column to emphasize their legally separate status from the primary government. The City is financially accountable, and exclusion from the government-wide financial statements would be misleading or incomplete. Separate financial statements for the component units are not available.

## **Note I - Summary of Significant Accounting Policies (Continued)**

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.

The Local Development Finance Authority (LDFA) was established by the City of Mason 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.

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 so as 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 administrator with the approval of the City Council.

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

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

## **Note I - Summary of Significant Accounting Policies (Continued)**

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and the fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures for debt service, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of Mason.

## **Note I - Summary of Significant Accounting Policies (Continued)**

The City of Mason reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Local Street Fund** - The Local Street Fund accounts for local street improvement and resurfacing projects.

**Special Assessment Fund** - The Special Assessment Fund accounts for the payment of interest and principal on all special assessment debt.

The City of Mason reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for utility operations that are financed primarily by user charges.

Additionally, the City of Mason reports the following fund types:

**Special Revenue Funds** - The Special Revenue Funds are used to finance particular activities and are created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory provisions to pay for certain activities with some special form of continuing revenues.

**Debt Service Funds** - The Debt Service Funds are used to account for payment of interest and principal on general obligation debt of governmental funds.

**Capital Projects Funds** - The Capital Projects Funds account for resources expended to acquire assets of a relatively permanent nature.

**Permanent Funds** - The Permanent Funds account for resources which are restricted, and only the income earned may be apportioned toward expenditures.

**Internal Services Fund** - The Internal Services Fund is used to account for Motor Vehicles Pool Services provided to other departments on a cost reimbursement basis.

**Fiduciary Funds** - The Fiduciary Funds account for resources reserved and held by a governmental unit as the trustee or as the agent for others.

## **Note I - Summary of Significant Accounting Policies (Continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of Mason has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and Internal Services Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City of Mason's policy to use restricted resources first. Unrestricted resources are used as they are needed.

**Property Tax Revenue** - Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31, with the final collection date of February 28 before they are returned to the County as delinquent.

The 2006 taxable valuation of the City totaled \$205 million, on which ad valorem taxes levied consisted of 13.250 mills for operating purposes. This resulted in \$2.7 million for operating purposes. These amounts are recognized in the General Fund financial statements as tax revenue.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables have been recognized for all significant amounts due to the City. No allowances have been made for noncollectible accounts because most delinquent receivables can be added to the tax roll if they remain unpaid and become a lien against the property.

**Inventories** - Inventories of materials and supplies are stated at the lower of cost (first-in, first-out) or market. The cost is accounted for as an expenditure at the time the inventories are used.

**Capital Assets** - Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., bridges, sidewalks, and similar items since the adoption of GASB 34), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City of Mason as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on the government-wide and proprietary statement of net assets. Straight-line depreciation methods are applied over the estimated useful lives of capital assets.

### Note I - Summary of Significant Accounting Policies (Continued)

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

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

**Compensated Absences (Vacation and Sick Leave)** - 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.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

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

## **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City had an expenditure budget variance in the Fire Department within the General Fund. Budgeted expenditures were \$279,210, while actual expenditures were \$477,636. The Fire Department purchased a new tanker truck near the end of the fiscal year, and while this expenditure was approved by the City Council before the end of the year, a budget amendment was unable to be prepared by June 30, 2007.

**Fund Deficits** - The Local Development Finance Authority had an unrestricted net asset deficit at the government-wide basis at year end of \$554,773; however, on the modified accrual basis of accounting which is used on the fund based statements, there was not a deficit balance. The Local Development Finance Authority will capture property taxes in the future to eliminate this deficit.

## **Note 3 - Deposits and Investments**

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

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997, as amended. The City's policy further restricts investment purchases to banks that maintain a principal branch within the City of Mason, and that commercial paper must be within the highest classification established by two or more standard rating services. In addition, the City's investment policy indicates that the treasurer shall diversify the investments by security type and institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than 60 percent of the total investment portfolio will be invested in a single security type or with a single financial institution. Also, the City's securities purchased will have a maximum maturity of no longer than 270 days.

The City's cash and investments are subject to custodial credit risk, which is examined in more detail below:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the City and the component units of the City had \$8,805,012 and \$1,030,997 of bank deposits (certificates of deposit, checking and savings accounts), respectively, of which \$500,000 and \$300,000 is covered by federal depository insurance, respectively, and the remainder is uninsured and uncollateralized. The City and the component units of the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City and the component units of the City evaluate each financial institution with which they deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# City of Mason, Michigan

## Notes to Financial Statements June 30, 2007

### Note 4 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities and component units was as follows:

	Balance July 1, 2006, as restated (Note 11)	Reclassifi- cations	Additions	Disposals	Balance June 30, 2007
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,426,251	\$ -	\$ -	\$ -	\$ 1,426,251
Construction in progress	960,050	(960,050)	-	-	-
Subtotal	2,386,301	(960,050)	-	-	1,426,251
Capital assets being depreciated:					
Land improvements	793,000	-	82,043	-	875,043
Buildings and improvements	1,535,960	-	-	-	1,535,960
Infrastructure	19,216,358	960,050	682,376	-	20,858,784
Vehicles and equipment	2,121,002	-	363,369	(39,183)	2,445,188
Subtotal	23,666,320	960,050	1,127,788	(39,183)	25,714,975
Accumulated depreciation:					
Land improvements	417,933	-	26,676	-	444,609
Buildings and improvements	614,511	-	33,297	-	647,808
Infrastructure	7,523,097	-	616,966	-	8,140,063
Vehicles and equipment	1,923,634	-	107,852	(39,183)	1,992,303
Subtotal	10,479,175	-	784,791	(39,183)	11,224,783
Net capital assets being depreciated	13,187,145	960,050	342,997	-	14,490,192
Net capital assets	\$ 15,573,446	\$ -	\$ 342,997	\$ -	\$ 15,916,443

# City of Mason, Michigan

## Notes to Financial Statements June 30, 2007

### Note 4 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance July 1, 2006	Reclassifi- cations	Additions	Disposals	Balance June 30, 2007
Capital assets not being depreciated:					
Land	\$ 25,609	\$ -	\$ -	\$ -	\$ 25,609
Construction in progress	<u>1,039,002</u>	<u>(965,391)</u>	<u>639,752</u>	<u>-</u>	<u>713,363</u>
Subtotal	1,064,611	(965,391)	639,752	-	738,972
Capital assets being depreciated:					
Buildings and improvements	455,637	-	-	-	455,637
Infrastructure	<u>12,746,179</u>	<u>965,391</u>	<u>175,548</u>	<u>-</u>	<u>13,887,118</u>
Subtotal	13,201,816	965,391	175,548	-	14,342,755
Accumulated depreciation:					
Buildings and improvements	153,202	-	80,439	-	233,641
Infrastructure	<u>5,132,623</u>	<u>-</u>	<u>309,330</u>	<u>-</u>	<u>5,441,953</u>
Subtotal	<u>5,285,825</u>	<u>-</u>	<u>389,769</u>	<u>-</u>	<u>5,675,594</u>
Net capital assets being depreciated	<u>7,915,991</u>	<u>965,391</u>	<u>(214,221)</u>	<u>-</u>	<u>8,667,161</u>
Net capital assets	<u>\$ 8,980,602</u>	<u>\$ -</u>	<u>\$ 425,531</u>	<u>\$ -</u>	<u>\$ 9,406,133</u>
<b>Component Units</b>	Balance July 1, 2006	Reclassifi- cations	Additions	Disposals	Balance June 30, 2007
Capital assets being depreciated - Equipment	\$ 710,587	\$ -	\$ -	\$ -	\$ 710,587
Accumulated depreciation - Equipment	<u>426,353</u>	<u>-</u>	<u>71,059</u>	<u>-</u>	<u>497,412</u>
Net capital assets	<u>\$ 284,234</u>	<u>\$ -</u>	<u>\$ (71,059)</u>	<u>\$ -</u>	<u>\$ 213,175</u>

# City of Mason, Michigan

## Notes to Financial Statements June 30, 2007

### Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$	113,738
Public safety		49,505
Public works		617,591
Recreation and culture		<u>3,957</u>
Total governmental activities	\$	<u>784,791</u>
Business-type activities	\$	<u>389,769</u>
Component units	\$	<u>71,059</u>

### Subsequent Events

To comply with MDEQ's mandate to remove radium from drinking water, subsequent to year end, the City entered into an agreement to complete a water treatment plant and water main project over the next several years. The total cost of the project is estimated to be approximately \$8.9 million. The City has awarded bids amounting to \$7.4 million to various contractors, but no signed contracts exist. Subsequent to June 30, 2007, the City has obtained financing through the Michigan State Drinking Water Revolving Loan Fund in an amount not to exceed \$8.0 million for the funding of a water treatment plant and water main project.

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Local Street Fund	Nonmajor governmental funds	\$ 80,425

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
<b>Interfund Transfers</b>		
General Fund	Local Street	\$ 451,516
General Fund	Nonmajor governmental funds	237,480
Special Assessment Fund	General Fund	60,235
Nonmajor governmental funds	General Fund	37,000
Nonmajor governmental funds	Local Street	80,425
Nonmajor governmental funds	Nonmajor governmental funds	<u>10,365</u>
Total		<u>\$ 877,021</u>

The transfer from the General Fund to the Local Street Fund represents the use of tax revenue for street construction and repair. The transfer from the General Fund to the nonmajor governmental funds represents transfers for various debt service payments. The transfer from the nonmajor governmental funds to the Local Street Fund represents application of residual funds toward local street construction and repair. The transfer from nonmajor governmental funds to the General Fund was for the reimbursement of debt service payments covered by the General Fund.

### Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Special assessments and other	<u>\$ 1,923,850</u>	<u>\$ 9,100</u>	<u>\$ 1,932,950</u>

## **Note 7 - Long-term Debt**

The City issued bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are reviewed.

# City of Mason, Michigan

## Notes to Financial Statements June 30, 2007

### Note 7 - Long-term Debt (Continued)

Long-term obligations are summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General Obligations:						
Dart National Bank Loan - Computer System:						
Amount of issue - \$247,000	4.90%	\$21,000- \$23,000	\$ 64,000	\$ (20,000)	\$ 44,000	\$ 21,000
Maturing through 2009						
Dart National Bank Loan - Fire Truck:						
Amount of issue - \$231,530	4.50%	\$41,275- \$50,800	-	231,530	231,530	44,408
Maturing through 2012						
Dart National Bank Loan - Land Purchase:						
Amount of issue - \$325,877	4.80%	\$20,261- \$29,828	241,951	(19,359)	222,592	20,261
Maturing through 2016						
Mason State Bank Loan - Land Purchase:						
Amount of issue - \$115,500	4.65%	\$6,890- \$10,384	91,936	(6,591)	85,345	6,890
Maturing through 2017						
1997 Building Authority Bonds						
Amount of issue - \$450,000	3.85%- 5.15%	\$20,000- \$40,000	355,000	(20,000)	335,000	20,000
Maturing through 2018						
Special Assessment Obligation Bonds:						
1996 Special Assessment						
Amount of issue - \$205,000	4.45%- 5.50%	\$15,000	75,000	(15,000)	60,000	15,000
Maturing through 2010						
1998 Special Assessment						
Amount of issue - \$90,000	4.90%	\$7,000	48,000	(6,000)	42,000	7,000
Maturing through 2012						
1999 Special Assessment						
Amount of issue - \$52,000	4.90%	\$4,000- \$5,000	34,000	(4,000)	30,000	4,000
Maturing through 2013						
2001 Special Assessment						
Amount of issue - \$205,000	4.30%- 5.00%	\$10,000- \$20,000	140,000	(20,000)	120,000	15,000
Maturing through 2007						
2006 Special Assessment						
Amount of issue - \$750,000	3.60%- 4.55%	\$20,000- \$55,000	750,000	(20,000)	730,000	40,000
Maturing through 2014						
Total governmental activities			<u>\$ 1,799,887</u>	<u>\$ 100,580</u>	<u>\$ 1,900,467</u>	<u>\$ 193,559</u>

# City of Mason, Michigan

## Notes to Financial Statements June 30, 2007

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
2005 Water and Sewage Disposal System						
Revenue Refunding Bonds						
Amount of issue - \$100,000						
4.50%	\$13,027-	\$ 71,345	\$ (13,032)	\$ 58,313	\$ 13,613	
		\$15,572				
Maturing through 2011						
Total business-type and governmental activities						
		\$ 1,871,232	\$ 87,548	\$ 1,958,780	\$ 207,172	
<b>Component Units</b>						
General Obligations:						
1992 Local Development Finance Authority						
Amount of issue: \$425,000						
5.75%-	\$25,000-	\$ 235,000	\$ (25,000)	\$ 210,000	\$ 25,000	
8.00%	\$35,000					
Maturing through 2013						
1994 Local Development Finance Authority						
Amount of issue - \$1,125,000						
6.10%-	\$85,000	340,000	(85,000)	255,000	85,000	
7.65%						
Maturing through 2010						
1998 Local Development Finance Authority						
Michigan Jobs Commission, Series A						
Amount of issue - \$1,386,000						
0.00%	\$106,615	639,693	(106,615)	533,078	106,615	
Maturing through 2011						
1998 Local Development Finance Authority						
Michigan Jobs Commission, Series B						
Amount of issue - \$1,414,000						
1.48%	\$117,833	589,167	(117,833)	471,334	117,833	
Maturing through 2011						
Total component units						
		\$ 1,803,860	\$ (334,448)	\$ 1,469,412	\$ 334,448	

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for all debt are as follows:

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 193,559	\$ 84,439	\$ 277,998	\$ 13,613	\$ 2,668	\$ 16,281	\$ 334,448	\$ 30,778	\$ 365,226
2009	208,965	75,462	284,427	14,241	2,040	16,281	334,448	23,221	357,669
2010	199,448	65,849	265,297	14,892	1,390	16,282	339,450	15,489	354,939
2011	203,102	56,888	259,990	15,567	710	16,282	254,450	7,582	262,032
2012	180,064	48,189	228,253	-	-	-	136,616	5,610	142,226
2013-2017	630,329	138,537	768,876	-	-	-	70,000	4,620	74,620
2018-2022	285,000	22,680	307,680	-	-	-	-	-	-
Total	\$ 1,900,467	\$ 492,044	\$ 2,392,521	\$ 58,313	\$ 6,808	\$ 65,126	\$ 1,469,412	\$ 87,300	\$ 1,556,712

### Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims, and participates in the Michigan Municipal League risk pool program for claims relating to workers' compensation, and in the Michigan Municipal Risk Management Authority for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

## **Note 9 - Defined Benefit Pension Plan**

### **Plan Description**

The City participates in the Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

### **Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees, based on actuarial calculations.

### **Annual Pension Cost**

For the year ended June 30, 2007, the City's annual pension cost of \$159,731 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 8.40 percent per year, depending on age, attributable to seniority/merit, and (d) postretirement benefit increases of 2.5 percent annually. The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The difference in investment income between expected return and market return is recognized over a 10-year period at the rate of 10 percent per year. The unfunded actuarial liability is being amortized as a level of percentage of payroll over a period of 29 years.

### Note 9 - Defined Benefit Pension Plan (Continued)

Three-year trend information:

	Fiscal Year Ended June 30		
	2005	2006	2007
Annual pension costs (APC)	\$ 127,453	\$ 137,330	\$ 159,731
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Valuation as of December 31		
	2004	2005	2006
Actuarial value of assets	\$ 8,769,133	\$ 9,198,600	\$ 9,789,872
Actuarial accrued liability (AAL)	\$ 10,254,712	\$ 10,865,189	\$ 11,418,642
Unfunded AAL (UAAL)	\$ 1,485,579	\$ 1,666,589	\$ 1,628,770
Funded ratio	86%	85%	86%
Covered payroll	\$ 1,949,928	\$ 1,987,320	\$ 2,037,410
UAAL as a percent of covered payroll	76%	84%	80%

### Note 10 - Other Postemployment Benefits

The City has elected to provide postemployment health benefits to certain retirees and their beneficiaries. The City pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the City's group rates. Currently, 19 retirees are eligible for postemployment health benefits. For the fiscal year ended June 30, 2007, the City made payments for postemployment health benefit premiums of \$47,568. The City obtains healthcare coverage through private insurers.

#### Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

# City of Mason, Michigan

## Notes to Financial Statements June 30, 2007

### Note 11 - Prior Period Adjustments

During the year ended June 30, 2007, the City of Mason fully implemented GASB 34, and recorded the amount of infrastructure and roads that the City has constructed, or have been dedicated by various subdivisions within the City of Mason, retroactively back to 1980. The prior period adjustment reflects the net book value of the assets as follows:

#### Governmental Activities

Net assets as stated June 30, 2006	\$ 9,155,851
Adjustment to record infrastructure assets	16,964,841
Adjustment to record infrastructure accumulated depreciation	<u>(7,458,504)</u>
Net assets as restated June 30, 2006	<u>\$ 18,662,188</u>

### Note 12 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Surplus at July 1, 2006	\$ 190,977
Current year building permit revenue	201,706
Related expenses - Direct costs	(75,883)
Related expenses - Indirect costs	<u>(7,588)</u>
Cumulative surplus at June 30, 2007	<u>\$ 309,212</u>

## **Required Supplemental Information**

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# City of Mason, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 2,729,375	\$ 2,693,915	\$ 2,735,046	41,131
Licenses and permits	33,560	197,515	213,951	16,436
State-shared revenues and state grants	666,570	656,645	653,140	(3,505)
Federal sources	55,000	-	-	-
Local sources	940,085	940,085	462,495	(477,590)
Refuse collection	286,145	288,675	288,677	2
Charges for services	210,995	198,745	203,656	4,911
Cable franchise fees	30,000	31,975	31,974	(1)
Fines and forfeitures	110,710	138,035	143,938	5,903
Interest and rentals	51,200	77,195	81,065	3,870
Other	105,735	69,130	74,946	5,816
Total revenues	5,219,375	5,291,915	4,888,888	(403,027)
<b>Expenditures</b>				
General government:				
Council	37,100	39,890	36,230	3,660
Administrator	401,595	380,725	379,512	1,213
Assessing	123,655	117,525	117,351	174
Board of review	700	690	690	-
Treasurer	508,025	490,255	361,372	128,883
Technology	66,150	48,935	43,694	5,241
Election	64,980	74,495	23,556	50,939
Building official and City Hall	125,865	127,640	121,940	5,700
Legal	55,000	60,435	60,368	67
Property	72,165	94,635	92,020	2,615
Cemetery	188,390	202,080	158,440	43,640
Planning and zoning	97,540	103,965	97,061	6,904
Civil defense	485	575	326	249
Engineering	245	245	-	245
Planning commission	1,480	165	-	165
Burden	45,115	31,805	32,297	(492)
Retiree benefits	58,085	47,570	47,568	2
Contingencies	430	430	-	430
Surplus to fund balance	346,645	659,575	-	659,575
Total general government	2,193,650	2,481,635	1,572,425	909,210

# City of Mason, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Expenditures (Continued)</b>				
Public safety:				
Police administration	\$ 248,774	\$ 246,070	\$ 205,263	\$ 40,807
Crossing guards	41,905	42,425	36,147	6,278
Police patrolling	940,830	960,095	827,802	132,293
Fire department	<u>284,972</u>	<u>279,210</u>	<u>477,636</u>	<u>(198,426)</u>
Total public safety	1,516,481	1,527,800	1,546,848	(19,048)
Public works:				
Public services	7,155	6,155	3,974	2,181
Street lighting	93,865	91,430	88,471	2,959
Street construction and repair	698,775	-	-	-
Sidewalk construction repair	68,100	11,430	9,717	1,713
Refuse collection	<u>285,595</u>	<u>292,065</u>	<u>278,904</u>	<u>13,161</u>
Total public works	1,153,490	401,080	381,066	20,014
Recreation and culture:				
Forestry	83,152	65,545	53,459	12,086
Parks and ball diamonds	249,100	247,560	224,157	23,403
Senior citizens	7,630	7,630	6,495	1,135
Library	<u>11,737</u>	<u>14,200</u>	<u>11,726</u>	<u>2,474</u>
Total recreation and culture	351,619	334,935	295,837	39,098
Community and economic development:				
Cable commission	5,060	4,360	3,264	1,096
Christmas decorations	<u>5,005</u>	<u>3,885</u>	<u>3,098</u>	<u>787</u>
Total community and economic development	<u>10,065</u>	<u>8,245</u>	<u>6,362</u>	<u>1,883</u>
Total expenditures	5,225,305	4,753,695	3,802,538	951,157
Other financing sources (uses):				
Proceeds from issuance of debt	-	-	231,530	(231,530)
Transfers in	107,600	107,600	107,600	-
Transfers out	<u>(101,670)</u>	<u>(645,820)</u>	<u>(688,996)</u>	<u>43,176</u>
Total other financing sources (uses)	<u>5,930</u>	<u>(538,220)</u>	<u>(349,866)</u>	<u>(188,354)</u>
<b>Surplus</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,484</u>	<u>\$ 736,484</u>

# City of Mason, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Local Street Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 45,000	\$ 43,180	\$ -	\$ (43,180)
State-shared revenues and state grants	112,575	114,100	114,917	817
Local sources	613,745	-	83,747	83,747
Charges for services	21,000	21,440	21,942	502
Interest and rentals	3,650	3,825	3,876	51
Transfers in	-	572,505	531,941	(40,564)
Total revenues	795,970	755,050	756,423	1,373
<b>Expenditures</b>				
Street construction	667,550	561,540	561,537	3
Street maintenance	107,910	168,035	165,172	2,863
Traffic services	4,975	2,445	1,996	449
Winter maintenance	11,430	11,080	11,066	14
Surplus to fund balance	4,105	11,950	-	11,950
Total expenditures	795,970	755,050	739,771	15,279
<b>Surplus</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,652</b>	<b>\$ 16,652</b>

# City of Mason, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Special Assessment Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenues</b>				
Special assessments	\$ 158,955	\$ 159,060	\$ 161,476	\$ 2,416
Interest and rentals	10,355	14,000	14,354	354
Surplus from fund balance	-	3,855	-	(3,855)
Total revenues	169,310	176,915	175,830	(1,085)
<b>Expenditures</b>				
Debt service	101,495	116,680	116,680	-
Surplus to fund balance	7,580	-	-	-
Transfers to other funds	60,235	60,235	60,235	-
Total expenditures	169,310	176,915	176,915	-
<b>Shortfall</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,085)</b>	<b>\$ (1,085)</b>

## **Other Supplemental Information**

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# City of Mason, Michigan

	Special Revenue Funds		Debt Service Fund	
	Major Streets Fund	Rayner Bond	Park St. Property Fund	Mason Building Authority
<b>Assets</b>				
Cash and investments	\$ 515,883	\$ 505,941	\$ -	\$ 296
Due from other governmental units	53,179	-	-	-
Total assets	<u>\$ 569,062</u>	<u>\$ 505,941</u>	<u>\$ -</u>	<u>\$ 296</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,064	\$ -	\$ -	\$ -
Due to other funds	80,425	-	-	-
Total liabilities	81,489	-	-	-
<b>Fund Balances</b>				
Reserved	-	-	-	-
Unreserved	487,573	505,941	-	296
Total fund balances	<u>487,573</u>	<u>505,941</u>	<u>-</u>	<u>296</u>
Total liabilities and fund balances	<u>\$ 569,062</u>	<u>\$ 505,941</u>	<u>\$ -</u>	<u>\$ 296</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
Capital Improvement Fund	Cemetery Trust	Total Nonmajor Governmental Funds
\$ 42,039	\$ 316,702	\$ 1,380,861
<u>-</u>	<u>-</u>	<u>53,179</u>
<b><u>\$ 42,039</u></b>	<b><u>\$ 316,702</u></b>	<b><u>\$ 1,434,040</u></b>
\$ -	\$ -	\$ 1,064
<u>-</u>	<u>-</u>	<u>80,425</u>
-	-	81,489
-	316,702	316,702
<u>42,039</u>	<u>-</u>	<u>1,035,849</u>
<u>42,039</u>	<u>316,702</u>	<u>1,352,551</u>
<b><u>\$ 42,039</u></b>	<b><u>\$ 316,702</u></b>	<b><u>\$ 1,434,040</u></b>

# City of Mason, Michigan

	Special Revenue Funds			Debt Service
				Fund
	Major Streets Fund	Rayner Bond	Park St. Property Fund	Mason Building Authority
<b>Revenue</b>				
State and local sources	\$ 323,891	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest income	21,260	24,979	-	30
Rent and royalties	-	37,453	-	-
Other	872	-	-	-
Total revenue	346,023	62,432	-	30
<b>Expenditures</b>				
Current - Public works department	411,553	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	41,982	36,827
Total expenditures	411,553	-	41,982	36,827
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	(65,530)	62,432	(41,982)	(36,797)
<b>Other Financing Sources (Uses)</b>				
Transfers in	135,815	-	41,982	36,828
Transfers out	(80,425)	(43,105)	-	-
Total other financing sources (uses)	55,390	(43,105)	41,982	36,828
<b>Net Change in Fund Balances</b>	(10,140)	19,327	-	31
<b>Fund Balances - Beginning of year</b>	497,713	486,614	-	265
<b>Fund Balances - End of year</b>	<b>\$ 487,573</b>	<b>\$ 505,941</b>	<b>\$ -</b>	<b>\$ 296</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2007**

Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Capital Improvement Fund	Cemetery Trust	
\$ -	\$ -	\$ 323,891
-	8,470	8,470
2,883	15,762	64,914
-	-	37,453
295	-	1,167
3,178	24,232	435,895
-	-	411,553
17,805	-	17,805
23,131	-	101,940
40,936	-	531,298
(37,758)	24,232	(95,403)
22,855	-	237,480
-	(4,260)	(127,790)
22,855	(4,260)	109,690
(14,903)	19,972	14,287
56,942	296,730	1,338,264
<b>\$ 42,039</b>	<b>\$ 316,702</b>	<b>\$ 1,352,551</b>

# City of Mason, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2007

	Delinquent Tax Fund	Payroll Fund	Totals
<b>Assets - Cash and cash equivalents</b>	<b>\$ 324</b>	<b>\$ 25,454</b>	<b>\$ 25,778</b>
<b>Liabilities</b>			
Accrued and other liabilities	\$ -	\$ 25,446	\$ 25,446
Due to other governmental units	324	8	332
<b>Total liabilities</b>	<b>\$ 324</b>	<b>\$ 25,454</b>	<b>\$ 25,778</b>