

**City of Mason
Ingham County, Michigan**

FINANCIAL STATEMENTS

June 30, 2018

City of Mason
Ingham County, Michigan
June 30, 2018

CITY COUNCIL AND ADMINISTRATION

Russ Whipple	Mayor
Marlon Brown	Mayor Pro-Tem
Mike Waltz	Council member
Angela Madden	Council member
Jon Droscha	Council member
Elaine Ferris	Council member
Rita Vogel	Council member
Deborah Stuart	City Administrator

City of Mason

TABLE OF CONTENTS

June 30, 2018

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-ix
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
Proprietary Funds	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Fiduciary Fund	
Statement of Assets and Liabilities	10
Component Unit Financial Statements	
Combining Statement of Net Position	11
Combining Statement of Activities	12
Notes to Financial Statements	13-38
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	39-41
Major Street Fund	
Budgetary Comparison Schedule	42
Local Street Fund	
Budgetary Comparison Schedule	43
Schedule of Changes in Employer's Net Pension Liability and Related Ratios	44
Schedule of Employer Pension Contributions	45
Schedule of Changes in Employer's Net OPEB Liability and Related Ratios	46
Schedule of Employer OPEB Contributions	47
Notes to Required Supplementary Information	48
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	49-50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	51-52
Agency Funds	
Combining Statement of Fiduciary Assets and Liabilities	53

City of Mason

TABLE OF CONTENTS - CONTINUED

June 30, 2018

Page

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

COMPONENT UNIT FUNDS

Local Development Finance Authority

Balance Sheet 54

Reconciliation of the Balance Sheet to the Statement of Net Position 55

Statement of Revenues, Expenditures, and Changes in Fund Balances 56

Downtown Development Authority

Balance Sheet 57

Statement of Revenues, Expenditures, and Changes in Fund Balance 58

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

59-60



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mason, Michigan (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mason, Michigan, as of June 30, 2018, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note M to the financial statements, City of Mason implemented Governmental Accounting Standards Board Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018. 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 1 and 2 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

- 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 3 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 4 and 6.
- 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.

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 13 through 38 of the report.

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018:

- The City's total net position decreased as a result of the fiscal year's operations, as well as the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net position of the governmental activities decreased by \$606,543, or 2.84 percent, and the net position of the business-type activities decreased by \$875,737, or 5.89 percent.
- During the year, the City's governmental activities' revenues were \$641,598 more than the approximate \$7.23 million in expenses.
- State shared revenues, the largest individual revenue source after property taxes, increased \$27,766 to \$739,243 during the current fiscal year.
- In the City's business-type activities, revenues were approximately \$2.92 million while expenses were approximately \$3.28 million.
- Total costs of all the City's programs were approximately \$10.51 million, an increase of approximately 9.28 percent over the prior fiscal year.
- The General Fund reported a decrease in fund balance of \$603,750.

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, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 10,728,857	\$ 10,542,768	\$ 2,406,346	\$ 2,890,117	\$ 13,135,203	\$ 13,432,885
Capital assets, net	20,314,028	20,150,104	18,475,561	18,622,778	38,789,589	38,772,882
Total assets	31,042,885	30,692,872	20,881,907	21,512,895	51,924,792	52,205,767
Deferred Outflows of Resources	1,109,401	1,007,744	450,801	406,258	1,560,202	1,414,002
Liabilities						
Current	1,160,767	734,435	616,582	624,334	1,777,349	1,358,769
Noncurrent	9,773,384	9,407,758	6,542,864	6,359,928	16,316,248	15,767,686
Total liabilities	10,934,151	10,142,193	7,159,446	6,984,262	18,093,597	17,126,455
Deferred Inflows of Resources	443,453	177,198	190,050	75,942	633,503	253,140
Net Position						
Net invested in capital assets	16,637,488	15,641,053	14,261,887	14,034,104	30,899,375	29,675,157
Restricted	1,840,957	2,151,672	-	-	1,840,957	2,151,672
Unrestricted	2,296,237	3,588,500	(278,675)	824,845	2,017,562	4,413,345
Total net position	<u>\$ 20,774,682</u>	<u>\$ 21,381,225</u>	<u>\$ 13,983,212</u>	<u>\$ 14,858,949</u>	<u>\$ 34,757,894</u>	<u>\$ 36,240,174</u>

The City's combined net position decreased from approximately \$36.24 million a year ago to \$34.76 million.

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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

Approximately 80.09 percent 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 \$2.30 million represents the amount that may be used to meet the City's ongoing obligations.

Net position of the City's governmental activities decreased approximately 2.84 percent to \$20.77 million. The accounting principle changes resulting from GASB 75 was the primary reason for the decrease in the governmental activities.

The net position of the City's business-type activities decreased by 5.89 percent to \$13.98 million during the fiscal year. The accounting principle changes resulting from GASB 75 was the primary reason for the decrease in the business-type activities.

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, 2018 and 2017.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenue						
Charges for services	\$ 1,007,207	\$ 1,067,674	\$ 2,936,915	\$ 2,953,847	\$ 3,944,122	\$ 4,021,521
Operating grants and contributions	2,113,676	1,463,822	3,563	421,733	2,117,239	1,885,555
Capital grants and contributions	256,056	173,246	5,420	1,709,355	261,476	1,882,601
General revenues						
Property taxes	3,299,315	2,838,675	-	-	3,299,315	2,838,675
State Revenue Sharing	739,243	711,477	-	-	739,243	711,477
Investment earnings	304,940	335,362	9,967	6,487	314,907	341,849
Miscellaneous	115,582	129,973	-	-	115,582	129,973
Transfers	37,713	39,362	(37,713)	(39,362)	-0-	-0-
Total revenues	7,873,732	6,759,591	2,918,152	5,052,060	10,791,884	11,811,651
Expenses						
General government	2,200,045	2,083,999	-	-	2,200,045	2,083,999
Public safety	1,950,688	1,807,951	-	-	1,950,688	1,807,951
Public works	2,159,920	1,987,234	-	-	2,159,920	1,987,234
Community and economic development	131,042	133,377	-	-	131,042	133,377
Recreation and culture	653,609	345,444	-	-	653,609	345,444
Interest on long-term debt	136,830	148,631	-	-	136,830	148,631
Water and Sewer	-	-	3,282,304	3,115,245	3,282,304	3,115,245
Total expenses	7,232,134	6,506,636	3,282,304	3,115,245	10,514,438	9,621,881
Change in net position	\$ 641,598	\$ 252,955	\$ (364,152)	\$ 1,936,815	\$ 277,446	\$ 2,189,770

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Governmental activities. Governmental activities increased the City's net position by \$641,598. Key elements of this increase are as follows:

- The cost of all governmental activities this year was approximately \$7.23 million.
- The amount that City taxpayers paid for these activities through City taxes was approximately \$3.30 million.
- Some of the cost was paid by the beneficiaries of the program's activities (approximately \$1.01 million), or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$2.11 million).
- Increase in capital spending in governmental activities areas.

Business-type activities. Business-type activities decreased the City's net position by \$364,152. Key elements of this increase are as follows:

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

The City's Funds

The analysis of the City's major funds begins on page 3, 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 2018 were the General Fund, Major Streets Fund, and Local Streets Fund. These funds, along with the remaining nonmajor governmental funds, reported a combined fund balance of \$9.04 million, a decrease from last year's combined fund balance of \$9.19 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 66.87 percent 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 approximately 5.28 percent to \$1,086,826 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 remained constant at \$156,106 as of the fiscal year end.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. The City began the year expecting to use approximately \$550,065 of the General Fund's fund balance and ended the year anticipating a fund balance decrease of approximately \$1,374,615. The City's amendments included increasing both revenue and expenditures as actual amounts became known. The result was an actual decrease of \$603,750 to the General Fund's fund balance.

Capital Asset and Debt Administration

At the end of the 2018 fiscal year, the City had invested approximately \$38.79 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 long-term liabilities is presented in Note E to the basic financial statements.

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,855,487	\$ 25,609	\$ 1,881,096
Construction in progress	1,013,372	217,624	1,230,996
Land improvements	793,969	-	793,969
Buildings and improvements	5,218,518	198,415	5,416,933
Infrastructure	10,267,643	18,033,913	28,301,556
Vehicles and Equipment	1,165,039	-	1,165,039
	<u>\$ 20,314,028</u>	<u>\$ 18,475,561</u>	<u>\$ 38,789,589</u>
Capital assets, net			

At year end, the City had \$8.29 million in bonds and notes outstanding. This represents a decrease of \$1.28 million from the previous fiscal year. More detailed information about the City's long-term liabilities is presented in Note F to the basic financial statements.

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 3,455,000	\$ -	\$ 3,455,000
Special assessment bonds	155,000	-	155,000
Revolving fund loan	-	4,213,674	4,213,674
Accrued compensated absences	313,431	152,583	466,014
	<u>\$ 3,923,431</u>	<u>\$ 4,366,257</u>	<u>\$ 8,289,688</u>
Total outstanding debt			

The City also \$123,740 in unamortized bond items at June 30, 2018. The City of Mason has been given a bond rating of "AA-" by Standards and Poor.

Economic Factors and Next Year's Budgets and Rates

The City's budget goals for the 2018/2019 fiscal year includes maintaining appropriate funding for critical services without a tax increase, enhancing services by reducing/eliminating credit card fees for water bills, adding point of purchase payment options, monthly water billing, and investing in technology to increase efficiency.

Total expenses in the General Fund for the 2018/2019 fiscal year are estimated to be \$7.05 million. This includes continuing the General Fund's contribution to the street program, continued improvements to the City Parks, a feasibility study for the Library and the increasing costs for pension and other post-employment benefits.

The City will continue to monitor and evaluate the Water and Sewer Fund over the next several years for future expenditures as a result of the new lead and copper rule and the continued improvements needed to infrastructure. A new cost study for water and sewer fees will also be completed during the improvements to the Wastewater Treatment Plant (POTW) process to ensure that user fees adequately cover current and future needs.

The City of Mason continues to seek appropriate means of investment and growth of taxable values while reevaluating services provided and the cost of those services.

City of Mason

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Contacting the City of Mason Management

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

BASIC FINANCIAL STATEMENTS

City of Mason

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,522,925	\$ 1,809,352	\$ 8,332,277	\$ 585,275
Investments	3,575,499	-	3,575,499	-
Receivables	362,013	556,188	918,201	3,816
Due from other governmental units	248,343	5,421	253,764	-
Internal balances	1,541	(1,541)	-0-	-
Inventory	-	36,926	36,926	-
Prepays	18,536	-	18,536	-
Total current assets	10,728,857	2,406,346	13,135,203	589,091
Noncurrent assets				
Capital assets not being depreciated	2,868,859	243,233	3,112,092	-
Capital assets, net of accumulated depreciation	17,445,169	18,232,328	35,677,497	-
Total noncurrent assets	20,314,028	18,475,561	38,789,589	-0-
TOTAL ASSETS	31,042,885	20,881,907	51,924,792	589,091
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	57,200	-	57,200	-
Deferred outflows of resources related to pensions	486,683	208,436	695,119	-
Deferred outflows of resources related to OPEB	565,518	242,365	807,883	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,109,401	450,801	1,560,202	-0-
LIABILITIES				
Current liabilities				
Accounts payable	655,201	129,014	784,215	8,146
Accrued wages	51,097	23,414	74,511	-
Accrued liabilities	24,178	-	24,178	-
Due to other governmental units	-	-	-0-	5,421
Accrued interest payable	33,496	22,385	55,881	-
Unearned revenue	13,490	-	13,490	-
Current portion of compensated absences	177,681	61,769	239,450	-
Current portion of long-term debt	205,624	380,000	585,624	-
Total current liabilities	1,160,767	616,582	1,777,349	13,567
Noncurrent liabilities				
Noncurrent portion of compensated absences	135,750	90,814	226,564	-
Noncurrent portion of long-term debt	3,528,116	3,833,674	7,361,790	-
Net pension liability	4,338,788	1,859,490	6,198,278	-
Net other post-employment benefits liability	1,770,730	758,886	2,529,616	-
Total noncurrent liabilities	9,773,384	6,542,864	16,316,248	-0-
TOTAL LIABILITIES	10,934,151	7,159,446	18,093,597	13,567
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	443,453	190,050	633,503	-
NET POSITION				
Net investment in capital assets	16,637,488	14,261,887	30,899,375	-
Restricted	1,840,957	-	1,840,957	-
Unrestricted	2,296,237	(278,675)	2,017,562	575,524
TOTAL NET POSITION	\$ 20,774,682	\$ 13,983,212	\$ 34,757,894	\$ 575,524

See accompanying notes to financial statements.

City of Mason
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 2,200,045	\$ 286,179	\$ 1,304,258	\$ -	\$ (609,608)	\$ -	\$ (609,608)	\$ -
Public safety	1,950,688	248,945	9,066	815	(1,691,862)	-	(1,691,862)	-
Public works	2,159,920	436,303	782,747	55,241	(885,629)	-	(885,629)	-
Community and economic development	131,042	-	-	-	(131,042)	-	(131,042)	-
Recreation and culture	653,609	35,780	17,605	200,000	(400,224)	-	(400,224)	-
Interest on long-term debt	136,830	-	-	-	(136,830)	-	(136,830)	-
Total governmental activities	7,232,134	1,007,207	2,113,676	256,056	(3,855,195)	-0-	(3,855,195)	-0-
Business-type activities								
Water and Sewer	3,282,304	2,936,915	3,563	5,420	-	(336,406)	(336,406)	-
Total primary government	\$ 10,514,438	\$ 3,944,122	\$ 2,117,239	\$ 261,476	(3,855,195)	(336,406)	(4,191,601)	-0-
Component units								
Local Development Finance Authority	\$ 16,831	\$ -	\$ 1,387	\$ -	-	-	-0-	(15,444)
Downtown Development Authority	16,548	-	7,253	-	-	-	-0-	(9,295)
Total component units	\$ 33,379	\$ -0-	\$ 8,640	\$ -0-	-0-	-0-	-0-	(24,739)
General revenues								
Property taxes					3,299,315	-	3,299,315	473,038
State shared revenue					739,243	-	739,243	-
Investment earnings					304,940	9,967	314,907	8,313
Miscellaneous					115,582	-	115,582	-
Transfers					37,713	(37,713)	-0-	-
Total general revenues and transfers					4,496,793	(27,746)	4,469,047	481,351
Change in net position					641,598	(364,152)	277,446	456,612
Restated net position, beginning of year					20,133,084	14,347,364	34,480,448	118,912
Net position, end of year					\$ 20,774,682	\$ 13,983,212	\$ 34,757,894	\$ 575,524

See accompanying notes to financial statements.

City of Mason
Governmental Funds
BALANCE SHEET
June 30, 2018

	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,543,173	\$ 1,199,890	\$ 97,464	\$ 2,172,206	\$ 6,012,733
Investments	2,811,669	-	-	763,830	3,575,499
Receivables					
Accounts	34,976	119	71	4,392	39,558
Taxes	6,772	-	-	-	6,772
Special assessments	-	-	-	315,683	315,683
Due from other governmental units	119,050	95,748	33,545	-	248,343
Due from other funds	14,120	-	326,321	8,922	349,363
Prepays	18,536	-	-	-	18,536
TOTAL ASSETS	<u>\$ 5,548,296</u>	<u>\$ 1,295,757</u>	<u>\$ 457,401</u>	<u>\$ 3,265,033</u>	<u>\$ 10,566,487</u>
LIABILITIES					
Accounts payable	\$ 169,437	\$ 177,761	\$ 299,081	\$ 8,922	\$ 655,201
Accrued wages	45,616	1,862	2,214	-	49,692
Accrued liabilities	24,178	-	-	-	24,178
Due to other funds	297,013	29,308	-	23,042	349,363
Unearned revenue	13,490	-	-	-	13,490
TOTAL LIABILITIES	549,734	208,931	301,295	31,964	1,091,924
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	118,638	-	-	315,683	434,321
FUND BALANCES					
Nonspendable	2,830,205	-	-	-	2,830,205
Restricted	164,190	-	-	1,710,263	1,874,453
Committed	-	-	-	1,031,188	1,031,188
Assigned	80,303	1,086,826	156,106	175,935	1,499,170
Unassigned	1,805,226	-	-	-	1,805,226
TOTAL FUND BALANCES	<u>4,879,924</u>	<u>1,086,826</u>	<u>156,106</u>	<u>2,917,386</u>	<u>9,040,242</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,548,296</u>	<u>\$ 1,295,757</u>	<u>\$ 457,401</u>	<u>\$ 3,265,033</u>	<u>\$ 10,566,487</u>

See accompanying notes to financial statements.

City of Mason

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balances - governmental funds \$ 9,040,242

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	\$ 40,941,208	
Accumulated depreciation is	<u>(21,297,331)</u>	
Capital assets, net		19,643,877

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		1,176,907
--	--	-----------

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		315,683
---------------------	--	---------

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.		118,638
---	--	---------

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	486,683	
Deferred inflows of resources related to pensions	(443,453)	
Deferred outflows of resources related to OPEB	<u>565,518</u>	
		608,748

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		57,200
---------------------------	--	--------

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

Direct City obligations	3,610,000	
Capitalized bond premiums	123,740	
Accrued interest payable	33,496	
Compensated absences	309,859	
Net pension liability	4,338,788	
Net other post-employment benefits liability	<u>1,770,730</u>	
		<u>(10,186,613)</u>

Net position of governmental activities \$ 20,774,682

See accompanying notes to financial statements.

City of Mason

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,401,160	\$ -	\$ -	\$ -	\$ 3,401,160
Licenses and permits	92,694	-	-	-	92,694
Intergovernmental	2,067,862	600,591	237,397	-	2,905,850
Charges for services	704,054	3,291	600	-	707,945
Fines and forfeits	36,604	-	-	-	36,604
Investment earnings, rents, and royalties	368,680	4,895	200	24,591	398,366
Contributions	-	-	-	200,000	200,000
Other	85,594	-	-	123,766	209,360
TOTAL REVENUES	6,756,648	608,777	238,197	348,357	7,951,979
EXPENDITURES					
Current					
General government	2,221,389	-	-	-	2,221,389
Public safety	1,856,569	-	-	-	1,856,569
Public works	716,024	818,585	810,715	-	2,345,324
Community and economic development	127,907	-	-	-	127,907
Recreation and culture	586,830	-	-	-	586,830
Capital outlay	-	-	-	25,420	25,420
Debt service	589,562	-	-	101,137	690,699
TOTAL EXPENDITURES	6,098,281	818,585	810,715	126,557	7,854,138
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	658,367	(209,808)	(572,518)	221,800	97,841
OTHER FINANCING SOURCES (USES)					
Transfers in	423,353	293,670	572,518	582,333	1,871,874
Transfers out	(1,685,470)	(29,308)	-	(405,020)	(2,119,798)
TOTAL OTHER FINANCING SOURCES (USES)	(1,262,117)	264,362	572,518	177,313	(247,924)
NET CHANGE IN FUND BALANCES	(603,750)	54,554	-0-	399,113	(150,083)
Fund balance, beginning of year	5,483,674	1,032,272	156,106	2,518,273	9,190,325
Fund balances, end of year	<u>\$ 4,879,924</u>	<u>\$ 1,086,826</u>	<u>\$ 156,106</u>	<u>\$ 2,917,386</u>	<u>\$ 9,040,242</u>

See accompanying 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, 2018

Net change in fund balances - total governmental funds \$ (150,083)

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	\$ 1,395,337	
Depreciation expense	<u>(1,302,324)</u>	
Excess of capital outlay over depreciation expense		93,013

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

Increase in net position of Internal Service Funds		367,868
--	--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in unavailable revenue		(115,960)
-----------------------------------	--	-----------

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	5,624	
Long-term debt principal retirements	<u>545,619</u>	
		548,643

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:

(Decrease) in deferred outflows of resources related to pensions	(461,261)	
(Increase) in deferred inflows of resources related to pensions	(266,255)	
Increase in deferred outflows of resources related to OPEB	565,518	
Decrease in accrued interest payable	5,226	
Decrease in compensated absences	68,003	
Decrease in net pension liability	563,919	
(Increase) in net other post-employment benefits liability	<u>(577,033)</u>	
		<u>(101,883)</u>

Change in net position of governmental activities \$ 641,598

City of Mason
Proprietary Funds
STATEMENT OF NET POSITION
June 30, 2018

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,809,352	\$ 510,192
Accounts receivable	556,188	-
Due from other governmental units	5,421	-
Due from other funds	-	1,541
Inventory	36,926	-
Total current assets	2,407,887	511,733
Noncurrent assets		
Capital assets not being depreciated	243,233	-
Capital assets, net of accumulated depreciation	18,232,328	670,151
Total noncurrent assets	18,475,561	670,151
TOTAL ASSETS	20,883,448	1,181,884
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	208,436	-
Deferred outflows of resources related to OPEB	242,365	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	450,801	-0-
LIABILITIES		
Current liabilities		
Accounts payable	129,014	-
Accrued wages	23,414	1,405
Accrued interest payable	22,385	-
Due to other funds	1,541	-
Current portion of compensated absences	61,769	2,025
Current portion of long-term debt	380,000	-
Total current liabilities	618,123	3,430
Noncurrent liabilities		
Noncurrent portion of compensated absences	90,814	1,547
Noncurrent portion of long-term debt	3,833,674	-
Net pension liability	1,859,490	-
Net OPEB liability	758,886	-
Total noncurrent liabilities	6,542,864	1,547
TOTAL LIABILITIES	7,160,987	4,977
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	190,050	-
NET POSITION		
Net investment in capital assets	14,261,887	670,151
Unrestricted	(278,675)	506,756
TOTAL NET POSITION	\$ 13,983,212	\$ 1,176,907

See accompanying notes to financial statements.

City of Mason

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
OPERATING REVENUES		
Internal user charges	\$ -	\$ 415,538
Water user charges	1,530,497	-
Sewer user charges	1,339,599	-
Interest and penalty charges	51,356	-
Rent	500	-
Other	14,963	41,295
TOTAL OPERATING REVENUES	2,936,915	456,833
OPERATING EXPENSES		
Cost of water produced	470,831	-
Cost of sewage treatment	910,614	-
Operation and maintenance	687,594	253,216
Billing and administrative costs	239,039	-
Depreciation	878,709	122,814
TOTAL OPERATING EXPENSES	3,186,787	376,030
OPERATING INCOME (LOSS)	(249,872)	80,803
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	8,983	-
Investment income	9,967	1,511
Interest expense and fees	(95,517)	(83)
TOTAL NONOPERATING REVENUES (EXPENSES)	(76,567)	1,428
INCOME (LOSS) BEFORE TRANSFERS	(326,439)	82,231
OTHER FINANCING SOURCES (USES)		
Transfers in	-	285,637
Transfers out	(37,713)	-
TOTAL OTHER FINANCING SOURCES (USES)	(37,713)	285,637
CHANGE IN NET POSITION	(364,152)	367,868
Restated net position, beginning of year	14,347,364	809,039
Net position, end of year	<u>\$ 13,983,212</u>	<u>\$ 1,176,907</u>

See accompanying notes to financial statements.

City of Mason
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Fund - Motor Vehicle Pool
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,176,102	\$ 456,833
Cash paid to suppliers	(1,130,122)	(196,396)
Cash paid to employees	(1,071,770)	(96,105)
NET CASH PROVIDED BY OPERATING ACTIVITIES	974,210	164,332
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt (payment) of interfund balances	(43,948)	307,259
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental	8,983	-
Payments on borrowing	(375,000)	(283,868)
Purchase of capital assets	(731,492)	(193,725)
Interest expense and fees	(97,509)	(1,768)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,195,018)	(479,361)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	9,967	1,511
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(254,789)	(6,259)
Cash and cash equivalents, beginning of year	2,064,141	516,451
Cash and cash equivalents, end of year	\$ 1,809,352	\$ 510,192
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (249,872)	\$ 80,803
Adjustment to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	878,709	122,814
(Increase) decrease in:		
Accounts receivable	(47,502)	-
Due from other governmental units	286,689	-
Inventory	(3,970)	-
Deferred outflow of resources related to pensions	197,822	-
Deferred outflow of resources related to OPEB	(242,365)	-
Increase (decrease) in:		
Accounts payable	2,840	(22,748)
Accrued wages	18,586	1,061
Compensated absences	13,541	(17,598)
Net pension liability	(241,677)	-
Net OPEB liability	247,301	-
Deferred inflow of resources related to pensions	114,108	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 974,210	\$ 164,332

See accompanying notes to financial statements.

City of Mason

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 27,352</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 27,352</u>

City of Mason

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2018

	Local Development Finance Authority	Downtown Development Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 399,814	\$ 185,461	\$ 585,275
Receivables	-	3,816	3,816
	<u>399,814</u>	<u>189,277</u>	<u>589,091</u>
TOTAL ASSETS			
LIABILITIES			
Current liabilities			
Accounts payable	-	8,146	8,146
Due to other governmental units	5,421	-	5,421
	<u>5,421</u>	<u>8,146</u>	<u>13,567</u>
TOTAL LIABILITIES			
NET POSITION			
Unrestricted	<u>\$ 394,393</u>	<u>\$ 181,131</u>	<u>\$ 575,524</u>

See accompanying notes to financial statements.

City of Mason

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

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	\$ 16,831	\$ 1,387	\$ (15,444)	\$ -	\$ (15,444)
Downtown Development Authority	16,548	7,253	-	(9,295)	(9,295)
Total component units	<u>\$ 33,379</u>	<u>\$ 8,640</u>	(15,444)	(9,295)	(24,739)
General revenues					
Property taxes			397,569	75,469	473,038
Investment earnings			7,198	1,115	8,313
Total general revenues			<u>404,767</u>	<u>76,584</u>	<u>481,351</u>
Change in net position			389,323	67,289	456,612
Net position, beginning of year			<u>5,070</u>	<u>113,842</u>	<u>118,912</u>
Net position, end of year			<u>\$ 394,393</u>	<u>\$ 181,131</u>	<u>\$ 575,524</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: 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 Administrator/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 (7) City Council members who are elected at-large for overlapping two (2) or four (4) year terms. The Council elects two (2) of its members to serve as Mayor and Mayor Pro-Tem. The Council appoints the City Administrator.

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.

1. 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.

2. Blended Component Units

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

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

Economic Development Corporation - The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, and expanding within the City to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine (9) individuals, is appointed by the City Administrator 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.

3. 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:

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

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 (8) 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.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. The Local Street Fund accounts for restricted resources that are used for repairs and maintenance of the City's local streets.

The City reports the following major enterprise fund:

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

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

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

5. Measurement Focus

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

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

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

6. 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 sixty (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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. 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.

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.

7. 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 Administrator 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.

8. 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.

9. 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.

10. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. 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.

12. Property Tax

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

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

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, 2018, the City levied 15.2500 mills per \$1,000 of taxable valuation for general governmental services. The total ad valorem taxable value for the 2017 levy for property within the City was \$223,878,350.

13. 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.

14. 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.

15. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. 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.

17. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

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

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

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

18. 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.

19. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Deferred Outflows/Inflows of Resources

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

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

The City reports deferred inflows of resources for two (2) types of items, which arise only under a modified accrual basis of accounting and qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from revenues collected subsequent to sixty (60) days after year end and from long-term special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

21. Net Pension Liability

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

22. Net Other Post-Employment Benefits Liability

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

23. 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 B: DEPOSITS AND INVESTMENTS

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

As of June 30, 2018, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 4,803,706	\$ 4,717,099
FIDUCIARY FUNDS		
Checking	27,352	27,795
COMPONENT UNITS		
Checking and savings	<u>565,943</u>	<u>564,114</u>
TOTAL REPORTING ENTITY	<u>\$ 5,397,001</u>	<u>\$ 5,309,008</u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2018, the City accounts were federally insured for \$995,058 and the amount of \$4,313,950 was uninsured and uncollateralized. The City had \$552 of imprest cash on hand.

Fair Value Measurements

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

There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Fair Value Measurements - continued

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

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

The City had the following fair value measurements as of June 30, 2018:

	Fair Value Measurements				Weighted Average Maturity	S&P Rating
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total		
PRIMARY GOVERNMENT						
Uncategorized pooled investment funds						
Michigan CLASS	\$ -	\$ 3,528,019	\$ -	\$ 3,528,019	67 days	AAAm
Natural resources	-	-	763,830	763,830	N/A	N/A
Land	-	-	2,811,669	2,811,669	N/A	N/A
COMPONENT UNITS						
Uncategorized pooled investment funds						
Michigan CLASS	-	19,332	-	19,332	67 days	AAAm
Total investments at fair value	\$ -0-	\$ 3,547,351	\$ 3,575,499	\$ 7,122,850		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2018, rating information on the City's investments is presented above.

Interest Rate Risk

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

Concentration of Credit Risk

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

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Custodial Credit Risk

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

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

The following summarizes the categorization of these amounts as of June 30, 2018:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 8,332,277	\$ 27,352	\$ 585,275	\$ 8,944,904
Investments	<u>3,575,499</u>	<u>-</u>	<u>-</u>	<u>3,575,499</u>
	<u>\$ 11,907,776</u>	<u>\$ 27,352</u>	<u>\$ 585,275</u>	<u>\$ 12,520,403</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2018, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 14,120</u>
Due to Local Street Fund from:	
General Fund	\$ 297,013
Major Street Fund	<u>29,308</u>
	<u>\$ 326,321</u>
Due to Internal Service Fund from:	
Water and Sewer Fund	<u>\$ 1,541</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 8,922</u>

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

NOTE D: 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.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to General Fund from:	
Water and Sewer Fund	\$ 37,713
Nonmajor governmental funds	<u>385,640</u>
	<u>\$ 423,353</u>
Transfers to Major Street Fund from:	
General Fund	<u>\$ 293,670</u>
Transfers to Local Street Fund from:	
General Fund	\$ 543,210
Major Street Fund	<u>29,308</u>
	<u>\$ 572,518</u>
Transfers to Internal Service Fund from:	
General Fund	<u>\$ 285,637</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 562,953
Nonmajor governmental funds	<u>19,380</u>
	<u>\$ 582,333</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

June 30, 2018

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government

	Balance July 1, 2017	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,855,487	\$ -	\$ -	\$ 1,855,487
Construction in progress	207,072	851,545	(45,245)	1,013,372
Subtotal	2,062,559	851,545	(45,245)	2,868,859
Capital assets being depreciated				
Land improvements	2,002,331	7,471	-	2,009,802
Buildings and improvements	6,853,006	59,227	-	6,912,233
Infrastructure	26,303,937	466,448	-	26,770,385
Vehicles and equipment	4,211,905	249,616	(108,059)	4,353,462
Subtotal	39,371,179	782,762	(108,059)	40,045,882
Less accumulated depreciation for:				
Land improvements	(1,123,698)	(92,135)	-	(1,215,833)
Buildings and improvements	(1,520,831)	(172,884)	-	(1,693,715)
Infrastructure	(15,586,516)	(916,226)	-	(16,502,742)
Vehicles and equipment	(3,052,589)	(243,893)	108,059	(3,188,423)
Subtotal	(21,283,634)	(1,425,138)	108,059	(22,600,713)
Net capital assets being depreciated	18,087,545	(642,376)	-0-	17,445,169
Capital assets, net	<u>\$ 20,150,104</u>	<u>\$ 209,169</u>	<u>\$ (45,245)</u>	<u>\$ 20,314,028</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 213,676
Public safety	119,437
Public works	1,009,111
Recreation and culture	82,914
Total depreciation expense	<u>\$ 1,425,138</u>

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2017	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2018
Business-type activities				
Capital assets not being depreciated				
Land	\$ 25,609	\$ -	\$ -	\$ 25,609
Construction in progress	23,568	207,820	(13,764)	217,624
Subtotal	49,177	207,820	(13,764)	243,233
Capital assets being depreciated				
Buildings and improvements	476,025	6,195	-	482,220
Infrastructure	30,105,737	531,241	-	30,636,978
Subtotal	30,581,762	537,436	-0-	31,119,198
Less accumulated depreciation for:				
Buildings and improvements	(266,752)	(17,053)	-	(283,805)
Infrastructure	(11,741,409)	(861,656)	-	(12,603,065)
Subtotal	(12,008,161)	(878,709)	-0-	(12,886,870)
Net capital assets being depreciated	18,573,601	(341,273)	-0-	18,232,328
Capital assets, net	<u>\$ 18,622,778</u>	<u>\$ (133,453)</u>	<u>\$ (13,764)</u>	<u>\$ 18,475,561</u>

Component Unit

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Component Unit (LDFA)				
Capital assets being depreciated				
Equipment	\$ 710,587	\$ -	\$ -	\$ 710,587
Less accumulated depreciation for:				
Equipment	(710,587)	-	-	(710,587)
Capital assets, net	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2018.

Primary Government

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
Governmental activities					
1997 Building Authority Bonds	\$ 75,000	\$ -	\$ (35,000)	\$ 40,000	\$ 40,000
2015 Refunding Bonds	3,520,000	-	(105,000)	3,415,000	110,000
Special Assessment Bonds	210,000	-	(55,000)	155,000	50,000
Loans payable	634,487	-	(634,487)	-0-	-
Compensated absences	399,032	140,606	(226,207)	313,431	177,681
	4,838,519	140,606	(1,055,694)	3,923,431	377,681
Capitalized bond premiums	129,364	-	(5,624)	123,740	5,624
Total governmental activities	4,967,883	140,606	(1,061,318)	4,047,171	383,305
Business-type activities					
Drinking Water Revolving Fund Loan	4,588,674	-	(375,000)	4,213,674	380,000
Compensated absences	139,042	69,828	(56,287)	152,583	61,769
Total business-type activities	4,727,716	69,828	(431,287)	4,366,257	441,769
Total reporting entity	\$ 9,695,599	\$ 210,434	\$ (1,492,605)	\$ 8,413,428	\$ 825,074

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

1997 Building Authority Bonds

\$450,000 General Obligation Bonds dated November 1, 1997, final semi-annual payment of \$40,000 due October 1, 2018, with interest of 5.15 percent.

\$ 40,000

2015 Refunding Bonds

\$3,740,000 General Obligation Refunding Bonds dated June 6, 2015, due in annual installments ranging from \$110,000 to \$220,000 through April 1, 2040, with interest ranging from 2.00 to 4.00 percent, payable semi-annually.

\$ 3,415,000

Special Assessment Bonds

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

\$750,000 2005 Special Assessment dated November 18, 2005, due in annual installments ranging from \$50,000 to \$55,000 through November 1, 2020, with interest ranging from 4.45 to 4.55 percent, payable semi-annually.

\$ 155,000

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: LONG-TERM DEBT - CONTINUED

Primary Government - continued

Drinking Water Revolving Fund Loan

\$8,000,000 Water Supply System Bonds dated September 27, 2007, due in annual installments ranging from \$380,000 to \$463,674 through April 1, 2028, with interest of 2.125 percent, payable semi-annually.

\$ 4,213,674

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 \$466,014 at June 30, 2018. Of this amount, \$313,431 and \$152,583 are shown as accrued liabilities within the government-wide financial statements' governmental and business-type activities, respectively, in accordance with criteria disclosed in Note A.

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		Special Assessment Bonds		Drinking Water Revolving Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 150,000	\$ 128,305	\$ 50,000	\$ 5,863	\$ 380,000	\$ 89,541
2020	110,000	125,075	55,000	3,513	390,000	81,466
2021	110,000	121,775	50,000	1,138	400,000	73,178
2022	115,000	118,475	-	-	405,000	64,678
2023	120,000	115,025	-	-	415,000	56,072
2024-2028	665,000	505,325	-	-	2,223,674	143,828
2029-2033	790,000	363,525	-	-	-	-
2034-2038	960,000	193,188	-	-	-	-
2039-2040	435,000	24,563	-	-	-	-
	<u>\$ 3,455,000</u>	<u>\$ 1,695,256</u>	<u>\$ 155,000</u>	<u>\$ 10,514</u>	<u>\$ 4,213,674</u>	<u>\$ 508,763</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, 2018, bonds due and payable April 1, 2019 through April 1, 2040, for the 2010 Building Authority Bonds in the amount of \$3,395,000 are considered defeased.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: 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 (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

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

Benefits Provided

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

Vesting period of 10 years.

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

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

At the December 31, 2017, valuation date, the following employees were covered by the benefit terms:

	35
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>45</u>
	<u>93</u>

Contributions

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

Employer contributions range from 2.74% to 4.12% based on annual payroll for open divisions. Four divisions, closed to new employees, had a total annual employer contribution of \$533,312.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: RETIREMENT PLAN - CONTINUED

Actuarial Assumptions

The total pension liability in the December 31, 2017, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

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

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

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

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

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

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

Discount Rate

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

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: RETIREMENT PLAN - CONTINUED

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2016	\$ 18,768,300	\$ 11,764,426	\$ 7,003,874
Changes for the year			
Service cost	290,730	-	290,730
Interest on total pension liability	1,467,726	-	1,467,726
Changes in benefits	1,254	-	1,254
Difference between expected and actual experience	(257,406)	-	(257,406)
Employer contributions	-	588,286	(588,286)
Employee contributions	-	204,586	(204,586)
Net investment income	-	1,539,414	(1,539,414)
Benefit payments, including employee refunds	(1,134,174)	(1,134,174)	-0-
Administrative expense	-	(24,385)	24,385
Other changes	1	-	1
Net changes	<u>368,131</u>	<u>1,173,727</u>	<u>(805,596)</u>
Balances as of December 31, 2017	<u>\$ 19,136,431</u>	<u>\$ 12,938,153</u>	<u>\$ 6,198,278</u>

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 8,420,221</u>	<u>\$ 6,198,278</u>	<u>\$ 4,348,728</u>

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: RETIREMENT PLAN - CONTINUED

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

For the year ended June 30, 2018, the employer recognized pension expenses of \$796,655. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,843	\$ 382,911
Changes in assumptions	396,961	-
Net difference between projected and actual earnings on pension plan investments	-	250,592
Contributions subsequent to the measurement date*	<u>257,315</u>	<u>-</u>
Total	<u>\$ 695,119</u>	<u>\$ 633,503</u>

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$257,315), which will impact the net pension liability in fiscal year 2019, rather than pension expense.

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

<u>Fiscal Year Ending</u>	<u>Pension Expense</u>
2019	\$ 143,673
2020	108,216
2021	(325,012)
2022	(122,576)

NOTE H: 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

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

Contributions

For the year ended June 30, 2018, the City contributed \$25,000 in addition to its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Salary growth rate	2.00%
Investment rate of return	5.25%
Inflation	2.50%
20-year Aa municipal bond rate	3.00%
Mortality rates were based on the RP-2014 headcount weighted adjusted to 2006 Total Data Set with MP-2017 improvement scale separately for males and females as well as annuitants and non-annuitants.	

The assumptions used in the June 30, 2018 valuation was determined by the City's management as of June 30, 2018.

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.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - 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 Real Rate of Return</u>
Global equity	55.50%	6.15%
Global fixed income	18.50%	1.26%
Real assets	13.50%	7.22%
Diversifying strategies	12.50%	5.00%

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.26%. The projection of cash flows used to determine the discount rate assumed that the City contributions will be a prorated amount of the \$25,000 made in 2018 based on projected covered active years. Based on those assumptions, the retirement plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2018, is as follows:

<u>Calculating the Net OPEB Liability</u>			
	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at June 30, 2017	\$ 2,260,479	\$ 555,197	\$ 1,705,282
Changes for the year			
Service cost	27,236	-	27,236
Interest on total OPEB liability	72,464	-	72,464
Changes in benefits	-	-	-0-
Difference between expected and actual experience	443,399	-	443,399
Changes in assumptions	479,399	-	479,399
Employer contributions	-	154,891	(154,891)
Employee contributions	-	-	-0-
Net investment income	-	44,726	(44,726)
Benefit payments	(129,891)	(129,891)	-0-
Administrative expense	-	(1,453)	1,453
Net changes	<u>892,607</u>	<u>68,273</u>	<u>824,334</u>
Balances as of June 30, 2018	<u>\$ 3,153,086</u>	<u>\$ 623,470</u>	<u>\$ 2,529,616</u>

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$ 3,056,005</u>	<u>\$ 2,529,616</u>	<u>\$ 2,112,846</u>

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

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$ 2,089,239</u>	<u>\$ 2,529,616</u>	<u>\$ 3,090,226</u>

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$171,342. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 388,112	\$ -
Changes in assumptions	419,624	-
Net difference between projected and actual earnings on pension plan investments	<u>147</u>	<u>-</u>
	<u>\$ 807,883</u>	<u>\$ -0-</u>

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

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2019	\$ 115,099
2020	115,099
2021	115,099
2022	115,098
2023	115,098
Thereafter	232,390

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I: RISK MANAGEMENT

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

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

NOTE J: CODE ENFORCEMENT FINANCIAL INFORMATION

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2018:

Surplus at July 1, 2017	\$ 161,931
REVENUES	
Licenses and permits	
Permits	80,427
EXPENDITURES	
Building department	<u>(78,168)</u>
Cumulative surplus at June 30, 2018	<u>\$ 164,190</u>

NOTE K: 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, 2018, the City abated property taxes revenues totaling \$168,274 under this program, including the following tax abatement agreements that exceeded 10 percent of the total amount abated:

- A 50 percent property tax reduction for a metal manufacturer allowing for additional investments in equipment, facilities, and employment. The abatement amounts to \$161,591.

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L: 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, 2018:

PRIMARY GOVERNMENT	
Community enrichment	\$ 1,143,235
Construction code activity	164,190
Cemetery operations	337,367
Flowers	19,494
Debt service	<u>176,671</u>
	<u>\$ 1,840,957</u>

NOTE M: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73* was also implemented during the year. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE N: 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 O: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

City of Mason

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE O: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

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

	General Fund	Major Street	Local Street	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepays	\$ 18,536	\$ -	\$ -	\$ -	\$ 18,536
Property acquired for resale	2,811,669	-	-	-	2,811,669
Restricted					
Community enrichment	-	-	-	1,143,235	1,143,235
Construction code activity	164,190	-	-	-	164,190
Cemetery operations	-	-	-	337,367	337,367
Flowers	-	-	-	19,494	19,494
Debt service	-	-	-	210,167	210,167
Committed					
Community enrichment	-	-	-	506,150	506,150
Fire equipment	-	-	-	525,038	525,038
Assigned					
Subsequent year's expenditures	33,630	-	-	-	33,630
Grant matching	46,673	-	-	-	46,673
Highways	-	1,086,826	156,106	-	1,242,932
Other purposes	-	-	-	175,935	175,935
Unassigned	1,805,226	-	-	-	1,805,226
TOTAL FUND BALANCES	\$ 4,879,924	\$ 1,086,826	\$ 156,106	\$ 2,917,386	\$ 9,040,242

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

In April 2018, the GASB issued Statements No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes un terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

NOTE Q: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water and Sewer Fund</u>
Beginning net position	\$ 21,381,225	\$ 14,858,949	\$ 14,858,949
Net other post-employment benefits asset (GASB 45)	(54,444)	-	-
Net other post-employment benefits liability (GASB 75)	<u>(1,193,697)</u>	<u>(511,585)</u>	<u>(511,585)</u>
Restated beginning net position	<u>\$ 20,133,084</u>	<u>\$ 14,347,364</u>	<u>\$ 14,347,364</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Mason

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 3,332,120	\$ 3,299,995	\$ 3,299,315	\$ (680)
Penalties and interest	10,000	10,000	11,013	1,013
Administration fees	88,000	91,000	90,832	(168)
Total taxes	3,430,120	3,400,995	3,401,160	165
Licenses and permits	52,100	91,710	92,694	984
Intergovernmental				
Federal	-	815	815	-0-
State	875,035	918,815	914,072	(4,743)
Local	1,129,115	1,153,020	1,152,975	(45)
Total intergovernmental	2,004,150	2,072,650	2,067,862	(4,788)
Charges for services				
Refuse collection	365,500	365,500	365,116	(384)
Cable franchise fee	45,000	40,905	40,925	20
Other	271,830	303,300	298,013	(5,287)
Total charges for services	682,330	709,705	704,054	(5,651)
Fines and forfeits	35,600	39,730	36,604	(3,126)
Interest and rents	50,465	72,865	368,680	295,815
Other	90,865	91,765	85,594	(6,171)
TOTAL REVENUES	6,345,630	6,479,420	6,756,648	277,228

City of Mason

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2018

EXPENDITURES	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Current				
General government				
Clerk	\$ 159,350	\$ 130,945	\$ 128,145	\$ 2,800
City Council	40,275	41,540	36,161	5,379
Administrator	442,515	477,325	430,037	47,288
Assessor	53,215	55,215	54,166	1,049
Board of Review	650	650	450	200
Treasurer	551,135	535,445	525,589	9,856
Technology	71,445	80,800	70,703	10,097
Building office and City Hall	415,500	617,545	563,687	53,858
Attorney	100,000	137,500	126,395	11,105
Workers compensation	78,865	78,050	78,044	6
Retiree benefits	207,290	206,605	205,466	1,139
Administrative services	-	2,735	2,546	189
Total general government	2,120,240	2,364,355	2,221,389	142,966
Public safety				
Police administration	409,520	444,580	414,341	30,239
Crossing guards	29,665	29,665	27,174	2,491
Police patrolling	1,086,425	1,037,035	1,018,505	18,530
Fire department	381,680	417,580	395,048	22,532
Civil defense	1,955	3,355	1,501	1,854
Total public safety	1,909,245	1,932,215	1,856,569	75,646
Public works				
Public services	8,065	8,990	8,750	240
Sidewalks	2,110	2,710	2,416	294
Street lighting	95,020	97,120	95,325	1,795
Cemetery	272,080	260,430	238,094	22,336
Refuse collection	372,545	372,545	371,439	1,106
Total public works	749,820	741,795	716,024	25,771
Community and economic development				
Cable commission	3,925	3,925	325	3,600
Planning and zoning	135,845	134,145	121,193	12,952
Planning commission	16,675	8,580	750	7,830
Christmas decorations	5,920	5,920	5,639	281
Total community and economic development	162,365	152,570	127,907	24,663

City of Mason

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture				
Parks	\$ 491,960	\$ 542,585	\$ 492,510	\$ 50,075
Library	46,045	22,660	3,417	19,243
Forestry	92,380	88,720	82,798	5,922
Senior citizens	8,105	8,105	8,105	-0-
Total recreation and culture	638,490	662,070	586,830	75,240
Debt service				
Principal	455,620	455,620	455,619	1
Interest and fiscal fees	137,140	137,135	133,943	3,192
Total debt service	592,760	592,755	589,562	3,193
TOTAL EXPENDITURES	6,172,920	6,445,760	6,098,281	347,479
EXCESS OF REVENUES OVER EXPENDITURES	172,710	33,660	658,367	624,707
OTHER FINANCING SOURCES (USES)				
Transfers in	392,595	429,685	423,353	(6,332)
Transfers out	(1,115,370)	(1,837,960)	(1,685,470)	152,490
TOTAL OTHER FINANCING SOURCES (USES)	(722,775)	(1,408,275)	(1,262,117)	146,158
NET CHANGE IN FUND BALANCE	(550,065)	(1,374,615)	(603,750)	770,865
Fund balance, beginning of year	5,483,674	5,483,674	5,483,674	-0-
Fund balance, end of year	\$ 4,933,609	\$ 4,109,059	\$ 4,879,924	\$ 770,865

City of Mason

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 723,045	\$ 590,880	\$ 600,591	\$ 9,711
Charges for services	750	3,500	3,291	(209)
Interest	2,500	3,600	4,895	1,295
TOTAL REVENUES	726,295	597,980	608,777	10,797
EXPENDITURES				
Current				
Public works	1,070,980	784,160	818,585	(34,425)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(344,685)	(186,180)	(209,808)	(23,628)
OTHER FINANCING SOURCES (USES)				
Transfers in	403,410	390,000	293,670	(96,330)
Transfers out	(206,165)	(100,135)	(29,308)	70,827
TOTAL OTHER FINANCING SOURCES (USES)	197,245	289,865	264,362	(25,503)
NET CHANGE IN FUND BALANCE	(147,440)	103,685	54,554	(49,131)
Fund balance, beginning of year	1,032,272	1,032,272	1,032,272	-0-
Fund balance, end of year	\$ 884,832	\$ 1,135,957	\$ 1,086,826	\$ (49,131)

City of Mason

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 175,000	\$ 234,270	\$ 237,397	\$ 3,127
Charges for services	750	750	600	(150)
Interest	100	190	200	10
TOTAL REVENUES	175,850	235,210	238,197	2,987
EXPENDITURES				
Current				
Public works	635,015	935,345	810,715	124,630
EXCESS OF REVENUES (UNDER) EXPENDITURES	(459,165)	(700,135)	(572,518)	127,617
OTHER FINANCING SOURCES				
Transfers in	459,165	700,135	572,518	(127,617)
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	156,106	156,106	156,106	-0-
Fund balance, end of year	<u>\$ 156,106</u>	<u>\$ 156,106</u>	<u>\$ 156,106</u>	<u>\$ -0-</u>

City of Mason

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last Four Measurement Dates (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 12/31 of each fiscal year)

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

City of Mason

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Last Four Fiscal Years (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 562,761	\$ 459,148	\$ 426,002	\$ 340,936
Contributions in relation to the actuarially determined contribution	<u>562,761</u>	<u>459,148</u>	<u>426,002</u>	<u>340,936</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 2,376,582	\$ 2,254,766	\$ 2,298,302	\$ 2,191,564
Contributions as a percentage of covered employee payroll	24%	20%	19%	16%

City of Mason

SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS

Last Fiscal Year (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 27,236
Interest	72,464
Changes of benefit terms	-
Difference between expected and actual experience	443,399
Changes of assumptions	479,399
Benefit payments, including employee refunds	(129,891)
Other	<u>-</u>
Net Change in Total OPEB Liability	892,607
Total OPEB Liability, beginning	<u>2,260,479</u>
Total OPEB Liability, ending	<u><u>\$ 3,153,086</u></u>
Plan Fiduciary Net Position	
Contributions-employer	\$ 154,891
Contributions-employee	-
Net Investment income	44,726
Benefit payments including employee refunds	(129,891)
Administrative expense	<u>(1,453)</u>
Net Change in Plan Fiduciary Net Position	68,273
Plan Fiduciary Net Position, beginning	<u>555,197</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 623,470</u></u>
City's Net OPEB Liability	<u><u>\$ 2,529,616</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	20%
Covered employee payroll	\$ 2,467,064
City's Net OPEB Liability as a percentage of covered employee payroll	103%

City of Mason

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

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

City of Mason

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

NOTE A: PENSION PLAN

Changes of benefits terms: There were no changes of benefit terms for the plan year 2017.

Changes in assumptions: There were no changes in assumptions for the plan year 2017.

NOTE B: OTHER POST-EMPLOYMENT BENEFIT PLAN

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

Changes in assumptions: The discount rate changed from 3.80% to 3.26% during plan year 2018.

The mortality tables updated from IRS tables to RP-2014 dynamic tables during plan year 2018.

Salary scale changed from 4.5% to 2.0% during plan year 2018.

OTHER SUPPLEMENTARY INFORMATION

City of Mason
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2018

	Special Revenue		
	Special Assessment	Economic Development Corporation	Rayner Bond
ASSETS			
Cash and cash equivalents	\$ 385,553	\$ 14,024	\$ 519,584
Investment	-	-	763,830
Accounts receivable	-	-	4,392
Special assessments receivable	315,683	-	-
Due from other funds	-	-	-
	<u>385,553</u>	<u>14,024</u>	<u>519,584</u>
TOTAL ASSETS	<u>\$ 701,236</u>	<u>\$ 14,024</u>	<u>\$ 1,287,806</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	20,038
	<u>-</u>	<u>-</u>	<u>20,038</u>
TOTAL LIABILITIES	-0-	-0-	20,038
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	315,683	-	-
	<u>315,683</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted			
Community enrichment	-	14,024	1,129,211
Cemetery operations	-	-	-
Flowers	-	-	-
Debt service	209,618	-	-
Committed			
Community enrichment	-	-	138,557
Fire equipment	-	-	-
Assigned			
Other purposes	175,935	-	-
	<u>385,553</u>	<u>14,024</u>	<u>1,267,768</u>
TOTAL FUND BALANCES	<u>385,553</u>	<u>14,024</u>	<u>1,267,768</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 701,236</u>	<u>\$ 14,024</u>	<u>\$ 1,287,806</u>

Debt Service Mason Building Authority	Capital Projects		Permanent Cemetery Trust	Total Nonmajor Governmental Funds
	Capital Improvement	Fire Equipment		
\$ 549	\$ 367,593	\$ 525,038	\$ 359,865	\$ 2,172,206
-	-	-	-	763,830
-	-	-	-	4,392
-	-	-	-	315,683
-	8,922	-	-	8,922
<u>\$ 549</u>	<u>\$ 376,515</u>	<u>\$ 525,038</u>	<u>\$ 359,865</u>	<u>\$ 3,265,033</u>
\$ -	\$ 8,922	\$ -	\$ -	\$ 8,922
-	-	-	3,004	23,042
-0-	8,922	-0-	3,004	31,964
-	-	-	-	315,683
-	-	-	-	1,143,235
-	-	-	337,367	337,367
-	-	-	19,494	19,494
549	-	-	-	210,167
-	367,593	-	-	506,150
-	-	525,038	-	525,038
-	-	-	-	175,935
<u>549</u>	<u>367,593</u>	<u>525,038</u>	<u>356,861</u>	<u>2,917,386</u>
<u>\$ 549</u>	<u>\$ 376,515</u>	<u>\$ 525,038</u>	<u>\$ 359,865</u>	<u>\$ 3,265,033</u>

City of Mason

Nonmajor Governmental Funds

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

Year Ended June 30, 2018

	Special Revenue		
	Special Assessment	Economic Development Corporation	Rayner Bond
REVENUES			
Investment earnings and royalties	\$ 25,091	\$ 82	\$ (3,625)
Contributions	-	-	-
Other	119,070	-	-
TOTAL REVENUES	144,161	82	(3,625)
EXPENDITURES			
Capital outlay	-	-	-
Debt service	63,184	-	-
TOTAL EXPENDITURES	63,184	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80,977	82	(3,625)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(92,794)	-	(309,222)
TOTAL OTHER FINANCING SOURCES (USES)	(92,794)	-0-	(309,222)
NET CHANGE IN FUND BALANCES	(11,817)	82	(312,847)
Fund balances, beginning of year	397,370	13,942	1,580,615
Fund balances, end of year	\$ 385,553	\$ 14,024	\$ 1,267,768

Debt Service Mason Building Authority	Capital Projects		Permanent Cemetery Trust	Total Nonmajor Governmental Funds
	Capital Improvement	Fire Equipment		
\$ 1	\$ -	\$ 38	\$ 3,004	\$ 24,591
-	200,000	-	-	200,000
-	-	-	4,696	123,766
1	200,000	38	7,700	348,357
-	25,420	-	-	25,420
37,953	-	-	-	101,137
37,953	25,420	-0-	-0-	126,557
(37,952)	174,580	38	7,700	221,800
37,953	19,380	525,000	-	582,333
-	-	-	(3,004)	(405,020)
37,953	19,380	525,000	(3,004)	177,313
1	193,960	525,038	4,696	399,113
548	173,633	-	352,165	2,518,273
<u>\$ 549</u>	<u>\$ 367,593</u>	<u>\$ 525,038</u>	<u>\$ 356,861</u>	<u>\$ 2,917,386</u>

City of Mason

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2018

	<u>Delinquent Tax</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	<u>\$ 4,986</u>	<u>\$ 22,366</u>	<u>\$ 27,352</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 4,986</u>	<u>\$ 22,366</u>	<u>\$ 27,352</u>

City of Mason

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	<u>\$ 399,814</u>
LIABILITIES	
Due to other governmental units	\$ 5,421
FUND BALANCES	
Unassigned	<u>394,393</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 399,814</u>

City of Mason

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET POSITION - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2018

Total fund balances - governmental funds \$ 394,393

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

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

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

-0-

Net position of governmental activities \$ 394,393

City of Mason

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2018

	<u>General</u>
REVENUES	
Taxes	\$ 397,569
Intergovernmental	1,387
Interest	<u>7,198</u>
TOTAL REVENUES	406,154
EXPENDITURES	
Current	
Community and economic development	<u>16,831</u>
NET CHANGE IN FUND BALANCES	389,323
Fund balances, beginning of year	<u>5,070</u>
Fund balances, end of year	<u><u>\$ 394,393</u></u>

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, 2018.

City of Mason

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 185,461
Taxes receivable	2,845
Accounts receivable	<u>971</u>
TOTAL ASSETS	<u>\$ 189,277</u>
LIABILITIES	
Accounts payable	\$ 8,146
FUND BALANCE	
Unassigned	<u>181,131</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 189,277</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of June 30, 2018.

City of Mason

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2018

	<u>General</u>
REVENUES	
Taxes	\$ 75,469
Intergovernmental	6,368
Interest	1,115
Other	<u>885</u>
TOTAL REVENUES	83,837
EXPENDITURES	
Current	
Community and economic development	<u>16,548</u>
NET CHANGE IN FUND BALANCE	67,289
Fund balance, beginning of year	<u>113,842</u>
Fund balance, end of year	<u><u>\$ 181,131</u></u>

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, 2018.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mason, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 15, 2018