

CITY OF BRIGHTON, MICHIGAN COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDING JUNE 30, 2018

IT TAKES A COMMUNITY



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October 3, 2018

Honorable Mayor and City Council
City of Brighton

The Comprehensive Annual Financial Report of the City of Brighton, Michigan for the fiscal year ended June 30, 2018 is submitted herewith. It was prepared by staff in the Finance Department with the assistance of the audit staff from Plante & Moran. This report was prepared in accordance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, the Treasurer of the State of Michigan and the Government Finance Officers Association. Responsibility for the accuracy, completeness, and fairness of the financial data herein, including all disclosures, rests with the City's management. Management has established a complete framework of internal controls to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free from any material misstatements.

As required by City Charter and state laws, the basic financial statements, as defined in the table of contents, were audited by Plante & Moran, PLLC, certified public accountants. Their unmodified opinion follows this letter of transmittal. An unmodified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material aspects. With this audit, the City of Brighton has received 31 consecutive unmodified opinions.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Brighton's MD&A can be found immediately following the report of the independent auditor.

The accompanying report includes full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operational accountability of the City. Operational accountability is the City's responsibility to report the extent to which we have met our operating objectives efficiently and effectively, using all resources available for that purpose, and whether we can continue to meet our objectives for the foreseeable future. Both the providers and users of City services want to know (1) what public services are provided today and will the City be able to maintain that same (or increased) level of services in future years without an increase in the tax rate and/or user fees?, (2) how much debt is outstanding and will the City be able to repay it without cutting back on the public services provided or increasing the tax rate?, and (3) what types of trends is the City experiencing and how do they compare to other cities with similar characteristics? I will attempt to provide some insight to begin to address answers or how we can address answers to these questions below in "The Future" section of this letter.

The information presented is accurate in all material aspects. The financial statements presented are designed to provide the reader with information to assist in determining both the long-term fiscal health of the City and the City's ability to meet obligations on a short-term basis. The financial statements contained in this report are designed to fairly set forth the financial position and results of operations of the City and include all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

The Reporting Entity and Services Provided

As required by generally accepted accounting principles (GAAP), these financial statements present the City of Brighton and related component units. The individual component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA) are included in the component units.

The report includes all funds of the City and encompasses a full range of municipal services including police protection; refuse services; construction and maintenance of streets and infrastructure; and planning and zoning. Additionally, water and sewer services are provided under an Enterprise Fund, with user charges set by the City Council to ensure adequate coverage of operating expenses.

Governmental Structure and Local Economy

The City of Brighton is located approximately forty-five miles northwest of Downtown Detroit. It was incorporated as a village in 1867 and became a Home Rule City in 1928. Brighton encompasses an area of approximately 3.65 square miles, has an estimated household population of approximately 7,900, and is the central business hub for all of Livingston County. The City's estimated 3,850 households reflect an approximate average of 2 persons per household, which is the lowest in Livingston County. Although the unemployment rate for the City of Brighton is not specifically tracked, the unemployment rate for Livingston County has increased from 2.4% to 2.9% over the last year. In addition, the Consumer Price Index (CPI) for our region increased by 1.1% from last year.

Brighton has the quality of life of a small city, but also has the advantage of being ideally located with easy access to the metropolitan areas of Ann Arbor, Detroit, Flint, and Lansing. The City operates under the Council-Manager form of government. The Mayor is chosen by the seven-member elected City Council from among its members. The City Council appoints the City Manager who is responsible for the administration of the City's activities. The City Council also appoints the City Attorney.

There are indications that the local economic downturn is continuing to improve. Housing sale prices are continuing to increase and there are fewer homes on the market. Interest rates have been gradually increasing and are expected to continue to do so over the next year. The number of foreclosures in the City of Brighton has continued to be relatively low, with fewer than 5 in the past year. Over the last 5 to 10 years, the City has realized reduced residential, industrial and commercial values. The residential and industrial decreased far greater than the commercial values. Beginning in FY16/17 and continuing in the recent budget process for FY18/19 we have seen values for residential and commercial improving. The property tax values for residential and commercial both increased by 5.1% over the prior year.

The industrial taxable values have seen an increase in real property of 2.5% over the prior year, whereas the industrial personal property realized a decrease of 10.1% due to the exemptions of eligible manufacturing personal property that began in 2016/17. These exemptions are being phased in through 2022/23, at which point, all industrial personal property will be exempt. This follows a decrease in the prior year of 16.2%. It is management's belief that the commercial real property values will slowly increase over the next several years, however the impacts of the personal property exemptions will likely drive down the industrial and commercial personal property taxable values over the next several years.

Long-term Financial Planning

The City has successfully followed its long-term financial goals of reducing expenditures and maintaining a fund balance above the policy limit established by City Council. As the City approaches the practical build-out of its existing undeveloped lands; reduced personal property taxing ability; the cumulative effects of the Headlee Amendment and Proposal A; and the ever growing OPEB and pension liabilities, the City will be continually looking at ways to maintain services within the existing revenues.

The City's Master Plan includes the goals to provide for capital improvements that are needed to sustain a quality life for its residents; and to explore methods of generating additional revenue to fund operational and capital projects, including alternative funding options such as grant funding. Annually City staff prepares a 6-year Capital Improvement Plan (CIP), which is reviewed by the City Planning Commission and Adopted by the City Council. The first year of the adopted CIP is incorporated into the City Manager's Proposed Budget, if funding is available. There has been limited funding of any capital projects over the last several years, however the City has been increasing this funding over the last three budget years, most notably in the Public Works and Utilities divisions. The FY18/19 Adopted budget includes a modest investment in Capital. The City's DDA has its own Development Plan, which was previously adopted by the City Council and is also reviewed annually for budgetary considerations.

City residents approved a Law Enforcement/Public Safety Millage during the November, 2013 election. This millage will be 0.38 mills for 10 years. The millage will provide approximately \$160,000 annually to be used to pay for the purchasing and maintaining of public safety equipment, which may include patrol vehicles, body armor, weapons and law enforcement-related technology. The approval of this millage will enable the City to replace police equipment that had been put on hold.

Relevant Financial Policies

In order to better understand the financial condition of the City, it will become increasingly important to continue the development of an ongoing Financial Forecasting model. The end result of this forecasting model should be intended to communicate what is likely to happen in the future based on where the City is today and where it appears to be heading. The preparation of a reasonably complete forecast will allow the City to look at its options and prudently plan and act accordingly. As the forecasts are developed over time, they should incorporate benchmark trend analysis to measure how our actual results compare to our projections and to the actual results of other similar benchmark communities. A key benchmark for the General Fund will be its unassigned fund balance, which at June 30, 2018 was \$1,378,621 or 18% of the operating expenditures budgeted for FY18/19. The City of Brighton has adopted a policy to maintain a minimum unassigned fund balance of 15% of operating expenditures. The Utilities Fund Current Ratio was 4.2 on June 30, 2018, which is above the target of 2:1. Working capital, a key benchmark of the Utilities Fund, increased by \$928,693 to \$4,513,632 at June 30, 2018. The working capital less the capital reserve fund, covered 60% of the Utilities Fund Expenses, including depreciation. Exclusive of depreciation, the coverage was 93% of expenses.

The City makes a serious effort to maximize investment earnings, diversification and insurability of its investable funds. Idle cash during the year was invested in cash management funds and certificate of deposits. Interest earned for the current fiscal year amounted to \$114,476, an increase of \$56,916 or 98.9% from the preceding year, which was primarily caused by unspent bond and installment loan proceeds coupled with higher yields on money market accounts and certificate of deposits. The City continues its efforts to diversify its investment portfolio to increase its insured deposits. The City's investment policy was last updated during FY11/12.

The City's Debt Management Policy has established debt capacity limits or guidelines for the City to use in conjunction with its capital planning and budgeting processes. The Debt Management policy was last updated during FY2011/12.

Major Initiatives and Financial Accomplishments in 2017-18

- The City added approximately \$2,108,000 of new capital assets including road and utility work on 2nd Street and Rickett Road, 4 new DPW trucks, a plow/mower, an asphalt roller, a leaf machine, LED street lights, two police vehicles, a new IT data center, a new roof at City Hall, continued rebuilds/repairs to the Orndorf lift station, Pine Creek booster station, and relocation of the Challis Road water main. The City also completed work on the Wastewater Treatment Plant HVAC system, and water main and sewer line improvements.
- The City received its ninth consecutive GFOA Certificate of Achievement for Excellence in Financial Reporting Award for its FY 2016-17 Comprehensive Annual Financial Report (CAFR).
- The City prepared a six-year Capital Improvement Program

Accounting System and Budgetary Control

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, the City's accounting system is organized and operated on a "fund basis". Each fund is a distinct, self-balancing accounting entity.

In view of the importance of the budget as a planning and control instrument in the City, the accounting system provides the basis for appropriate budgetary control. Budget-to-actual comparisons are included in the Required Supplemental Information section of this report. Unlike accounting, budgeting is not essentially a financial procedure; it is primarily a policy-planning process. Therefore, it is much less amenable to standardization, however, the importance of GAAP, audit standards, the credit markets' need for more complete disclosure of the City's underlying condition, and the heightened sophistication of the public and press about the importance of outcomes as well as projections, have combined to professionalize and conform budgeting terms and definitions to GAAP. As a result, common terminology, measurement, and classification are used consistently throughout the City's budget, accounting records and financial reports.

An annual budget is adopted in accordance with the legal requirements set forth in the Uniform Budgeting Act, State of Michigan P.A. 621 of 1978. The City's budget is prepared on the modified accrual basis for governmental-type funds, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenue is recorded when it is both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on a long-term debt and accrued leave time. The City's governmental fund types, such as the General Fund, special revenue funds, debt service funds, and capital project funds, are reported on the modified accrual basis. The City's enterprise funds are reported on the full accrual basis, under which revenue is recorded when earned and expenses are recorded when incurred.

Also required under the Uniform Budgeting Act are budgetary controls. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Expenditures are authorized via an annual budget passed by resolution in which the Council authorizes the level of funding for City operations. The Council adopts an activity level budget, which is considered the maximum authorization to incur liabilities and not a mandate to spend.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Brighton, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

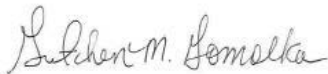
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. The City of Brighton, Michigan has received a Certificate of Achievement for the last nine consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department, as well as the advice from Plante Moran. I wish to express my sincere appreciation to all members of the Department who assisted and contributed to its preparation. I would also like to express my thanks to the City Manager, the Department Directors and each of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted.



Gretchen M. Gomolka
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

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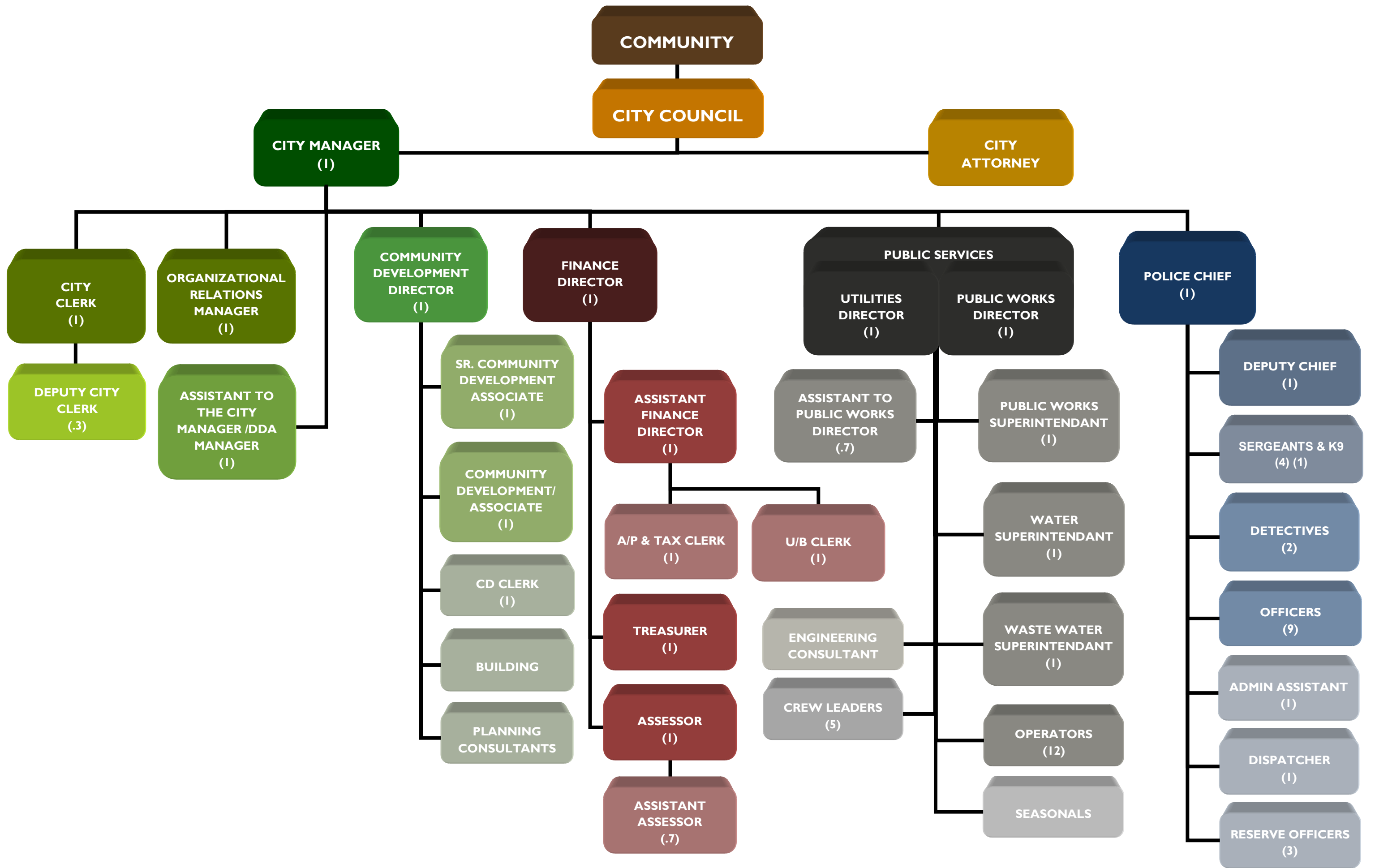
**City of Brighton
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



CITY OF BRIGHTON, MICHIGAN
List of Elected and Appointed Officials
For the Fiscal Year Ended June 30, 2018

ELECTED OFFICIALS

Jim Muzzin	Mayor
Shawn Pipoly	Mayor Pro Tem
Susan Gardner	Council Member
Jim Bohn	Council Member
Kristoffer Tobbe	Council Member
Renee Pettengill	Council Member
Jon Emaus	Council Member

APPOINTED OFFICIALS

Nate Geinzer	City Manager
Paul Burns	City Attorney
Gretchen Gomolka	Finance Director
Tara Brown	City Clerk
Michelle Miller	Organizational Relations Manager
Robert Bradford	Police Chief
Marcel Goch	Public Works Director
Tim Krugh	Utilities Director

Independent Auditor's Report

To the City Council
City of Brighton, 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 Brighton, Michigan as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Brighton, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brighton, Michigan as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the financial statements, during the year ended June 30, 2018, the City adopted the new accounting guidance of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes accounting and financial reporting standards for postemployment benefits other than pensions provided to the employees of state and local governments. Our opinion is not modified with respect to this matter.

To the City Council
City of Brighton, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules for the General Fund and major special revenue fund, pension system schedules of changes in the city net pension liability and related ratios and city contributions, and retiree health schedules of changes in the city net OPEB liability and related ratios 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 an opinion on the financial statements that collectively comprise the City of Brighton, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Plante & Moreau, PLLC

October 3, 2018

The City of Brighton, Michigan's (the "City") Comprehensive Annual Financial Report (CAFR) is presented in the format required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The June 30, 2018 annual report consists of five parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplemental information, (4) other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds, and (5) a statistical section. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Financial Highlights

- The assets of the primary government and component units of the City exceeded its liabilities at the close of the most recent fiscal year by \$37.8 million (net position). Included in this amount is a negative \$13.5 million of unrestricted net position.
- The City's total net position decreased by \$6.7 million, net of a \$6.9 million prior period adjustment as a result of the City implementing GASB 75. This decrease is the result of a decrease of \$415.6 thousand in component unit (DDA and LDFA) net position and a decrease of \$6.3 million in the net position of the primary government.
- The \$6.3 million decrease in the net position of the primary government is primarily the result of the implementation of GASB 75 to record the full liability for other post-employment benefits (OPEB) for retiree healthcare. This change resulted in an increased OPEB liability of \$9.0 million over the prior year. This was partially offset by an increase in deferred outflows of resources related to the OPEB and pension plans, long-term debt that has been paid down over the fiscal year, and increased current assets in the form of cash and cash equivalents.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3.7 million, an increase of \$1.2 million in comparison with the prior year. A total of approximately \$3.2 million or approximately 87 percent of the fund balance is available for spending at the City Council's discretion. Of that amount, \$107.8 thousand is available for spending on roads in the Major and Local Street funds, \$163.5 thousand is available for police expenditures related to forfeiture, \$49.3 thousand is available for law enforcement/public safety expenditures related to the police millage, \$108.0 thousand for capital improvement and equipment replacement, \$19.1 thousand is assigned to the Principal Shopping District, \$10.0 thousand is assigned to the Arts and Culture Commission, \$29.7 thousand is assigned to Imagination Station Maintenance, \$1.3 million of the available fund balance is assigned for carryover budget items, capital projects, future retiree healthcare costs, local roads, and open purchase orders for general operating expenditures that were not completed in FY 2017-2018 in the General Fund. Therefore, the remaining \$1.4 million of fund balance is unassigned in the General Fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.4 million, or 21 percent of total current General Fund budgeted operating expenditures for the year ended June 30, 2019.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Brighton, Michigan's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the City of Brighton, Michigan's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position and performance of the City of Brighton, Michigan is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Brighton, Michigan that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Brighton, Michigan include general government, public safety, public works, and community development. The business-type activities of the City of Brighton, Michigan include the water and sewer utility operations.

The government-wide financial statements include not only the City of Brighton, Michigan itself (known as the primary government), but also a legally separate Downtown Development Authority and a legally separate Local Development Finance Authority, for which the City of Brighton, Michigan is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brighton, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Brighton, Michigan can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Brighton, Michigan currently maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund and Major Streets Fund, which are considered to be major funds, and a Local Streets Fund, a State Drug Law Enforcement Fund, a Federal Drug Law Enforcement Fund, a Street Debt Fund, a Law Enforcement/Public Safety Fund, and a Capital Improvement Fund, which are considered to be nonmajor funds. In accordance with Governmental Accounting Standards Board Statement No. 54, the Imagination Station Maintenance Fund, Principal Shopping District Fund, and Arts and Cultural Commission Fund are presented within the General Fund for financial reporting purposes, but are not budgeted in that manner.

The City of Brighton, Michigan adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the required supplemental information to demonstrate compliance with this budget. The Imagination Station Maintenance Fund, Principal Shopping District Fund, and Arts and Cultural Commission Fund are included in the General Fund financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds

The City of Brighton, Michigan maintains one type of propriety fund, which is an Enterprise Fund, used to report and account for its utilities (Utility Fund) operations. The Utility Fund (which is considered a major fund) is used to report the same functions presented as business-type activities in the government-wide financial statements, but only in more detail. The proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary Funds

Fiduciary funds are intended to be used to account for resources held for the benefit of parties outside the city government organization. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Brighton, Michigan's own programs. The accounting used for fiduciary funds is much like that of propriety funds. The City of Brighton, Michigan maintains two fiduciary funds, which are Agency Funds, one for current tax collections and the other for delinquent personal property tax collections. The basic fiduciary fund financial statement can be found on page 22 of this report.

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 26-50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City of Brighton, Michigan's budgetary comparisons with actual for its General Fund and the major Special Revenue Fund - Major Streets Fund. Required supplemental information can be found on pages 51-58 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position and performance. As shown below, for the year ended June 30, 2018, the primary government's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33.9 million.

By far the largest portion of the City of Brighton, Michigan's net position is the net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Brighton, Michigan uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Brighton, Michigan's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Assets						
Current and other assets	\$ 5,826,584	\$ 4,311,305	\$ 5,924,239	\$ 5,203,423	\$ 11,750,823	\$ 9,514,728
Capital assets	25,522,826	26,035,331	28,823,810	29,676,825	54,346,636	55,712,156
Total assets	31,349,410	30,346,636	34,748,049	34,880,248	66,097,459	65,226,884
Deferred Outflows of Resources	1,945,361	1,415,509	351,257	307,711	2,296,618	1,723,220
Liabilities						
Current liabilities	1,570,103	1,097,994	300,544	588,491	1,870,647	1,686,485
Noncurrent liabilities:						
Due within one year	1,126,040	936,497	1,110,063	1,029,963	2,236,103	1,966,460
Due in more than one year	23,139,273	16,466,280	6,842,403	6,621,234	29,981,676	23,087,514
Total liabilities	25,835,416	18,500,771	8,253,010	8,239,688	34,088,426	26,740,459
Deferred Inflows of Resources	340,406	-	79,348	-	419,754	-
Net Position						
Net investment in capital assets	19,816,360	20,092,730	24,417,707	24,310,660	44,234,067	44,403,390
Restricted	650,454	1,354,762	-	-	650,454	1,354,762
Unrestricted	(13,347,865)	(8,186,118)	2,349,241	2,637,611	(10,998,624)	(5,548,507)
Total net position	<u>\$ 7,118,949</u>	<u>\$ 13,261,374</u>	<u>\$ 26,766,948</u>	<u>\$ 26,948,271</u>	<u>\$ 33,885,897</u>	<u>\$ 40,209,645</u>

*GASB Statement No. 75 was implemented by the City in fiscal year 2018. Fiscal 2017 amounts shown have not been modified to reflect the retrospective application of the change.

An additional portion of the City of Brighton, Michigan's net position (2 percent) represents resources that are subject to external restrictions on how they may be used.

Governmental Activities

As shown below, governmental activities decreased the City of Brighton, Michigan's net position by \$451.0 thousand. Last fiscal year, the net position of the governmental activities decreased by \$352.8 thousand. The year-over-year change is primarily the result of a decrease in revenue of \$59.4 thousand and an increase in program expenses of \$38.8 thousand. The decrease in revenue is related to one-time grant funding of \$961.9 thousand in the prior year related to MDOT road projects. This decrease was almost entirely offset by increases in property tax revenue, operating grants, state-shared revenue, investment earnings, and other revenue. The increase in expenditures is due to economic inflations increases partially offset by reduced expenditures in the community development department related to temporary changes in staffing levels.

Business-type Activities

Business-type activities increased the City of Brighton, Michigan's net position by \$1.1 million. Last fiscal year, the net position of the business-type activities increased by \$1.9 million. The increases to net position in both years are related to payments from developers to tap into the water and sewer system for new developments in the City. This money will be used over the next several years to increase and improve the access and capacity of the water and wastewater systems that will be impacted by the new developments.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Revenue						
Program revenue:						
Charges for services	\$ 1,620,764	\$ 1,460,081	\$ 3,682,830	\$ 3,662,162	\$ 5,303,594	\$ 5,122,243
Operating grants	759,346	474,025	173,687	108,183	933,033	582,208
Capital grants	-	961,893	1,634,200	2,340,484	1,634,200	3,302,377
General revenue:						
Property taxes	6,012,882	5,901,323	-	-	6,012,882	5,901,323
State-shared revenue and grants	923,521	666,436	-	-	923,521	666,436
Investment earnings	103,630	88,244	36,203	19,688	139,833	107,932
Other revenue	220,828	148,366	-	-	220,828	148,366
Total revenue	9,640,971	9,700,368	5,526,920	6,130,517	15,167,891	15,830,885
Expenses						
General government	1,538,298	1,544,770	-	-	1,538,298	1,544,770
Public safety	3,664,694	3,584,155	-	-	3,664,694	3,584,155
Public works	4,148,675	3,908,915	-	-	4,148,675	3,908,915
Community development	526,269	787,550	-	-	526,269	787,550
Interest on long-term debt	214,003	227,747	-	-	214,003	227,747
Water and sewer	-	-	4,453,286	4,234,750	4,453,286	4,234,750
Total expenses	10,091,939	10,053,137	4,453,286	4,234,750	14,545,225	14,287,887
Change in Net Position	\$ (450,968)	\$ (352,769)	\$ 1,073,634	\$ 1,895,767	\$ 622,666	\$ 1,542,998

*GASB Statement No. 75 was implemented by the City in fiscal year 2018. Fiscal 2017 amounts shown have not been modified to reflect the retrospective application of the change.

The City's Funds

Governmental Funds

The focus of the City of Brighton, Michigan's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Brighton, Michigan's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Brighton, Michigan's governmental funds reported combined ending fund balances of \$3.68 million, an increase of \$1.22 million in comparison with the prior year. Approximately 37.5 percent of this total amount (\$1.4 million) constitutes unassigned fund balance, which is available for investment and/or spending at the City's discretion in the General Fund. The remainder of fund balance is nonspendable (cemetery care and prepaid expenses), restricted (roads, federal and state drug forfeiture, and law enforcement/public safety), committed (future capital improvement and equipment replacement), or assigned (to liquidate contracts and purchase orders of the prior period or for subsequent year expenditures, and assigned for purposes such as Arts and Culture Commission, Imagination Station Maintenance, local roads, future retiree health care and capital improvements).

The General Fund is the chief operating fund of the City of Brighton, Michigan. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1.38 million. The FY 2018-2019 budget is balanced with a budgeted use of fund balance totaling \$346 thousand; however, approximately \$900 thousand of the assigned fund balance is designated for subsequent year expenditures that were not included in the original budget. As a measure of the General Fund's liquidity, it may be useful to compare the total unassigned fund balance to total fund operating expenditures. Unassigned fund balance represents 18 percent of total current General Fund budgeted operating expenditures for the year ending June 30, 2019. The City of Brighton, Michigan's fund balance policy has a minimum fund balance requirement of 15 percent.

The unassigned fund balance of the City of Brighton, Michigan's General Fund increased by \$356.9 thousand during the current fiscal year. There are many reasons for the increase in unassigned fund balance, including additional funding from the State of Michigan in the form of state-shared revenue and personal property tax reimbursements. Additionally, the city experienced higher than anticipated interest earnings and permit, planning/zoning, and cemetery fee revenue. These increases over budgeted revenue were coupled with decreases over budgeted expenditures that were primarily driven by savings in staffing levels due to normal attrition vacancies and elimination of certain positions. Additional savings were the result of various budgeted capital and repair expenditures that were either postponed or canceled.

At the end of the current fiscal year, total fund balance of the Major Streets Fund was \$101.5 thousand. This is an increase of \$7.2 thousand from the prior year. The increase is due to increased state revenue and decreased expenditures primarily related to grant-funded road work completed in the prior year, partially offset by a reduction in transfers in from the General Fund used to cover grant match dollars related to road work. The City of Brighton, Michigan's Downtown Development Authority has committed to pay the Major Streets Fund for additional upcoming road projects.

The Local Streets Fund had an ending fund balance of \$8.5 thousand. This is a decrease of \$18.7 thousand over the prior year resulting from increased road projects partially offset by increased state revenue.

At the end of the current fiscal year, the Debt Service Fund (Street Debt Fund) had a total fund balance of \$0.

The Federal and State Drug Law Enforcement Funds had a combined ending fund balance of \$163.5 thousand. All of the revenue in these funds are from police seizures. During the fiscal year, the police department purchased K-9 dog supplies, and paid for police training and specialized supplies from these funds.

The Law Enforcement/Public Safety Fund had an ending fund balance of \$48.1 thousand, which is funded primarily through a voter-approved millage for law enforcement/public safety equipment and will be used for future law enforcement equipment. The approximately \$161 thousand in revenue assisted the police department with replacing several vehicles and police department equipment, including a video system, munitions, office furniture, road barriers, and computer equipment.

Proprietary Funds

The City of Brighton, Michigan's Utility Enterprise Fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the year amounted to \$2.3 million, down \$300 thousand from the prior year. Note that beginning fund balance was restated due to the implementation of GASB 75, as described in Note 12 to the financial statements. The Utility Fund had a \$1.2 million operating loss due to the fact that the operating revenue does not cover all the depreciation expense. This fund generated a net gain of \$1.1 million. The increase is primarily due to the payments from developers, as discussed earlier in the business-type activities section.

General Fund Budgetary Highlights

Differences between the General Fund's original budget and final amended budget can be briefly summarized as follows:

The \$441.7 thousand or 5.5 percent increase in revenue amendments from the original budget reflected increases related to higher than anticipated personal property tax loss reimbursements, state-shared revenue, building permit fees, and grant revenue.

The \$153.9 thousand or 2.3 percent increase in total expenditure amendments from the original budget reflected higher than anticipated expenditures in the general government, public safety, and public works activity budgets, partially offset by reduced expenditures in the community development and transfers out activity budgets. The budgeted expenditure increase is attributed to several small adjustments, including grounds and equipment repairs and maintenance and employee wages and benefits due to vacancies and position eliminations that occurred throughout the year. Actual year-end expenditures came in below the original budget primarily due to savings in the public works division resulting from temporary employee vacancies, lower than anticipated repairs and maintenance, and the postponement of engineering for upcoming projects.

Capital Assets and Debt Administration

Capital Assets

As shown below, the City of Brighton, Michigan's investment in capital assets for its primary government (governmental and business-type activities) as of June 30, 2018 amounts to \$54.3 million (net of accumulated depreciation). This investment in capital assets includes land (including rights-of-way), buildings and system, improvements, machinery and equipment, park facilities, streets, and bridges. The City of Brighton, Michigan's investment in capital assets for its component units (DDA) as of June 30, 2018 amounts to \$4.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements. The total decrease in the City of Brighton, Michigan's investment in capital assets for the current year was 2.4 percent (a 2.0 percent decrease in governmental activities, a 2.9 percent decrease for business-type activities, and a 2.4 percent decrease for its component units).

	Governmental Activities		Business-type Activities		Component Units		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Land	\$ 13,530,821	\$ 13,530,821	\$ 157,362	\$ 157,362	\$ 2,043,198	\$ 2,043,198	\$ 15,731,381	\$ 15,731,381
Construction in progress	218,817	1,244,094	329,845	504,163	217,296	-	765,958	1,748,257
Infrastructure	7,338,747	7,232,720	15,378,650	15,940,421	-	-	22,717,397	23,173,141
Building and building improvements	3,422,327	3,517,713	12,795,652	12,899,960	2,331,716	2,609,960	18,549,694	19,027,633
Machinery and equipment	1,012,114	509,983	162,301	174,919	211,209	226,608	1,385,624	911,510
Total	<u>\$ 25,522,826</u>	<u>\$ 26,035,331</u>	<u>\$ 28,823,810</u>	<u>\$ 29,676,825</u>	<u>\$ 4,803,419</u>	<u>\$ 4,879,766</u>	<u>\$ 59,150,054</u>	<u>\$ 60,591,922</u>

Major capital assets acquired during the current fiscal year included the following:

- Governmental Activities - Two Swap-Loader trucks, two dump trucks, two patrol vehicles, a mower/plow, asphalt roller, leaf machine, video surveillance system, a new IT data center, a new roof for city hall, LED streetlights, and road infrastructure
- Business-type Activities - Continued the rebuilds/repairs of the Orndorf lift station, Pine Creek booster station, and relocation of the Challis Road water main. Completed the replacement of the WWTP HVAC system and began work on the North 2nd street utility improvements and engineering on the Northwest neighborhoods utility project. Purchased a snow plow and wide format printer and took ownership of contributed water mains and sewer lines from developers.
- Component Units - Installed new lighted pedestrian crosswalk signs and began work on the new Millpond Bandshell and Amphitheater.

Additional information on the City of Brighton, Michigan's capital assets can be found in Note 5 of this report.

Long-term Debt

As shown below, at the end of the current fiscal year, the City of Brighton, Michigan had total debt outstanding of \$13.4 million. Of this total, \$10.4 million or 77.7 percent comprises debt backed by the full faith and credit of the City, including \$524.3 thousand of Revenue Bonds; \$890 thousand or 6.6 percent is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment; and \$2.1 million or 15.7 percent comprises revenue bonds backed by the revenue of the City's Utility Fund. A total of \$5.75 million or 43 percent of the total debt is governmental activities debt, \$4.36 million or 33 percent is business-type activities debt, and the remaining \$3.30 million or 25 percent is component unit debt (DDA and LDFA Bonds).

	Governmental Activities		Business-type Activities		Component Units		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
General obligation bonds/notes	\$ 4,860,710	\$ 4,886,761	\$ 4,357,023	\$ 5,297,992	\$ 3,298,262	\$ 1,070,964	\$ 12,515,995	\$ 11,255,717
Special assessment bonds	890,000	1,105,000	-	-	-	-	890,000	1,105,000
Total	<u>\$ 5,750,710</u>	<u>\$ 5,991,761</u>	<u>\$ 4,357,023</u>	<u>\$ 5,297,992</u>	<u>\$ 3,298,262</u>	<u>\$ 1,070,964</u>	<u>\$ 13,405,995</u>	<u>\$ 12,360,717</u>

The City of Brighton, Michigan's total debt, excluding compensated absences and unamortized bond premiums, increased by \$1.1 million (8.6 percent) during the current fiscal year. The increase was the result of the issuance of a \$2.5 million bond in the DDA and a \$479 thousand installment purchase agreement in the governmental activities, partially offset by the annual maturity of pre-existing debt.

The City of Brighton, Michigan maintains noninsured bond ratings as follows: AA+ from Standard & Poor's, Aa3 rating from Moody's, and an AA- from Fitch.

State statutes limit the amount of general obligation debt a City may issue up to 10 percent of its total assessed valuation. The current debt limitation for the City of Brighton, Michigan is \$51.7 million, which is significantly in excess of the City's total net debt (total debt less special assessment, revenue, MTF, and county-shared debt) of \$8.7 million. Therefore, the legal debt margin, or what the City could legally add to its outstanding debt at June 30, 2018, was \$43.0 million.

Additional information on the City of Brighton, Michigan's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Brighton, Michigan has not been tracked since December 31, 2004. At April 30, 2018, the average unemployment rate for Livingston County was 2.9 percent, which is an increase from 2.4 percent a year ago; for the State of Michigan, it was 4.0 percent, and for the United States it was 3.9 percent.
- The Consumer Price Index (CPI) has realigned the regions from a year ago. The new region is Detroit/Wayne/Dearborn. For the year ended June 30, 2018, the CPI for this new region increased by 1.1 percent from a year ago, the Midwest region average CPI rate increased by 2.5 percent from a year ago, and the national CPI rate increased by 2.9 percent from a year ago.

The trends in these economic factors will be considered in preparing the City of Brighton, Michigan's FY 2019-2020 budget.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$357 thousand to \$1.4 million. The FY 2018-2019 budget was balanced with a budgeted use of fund balance totaling \$346 thousand; however, approximately \$900 thousand of the assigned fund balance is designated for subsequent year expenditures that were not included in the original budget. The remaining unassigned fund balance represents 18 percent of the total current General Fund budgeted operating expenditures at June 30, 2019.

The City's utility user fees increased an average of 5.4 percent for the fiscal year 2018-2019 budget year. The City is beginning to see increased connection fee sales as the new developers are proposing redevelopment of existing parcels. The City is almost entirely built out, and new developments are primarily on existing built parcels. The City has been setting aside funds for future capital replacements, including the \$1.8 million received from the University of Michigan for the year ended June 30, 2018. This funding is being used to help fund current and future utility capital projects. User fees may need to be adjusted to cover needed improvements to its utility systems.

Requests for Further Information

This financial report is designed to provide a general overview of the City of Brighton, Michigan's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Gretchen Gomolka, finance director, City of Brighton, 200 N. First Street, Brighton, MI 48116.

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,678,461	\$ 4,455,225	\$ 9,133,686	\$ 552,719
Receivables:				
Delinquent taxes	93,168	-	93,168	15,548
Special assessments	530,657	-	530,657	-
Customer	55,783	778,273	834,056	-
Other receivables	202,319	-	202,319	-
Due from other governments	117,657	572,371	690,028	-
Inventory	-	63,654	63,654	-
Prepays	148,539	54,716	203,255	11,948
Restricted cash	-	-	-	1,873,169
Capital assets:				
Assets not subject to depreciation (Note 5)	13,749,638	487,207	14,236,845	2,260,494
Assets subject to depreciation - Net (Note 5)	11,773,188	28,336,603	40,109,791	2,542,925
Total assets	31,349,410	34,748,049	66,097,459	7,256,803
Deferred Outflows of Resources				
Deferred charges on refunding	249,533	24,941	274,474	-
Deferred pension costs (Note 9)	682,202	159,864	842,066	-
Deferred OPEB costs (Note 10)	1,013,626	166,452	1,180,078	-
Liabilities				
Accounts payable	421,845	236,445	658,290	66,897
Deposits	989,276	-	989,276	-
Accrued liabilities and other	158,982	64,099	223,081	18,051
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	272,285	104,878	377,163	-
Current portion of long-term debt (Note 7)	853,755	1,005,185	1,858,940	268,424
Due in more than one year:				
Compensated absences (Note 7)	408,428	54,072	462,500	-
Net pension liability (Note 9)	6,635,592	1,557,265	8,192,857	-
Net retiree healthcare obligation (Note 10)	10,993,009	1,805,207	12,798,216	-
Long-term debt (Note 7)	5,102,244	3,425,859	8,528,103	3,029,838
Total liabilities	25,835,416	8,253,010	34,088,426	3,383,210
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	337,559	78,881	416,440	-
Deferred OPEB cost reductions (Note 10)	2,847	467	3,314	-
Net Position				
Net investment in capital assets	19,816,360	24,417,707	44,234,067	3,618,326
Restricted:				
Roads	110,001	-	110,001	-
Cemetery care	327,659	-	327,659	-
Federal/State drug law enforcement	163,532	-	163,532	-
Law enforcement/Public safety	49,262	-	49,262	-
Unrestricted	(13,347,865)	2,349,241	(10,998,624)	255,267
Total net position	<u>\$ 7,118,949</u>	<u>\$ 26,766,948</u>	<u>\$ 33,885,897</u>	<u>\$ 3,873,593</u>

City of Brighton, Michigan

		Program Revenue		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,538,298	\$ 399,916	\$ -	\$ -
Public safety	3,664,694	158,550	50,163	-
Public works	4,148,675	639,760	629,352	-
Community development	526,269	422,538	79,831	-
Interest on long-term debt	214,003	-	-	-
Total governmental activities	10,091,939	1,620,764	759,346	-
Business-type activities - Utility	4,453,286	3,682,830	173,687	1,634,200
Total primary government	\$ 14,545,225	\$ 5,303,594	\$ 933,033	\$ 1,634,200
Component units:				
Downtown Development Authority	\$ 1,342,056	\$ -	\$ -	\$ -
Local Development Finance Authority	47,323	-	-	-
Total component units	\$ 1,389,379	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment interest				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year, as restated (Note 12)				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,138,382)	\$ -	\$ (1,138,382)	\$ -
(3,455,981)	-	(3,455,981)	-
(2,879,563)	-	(2,879,563)	-
(23,900)	-	(23,900)	-
(214,003)	-	(214,003)	-
(7,711,829)	-	(7,711,829)	-
-	1,037,431	1,037,431	-
(7,711,829)	1,037,431	(6,674,398)	-
-	-	-	(1,342,056)
-	-	-	(47,323)
-	-	-	(1,389,379)
6,012,882	-	6,012,882	839,758
923,521	-	923,521	91,466
103,630	36,203	139,833	21,089
220,828	-	220,828	21,511
7,260,861	36,203	7,297,064	973,824
(450,968)	1,073,634	622,666	(415,555)
7,569,917	25,693,314	33,263,231	4,289,148
\$ 7,118,949	\$ 26,766,948	\$ 33,885,897	\$ 3,873,593

Governmental Funds
Balance Sheet

June 30, 2018

	General Fund	Major Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 4,238,552	\$ 23,796	\$ 416,113	\$ 4,678,461
Receivables:				
Delinquent taxes	92,747	-	421	93,168
Special assessments	-	530,657	-	530,657
Customer	55,783	-	-	55,783
Other receivables	174,318	-	28,001	202,319
Due from other governments	-	87,046	30,611	117,657
Prepays	146,341	1,921	277	148,539
Total assets	\$ 4,707,741	\$ 643,420	\$ 475,423	\$ 5,826,584
Liabilities				
Accounts payable	\$ 155,727	\$ 11,262	\$ 254,856	\$ 421,845
Deposits	989,276	-	-	989,276
Accrued liabilities and other	116,794	-	-	116,794
Total liabilities	1,261,797	11,262	254,856	1,527,915
Deferred Inflows of Resources				
Unavailable revenue - Property taxes	92,507	-	421	92,928
Unavailable revenue - Special assessments	-	530,657	-	530,657
Total deferred inflows of resources	92,507	530,657	421	623,585
Total liabilities and deferred inflows of resources	1,354,304	541,919	255,277	2,151,500
Fund Balances				
Nonspendable:				
Prepays	146,341	1,921	277	148,539
Cemetery care	327,659	-	-	327,659
Restricted:				
Roads	-	99,580	8,223	107,803
Federal/State drug law enforcement	-	-	163,532	163,532
Law enforcement/Public safety	1,148	-	48,114	49,262
Committed - Capital improvement and equipment replacement	108,089	-	-	108,089
Assigned:				
Carryover budget items	71,431	-	-	71,431
Capital equipment	600,000	-	-	600,000
Future retiree healthcare costs	300,000	-	-	300,000
Open purchase orders at year end	11,372	-	-	11,372
Principal shopping district	19,090	-	-	19,090
Arts and cultural commission	10,030	-	-	10,030
Imagination Station	29,656	-	-	29,656
Local roads	350,000	-	-	350,000
Unassigned	1,378,621	-	-	1,378,621
Total fund balances	3,353,437	101,501	220,146	3,675,084
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,707,741	\$ 643,420	\$ 475,423	\$ 5,826,584

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 3,675,084
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	25,522,826
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	623,585
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds	249,533
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,955,999)
Accrued interest is not due and payable in the current period and is not reported in the funds	(42,188)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(680,713)
Pension benefits, including deferred outflows/inflows of resources	(6,290,949)
Retiree healthcare benefits, including deferred outflows/inflows of resources	(9,982,230)
Net Position of Governmental Activities	<u><u>\$ 7,118,949</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2018

	General Fund	Major Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 5,833,683	\$ -	\$ 160,428	\$ 5,994,111
Special assessments	65,331	126,853	-	192,184
State-shared revenue and grants	909,986	559,116	178,985	1,648,087
Charges for services	732,104	-	-	732,104
Fines, forfeitures, and penalties	273,654	-	33,079	306,733
Licenses and permits	596,211	29,277	3,800	629,288
Unrestricted investment interest	63,744	37,926	1,960	103,630
Other revenue	185,299	8,072	-	193,371
Total revenue	8,660,012	761,244	378,252	9,799,508
Expenditures				
Current services:				
General government	1,472,571	-	-	1,472,571
Public safety	2,836,507	-	29,684	2,866,191
Public works	2,021,583	488,542	273,996	2,784,121
Community development	162,013	-	-	162,013
Capital outlay	-	-	879,629	879,629
Debt service	-	265,150	699,733	964,883
Total expenditures	6,492,674	753,692	1,883,042	9,129,408
Excess of Revenue Over (Under) Expenditures	2,167,338	7,552	(1,504,790)	670,100
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	49,617	901,621	951,238
Transfers out (Note 6)	(901,238)	(50,000)	-	(951,238)
Face value of debt issue (Note 7)	-	-	1,621,350	1,621,350
Payment to bond refunding escrow agent (Note 7)	-	-	(1,122,250)	(1,122,250)
Sale of capital assets	-	-	48,706	48,706
Total other financing (uses) sources	(901,238)	(383)	1,449,427	547,806
Net Change in Fund Balances	1,266,100	7,169	(55,363)	1,217,906
Fund Balances - Beginning of year	2,087,337	94,332	275,509	2,457,178
Fund Balances - End of year	<u>\$ 3,353,437</u>	<u>\$ 101,501</u>	<u>\$ 220,146</u>	<u>\$ 3,675,084</u>

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balance to the Statement of Activities**

Year Ended June 30, 2018

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,217,906
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. Capital contributions are recorded in the statement of activities when received; they are not recorded in the governmental funds:	
Capital outlay	1,094,963
Depreciation expense	(1,474,507)
Net book value of assets disposed of is not reported in the fund statements	(20,748)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(186,494)
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(1,621,350)
Repayment of bonds resulting from a refunding recorded as an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,122,250
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	740,151
Interest expense is recognized in the government-wide statements as it accrues	6,842
Certain employee costs (pension, retiree healthcare, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(1,217,768)
Costs that do not use current financial resources are not reported as expenditures in the governmental funds	(112,213)
Change in Net Position of Governmental Activities	<u><u>\$ (450,968)</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2018

	Enterprise - Utility Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,455,225
Receivables - Customers and other governments	1,350,644
Inventory	63,654
Prepays	54,716
Total current assets	5,924,239
Noncurrent assets - Capital assets - Net (Note 5)	28,823,810
Total assets	34,748,049
Deferred Outflows of Resources	
Deferred charges on refunding	24,941
Deferred pension costs (Note 9)	159,864
Deferred OPEB costs	166,452
Total deferred outflows of resources	351,257
Liabilities	
Current liabilities:	
Accounts payable	236,445
Accrued liabilities and other	64,099
Compensated absences (Note 7)	104,878
Current portion of long-term debt (Note 7)	1,005,185
Total current liabilities	1,410,607
Noncurrent liabilities:	
Compensated absences (Note 7)	54,072
Net pension liability (Note 9)	1,557,265
Net retiree healthcare obligation (Note 10)	1,805,207
Long-term debt (Note 7)	3,425,859
Total noncurrent liabilities	6,842,403
Total liabilities	8,253,010
Deferred Inflows of Resources	
Deferred pension cost reductions (Note 9)	78,881
Deferred OPEB cost reductions (Note 10)	467
Total deferred inflows of resources	79,348
Net Position	
Net investment in capital assets	24,417,707
Unrestricted	2,349,241
Total net position	\$ 26,766,948

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	Enterprise - Utility Fund
Operating Revenue	
Sales	\$ 2,728,227
Tap charges and other	331,081
Penalties	52,026
Total operating revenue	3,111,334
Operating Expenses	
Salaries and fringe benefits	1,539,300
Other purchased services	188,179
Purchased property services	108,893
Professional and technical services	237,907
Supplies	232,189
Utilities	276,676
Property	56,801
Other	124,834
Depreciation	1,566,180
Total operating expenses	4,330,959
Operating Loss	(1,219,625)
Nonoperating Revenue (Expense)	
Investment income	36,203
Interest expense	(122,327)
Debt service charge	571,496
State grants	173,687
Total nonoperating revenue	659,059
Loss - Before contributions	(560,566)
Capital Contributions	1,634,200
Change in Net Position	1,073,634
Net Position - Beginning of year, as restated (Note 12)	25,693,314
Net Position - End of year	\$ 26,766,948

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise - Utility Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,533,114
Payments to suppliers	(1,354,389)
Payments to employees and fringes	(1,654,151)
Net cash and cash equivalents used in operating activities	(475,426)
Cash Flows Provided by Noncapital Financing Activities - State operating grants	173,687
Cash Flows from Capital and Related Financing Activities	
Issuance of bonds	562,651
Contributions received	1,646,849
Acquisition and construction of capital assets	(713,165)
Principal and interest paid on capital debt	(1,652,901)
Debt service charge	571,496
Net cash and cash equivalents provided by capital and related financing activities	414,930
Cash Flows Provided by Investing Activities - Interest received on investments	36,203
Net Increase in Cash and Cash Equivalents	149,394
Cash and Cash Equivalents - Beginning of year	4,305,831
Cash and Cash Equivalents - End of year	\$ 4,455,225
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (1,219,625)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	1,566,180
Changes in assets and liabilities:	
Receivables	(578,220)
Inventories	15,726
Prepaid and other assets	(8,928)
Accrued and other liabilities	46,725
Accounts payable	(297,284)
Total adjustments	744,199
Net cash and cash equivalents used in operating activities	\$ (475,426)

Fiduciary Funds
Statement of Assets and Liabilities

June 30, 2018

Agency Fund -
Tax Collection

Assets - Cash and cash equivalents

\$ 1,669

Liabilities - Accounts payable

\$ 1,669

Component Units
Statement of Net Position (Deficit)

June 30, 2018

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 466,522	\$ 86,197	\$ 552,719
Receivables - Delinquent taxes	15,548	-	15,548
Prepays	11,948	-	11,948
Restricted cash	1,873,169	-	1,873,169
Capital assets - Net (Note 5)	4,803,419	-	4,803,419
Total assets	7,170,606	86,197	7,256,803
Liabilities			
Accounts payable	66,897	-	66,897
Accrued liabilities and other	14,850	3,201	18,051
Noncurrent liabilities:			
Current portion of long-term debt (Note 7)	233,424	35,000	268,424
Long-term debt (Note 7)	2,824,838	205,000	3,029,838
Total liabilities	3,140,009	243,201	3,383,210
Net Position (Deficit)			
Net investment in capital assets	3,618,326	-	3,618,326
Unrestricted	412,271	(157,004)	255,267
Total net position (deficit)	<u>\$ 4,030,597</u>	<u>\$ (157,004)</u>	<u>\$ 3,873,593</u>

City of Brighton, Michigan

	Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions Capital Grants and Contributions
Functions/Programs			
Downtown Development Authority	\$ 1,342,056	\$ -	\$ -
Local Development Finance Authority	47,323	-	-
Total	\$ 1,389,379	\$ -	\$ -

General revenue:

Property taxes

State-shared revenue and grants

Interest

Other miscellaneous income

Total general revenue

Change in Net Position

Net Position (Deficit) - Beginning of year

Net Position (Deficit) - End of year

Component Units
Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position (Deficit)		
Downtown Development Authority	Local Development Finance Authority	Total
\$ (1,342,056)	\$ -	\$ (1,342,056)
-	(47,323)	(47,323)
(1,342,056)	(47,323)	(1,389,379)
754,910	84,848	839,758
81,673	9,793	91,466
20,551	538	21,089
21,511	-	21,511
878,645	95,179	973,824
(463,411)	47,856	(415,555)
4,494,008	(204,860)	4,289,148
\$ 4,030,597	\$ (157,004)	\$ 3,873,593

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Brighton, Michigan (the "City") is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of 13 individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA does not issue its own financial statements.

Local Development Finance Authority

The Local Development Finance Authority (the "Authority" or "LDFA") was created to encourage local economic development to prevent conditions of unemployment and promote economic growth in the community. The Authority's governing body, consisting of 10 individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Authority does not issue its own financial statements.

Accounting and Reporting Principles

The City of Brighton, Michigan follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Note 1 - Significant Accounting Policies (Continued)

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, certain property taxes and special assessments will be collected after the period of availability; receivables have been recorded for these, along with deferred inflows of resources.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Major Streets Fund is used to account for the resources of state gas and weight tax revenue that are restricted for use on major streets. The funds are operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The City reports the following fund as a "major" enterprise fund:

- The Utility Fund accounts for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The fund accounts primarily for tax collections received and remitted to other units of government.

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

Restricted Assets

Unspent bond proceeds of the component units are required to be set aside for construction. These amounts have also been classified as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 1 - Significant Accounting Policies (Continued)

Infrastructure, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Roads and sidewalks	15-20
Water and sewer transmission lines	40-50
Retention/Equalization basin	40-50
Building/Treatment facilities	40-50
Building and building improvements	40-50
Furniture and equipment	3-15
Equipment and other	3-15
Other tools and equipment	3-7

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The Major Streets Fund, Capital Improvements Fund, the Utility Fund, and debt service funds are generally used to liquidate long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City reports the following deferred outflows of resources and deferred inflows of resources:

	Outflows	Inflows
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred charge on bond refunding	✓	
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)	✓	✓

Note 1 - Significant Accounting Policies (Continued)

Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital or restricted.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City has by resolution authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Note 1 - Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. The property taxes become a lien on July 1 and are due on August 15 with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2017 property tax revenue was levied and collectible on July 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the City totaled \$426.9 million (a portion of which is captured by the LDFA and DDA), on which taxes levied consisted of 15.2734 mills for operating purposes, 0.38 mills for public safety, and 0.1171 mills for economic development, as allowed by PA 359 of 1925. This resulted in approximately \$6.4 million for operating purposes (a portion of which is captured by the LDFA and DDA), approximately \$160,000 for public safety, and approximately \$49,000 for economic development. These amounts (less what is captured in the LDFA and DDA) are recognized in the respective General and Public Safety/Law Enforcement Fund financial statements as tax revenue (net of delinquent taxes and other fees).

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose 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 pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. 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.

Other Postemployment Benefit Costs

The City offers retiree healthcare benefits to eligible retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the General Fund and Utility Fund, primarily) are used to liquidate the obligations.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the Utility Fund is charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2018-2019 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

June 30, 2018

Note 2 - Stewardship, Compliance, and Accountability**Construction Code Fees**

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

Shortfall at July 1, 2017		\$	(1,296,178)
Current year permit revenue			397,168
Related expenses:			
Direct costs	\$	185,870	
Estimated indirect costs		13,940	199,810
Current year surplus			197,358
Cumulative shortfall June 30, 2018		\$	<u>(1,098,820)</u>

Note 3 - Deposits and Investments

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

The City has designated 11 banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$8,353,710 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The total amount of bank deposits (certificates of deposit and checking and savings accounts) insured at year end was \$3,363,007. Included in these amounts are bank deposits (certificate of deposit and checking and savings accounts) for component units, as the City utilizes pooled cash accounts, and each fund shares a proportionate share of the collateralized and insured amounts of total account balance. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

June 30, 2018

Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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

		Assets Measured at Fair Value on a Recurring Basis at June 30, 2018
		Balance at June 30, 2018
Investments measured at NAV - Michigan CLASS Investment Pool	\$	504,319

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Investments in Entities that Calculate Net Asset Value per Share

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

As of the year ended June 30, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS Investment Pool	\$ 504,319	\$ -	N/A	None

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

June 30, 2018

Note 5 - Capital Assets

Capital asset activity of the City was as follows:

Governmental Activities

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 13,530,821	\$ -	\$ -	\$ -	\$ 13,530,821
Construction in progress	1,244,094	(1,022,095)	168,270	(171,452)	218,817
Subtotal	14,774,915	(1,022,095)	168,270	(171,452)	13,749,638
Capital assets being depreciated:					
Roads and sidewalks	28,373,505	1,022,095	163,701	-	29,559,301
Building and building improvements	6,896,061	-	78,242	-	6,974,303
Machinery and equipment	3,099,250	-	743,989	(330,990)	3,512,249
Subtotal	38,368,816	1,022,095	985,932	(330,990)	40,045,853
Accumulated depreciation:					
Roads and sidewalks	21,140,785	-	1,079,769	-	22,220,554
Building and building improvements	3,378,348	-	173,628	-	3,551,976
Machinery and equipment	2,589,267	-	221,110	(310,242)	2,500,135
Subtotal	27,108,400	-	1,474,507	(310,242)	28,272,665
Net capital assets being depreciated	11,260,416	1,022,095	(488,575)	(20,748)	11,773,188
Net capital assets	\$ 26,035,331	\$ -	\$ (320,305)	\$ (192,200)	\$ 25,522,826

June 30, 2018

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 157,362	\$ -	\$ -	\$ -	\$ 157,362
Construction in progress	504,163	(471,471)	297,153	-	329,845
Subtotal	661,525	(471,471)	297,153	-	487,207
Capital assets being depreciated:					
Water and sewer transmission lines	26,595,760	-	164,850	-	26,760,610
Retention/Equalization basin	3,937,587	-	-	-	3,937,587
Building and building improvements	30,156,453	471,471	199,649	-	30,827,573
Machinery and equipment	1,274,828	-	51,513	-	1,326,341
Subtotal	61,964,628	471,471	416,012	-	62,852,111
Accumulated depreciation:					
Water and sewer transmission lines	13,229,452	-	621,502	-	13,850,954
Retention/Equalization basin	1,363,474	-	105,119	-	1,468,593
Building and building improvements	17,256,493	-	775,428	-	18,031,921
Machinery and equipment	1,099,909	-	64,131	-	1,164,040
Subtotal	32,949,328	-	1,566,180	-	34,515,508
Net capital assets being depreciated	29,015,300	471,471	(1,150,168)	-	28,336,603
Net capital assets	<u>\$ 29,676,825</u>	<u>\$ -</u>	<u>\$ (853,015)</u>	<u>\$ -</u>	<u>\$ 28,823,810</u>

June 30, 2018

Note 5 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2017	Additions	Balance June 30, 2018
Capital assets not being depreciated:			
Land	\$ 2,043,198	\$ -	\$ 2,043,198
Construction in progress	-	217,296	217,296
Subtotal	2,043,198	217,296	2,260,494
Capital assets being depreciated:			
Building and land improvements	5,738,119	-	5,738,119
Equipment and other	1,642,039	23,520	1,665,559
Subtotal	7,380,158	23,520	7,403,678
Accumulated depreciation:			
Building and building improvements	3,128,159	278,244	3,406,403
Equipment and other	1,415,431	38,919	1,454,350
Subtotal	4,543,590	317,163	4,860,753
Net capital assets being depreciated	2,836,568	(293,643)	2,542,925
Net capital assets	\$ 4,879,766	\$ (76,347)	\$ 4,803,419

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

Governmental activities:	
General government	\$ 31,919
Public safety	149,650
Public works	1,291,875
Economic development	1,063
Total governmental activities	\$ 1,474,507
Business-type activities - Water and sewer	\$ 1,566,180
Component unit activities - Downtown Development Authority	\$ 317,163

Construction Commitments

The City has active construction projects at year end. At year end, the City's commitments with contractors for projects are as follows:

	Spent to Date	Remaining Commitment
Second Street	\$ 208,110	\$ 2,019,154
Orndorf Pump	9,500	3,222,500
Millpond Amphitheater	144,496	595,004
Challis Road	-	488,168
Total	\$ 362,106	\$ 6,324,826

June 30, 2018

Note 6 - Interfund Receivables, Payables, and Transfers

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Capital Improvement Fund	\$ 439,742
	Street Debt Fund	387,955
	Major Streets Fund	49,617
	Local Streets Fund	23,924
	Total General Fund	901,238
Major Streets Fund	Local Streets Fund	50,000
	Total	<u>\$ 951,238</u>

The transfers from the General Fund to the Capital Improvement Fund, Street Debt Fund, Major Streets Fund, and the Local Streets Fund, as well as transfers from the Major Streets Fund to the Local Streets Fund, represent the use of resources to finance those programs.

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and contracts payable:					
General obligations	\$ 4,886,761	\$ 1,621,350	\$ (1,647,401)	\$ 4,860,710	\$ 615,945
Special assessment bonds	1,105,000	-	(215,000)	890,000	215,000
Total principal outstanding	5,991,761	1,621,350	(1,862,401)	5,750,710	830,945
Unamortized bond premiums	228,099	-	(22,810)	205,289	22,810
Total bonds and contracts payable	6,219,860	1,621,350	(1,885,211)	5,955,999	853,755
Compensated absences	626,441	294,015	(239,743)	680,713	272,285
Total governmental activities long-term debt	<u>\$ 6,846,301</u>	<u>\$ 1,915,365</u>	<u>\$ (2,124,954)</u>	<u>\$ 6,636,712</u>	<u>\$ 1,126,040</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	\$ 5,297,992	\$ 562,651	\$ (1,503,620)	\$ 4,357,023	\$ 983,320
Unamortized bond premiums	95,885	-	(21,864)	74,021	21,865
Total bonds payable	5,393,877	562,651	(1,525,484)	4,431,044	1,005,185
Compensated absences	143,070	86,069	(70,189)	158,950	104,878
Total business-type activities long-term debt	<u>\$ 5,536,947</u>	<u>\$ 648,720</u>	<u>\$ (1,595,673)</u>	<u>\$ 4,589,994</u>	<u>\$ 1,110,063</u>

June 30, 2018

Note 7 - Long-term Debt (Continued)

Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	\$ 1,070,964	\$ 2,500,000	\$ (272,702)	\$ 3,298,262	\$ 268,424

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City. General obligations outstanding at June 30, 2018 are as follows:

Description	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Limited Tax Refunding Bonds	2013	3.00%	October 2026	\$ 3,316,400
Installment Loan - Equipment	2017	1.70%	August 2022	401,960
2017 CIP and Refunding Bonds	2017	2.22%	October 2031	1,142,350
Total governmental activities				<u>\$ 4,860,710</u>
Business-type Activities				
Limited Tax Capital Improvement Bonds	2010	5.00% - 5.75%	October 2030	\$ 520,000
Limited Tax Refunding Bonds	2013	3.00%	October 2026	218,600
2013 County Refunding Bonds - Limited Tax	2013	1.25%	September 2021	285,000
2012 Michigan Municipal Bond Authority - Wastewater, Plant Expansion Refunding Bonds	2012	3.00%	November 2020	2,105,000
2004 Drinking Water Revolving Funds	2004	2.125%	October 2023	524,294
Installment Loan - Equipment	N/A	2.50%	December 2022	141,479
2017 Refunding Bonds	2017	2.22%	October 2031	562,650
Total business-type activities				<u>\$ 4,357,023</u>
Component Units				
2004 Local Development Bonds General Obligation Limited Tax	2002	5.20% - 5.45%	October 2023	\$ 240,000
Downtown Development Authority Land Contract Payable	2011	5.25%	September 2021	244,162
Downtown Development Authority Land Contract Payable	2015	6.00%	April 2025	314,100
2017 CIP Bonds	2017	2.22%	October 2027	2,500,000
Total component units				<u>\$ 3,298,262</u>

June 30, 2018

Note 7 - Long-term Debt (Continued)***Special Assessment Bonds***

Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the City) are received.

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Limited Tax, Challis Road and Cross Street Improvements	2002	4.70% - 5.00%	October 2021	\$ 800,000
Limited Tax, Orndorf Drive Road Improvements	2009	5.00% - 5.50%	October 2023	90,000
Total governmental activities				<u>\$ 890,000</u>

Other Long-term Liabilities

Compensated absences attributable to the governmental activities and business-type activities will be liquidated primarily by the General Fund and Utility Fund, respectively.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations (excluding compensated absences and premiums) are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 830,945	\$ 162,153	\$ 993,098	\$ 983,320	\$ 115,375	\$ 1,098,695	\$ 268,424	\$ 105,374	\$ 373,798
2020	782,542	135,821	918,363	1,008,320	87,823	1,096,143	274,214	97,704	371,918
2021	753,339	110,526	863,865	1,034,170	59,415	1,093,585	501,524	72,981	574,505
2022	777,504	85,163	862,667	216,667	42,066	258,733	280,000	62,319	342,319
2023	460,831	65,357	526,188	190,800	35,970	226,770	285,000	54,786	339,786
2024-2028	1,770,350	136,744	1,907,094	588,944	111,359	700,303	1,689,100	110,562	1,799,662
Thereafter	375,199	16,436	391,635	334,802	21,033	355,835	-	-	-
Total	<u>\$ 5,750,710</u>	<u>\$ 712,200</u>	<u>\$ 6,462,910</u>	<u>\$ 4,357,023</u>	<u>\$ 473,041</u>	<u>\$ 4,830,064</u>	<u>\$ 3,298,262</u>	<u>\$ 503,726</u>	<u>\$ 3,801,988</u>

Bond Refunding

During the year, the City issued \$1.7 million in general obligation (revenue) bonds with an average interest rate of 2.22 percent. The proceeds of these bonds were used to refund \$1.7 million of outstanding general obligation bonds with an average interest rate of 4.25 percent. The net proceeds of \$1.7 million (after payment of \$24,198 in underwriting fees, insurance, and other issuance costs) were placed with an escrow agent who subsequently paid off existing callable bonds. The refunding reduced total debt service payments over the next 14 years by approximately \$246,651, which represents an economic gain of approximately \$208,023.

Note 8 - Risk Management

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

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

Note 9 - Pension Plan

Plan Description

The City of Brighton, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers all full-time employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided

The plan provides retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers full-time employees at the City, with the exception of the city manager.

Retirement benefits for general nonunion administrative employees hired before July 1, 2014 are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with an early retirement option with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. A nonduty death benefit is payable after 10 years of service. A duty death benefit is payable upon hire equal to a minimum of 25 percent of the employee's final average compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. Current and future retirees are eligible for a cost of living adjustment of 2.50 percent annually, noncompounding.

Retirement benefits for police/fire employees are calculated as 2.50 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service (unreduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. A nonduty death benefit is payable after 10 years of service. A duty death benefit is payable upon hire equal to a minimum of 25 percent of the employee's final average compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Note 9 - Pension Plan (Continued)

Retirement benefits for DPW Local 214 (closed to new hires) employees are calculated as 2.00 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 20 years of service (unreduced) and 55 with 15 years of service (reduced) or 50 with 25 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. A nonduty death benefit is payable after 10 years of service. A duty death benefit is payable upon hire equal to a minimum of 25 percent of the employee's final average compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for clerical union employees are calculated as 2.00 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 15 years of service (reduced) or 50 with 25 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. A nonduty death benefit is payable after 10 years of service. A duty death benefit is payable upon hire equal to a minimum of 25 percent of the employee's final average compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for DPW Local 214 (new hire) employees are calculated as 2.00 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced), 55 with 15 years of service (reduced), or 50 with 25 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. A nonduty death benefit is payable after 10 years of service. A duty death benefit is payable upon hire equal to a minimum of 25 percent of the employee's final average compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for general nonunion administrative employees (hired after July 1, 2014) are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service (unreduced), 55 with 15 years of service (reduced), or 50 with 25 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. A nonduty death benefit is payable after 10 years of service. A duty death benefit is payable upon hire equal to a minimum of 25 percent of the employee's final average compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for the police chief division reflect bridged benefits from 2.50 percent multiplier with a frozen final average compensation to a 2.25 percent multiplier effective March 31, 2017. Normal retirement age is 60 with early retirement at 50 with 25 years of service (unreduced), or 55 with 15 years of service (reduced). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. A nonduty death benefit is payable after 10 years of service. A duty death benefit is payable upon hire equal to a minimum of 25 percent of the employee's final average compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

June 30, 2018

Note 9 - Pension Plan (Continued)

Benefit terms provide for annual cost of living adjustments to current retirees of all groups except for the general nonunion group hired after July 1, 2014. The annual adjustments are 2.5 percent, noncompounding.

Benefit terms are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and the police chief group employees benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms

At the December 31, 2017 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	41
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	49
	<hr/>
Total employees covered by the plan	100

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. MERS hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2018, the average active employee contribution rate was 5.0 percent of annual pay, and the City's average contribution rate was 20.12 percent of annual payroll for the various employee groups. The City's General Fund and Utility Fund are used to liquidate pension liabilities.

Net Pension Liability

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2018 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2017 measurement date. The December 31, 2017 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 22,159,574	\$ 13,320,253	\$ 8,839,321
Changes for the year:			
Service cost	386,140	-	386,140
Interest	1,731,810	-	1,731,810
Differences between expected and actual experience	(128,060)	-	(128,060)
Contributions - Employer	-	658,086	(658,086)
Contributions - Employee	-	244,263	(244,263)
Net investment income	-	1,761,885	(1,761,885)
Benefit payments, including refunds	(1,115,268)	(1,115,268)	-
Administrative expenses	-	(27,880)	27,880
Net changes	874,622	1,521,086	(646,464)
Balance at December 31, 2017	<u>\$ 23,034,196</u>	<u>\$ 14,841,339</u>	<u>\$ 8,192,857</u>

June 30, 2018

Note 9 - Pension Plan (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2018, the City recognized pension expense of \$1,090,086, of which \$883,606 is related to governmental activities and \$206,480 is related to business-type activities.

At June 30, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 92,427	\$ (102,448)
Changes in assumptions	370,451	-
Net difference between projected and actual earnings on pension plan investments	-	(313,992)
Employer contributions to the plan subsequent to the measurement date	379,188	-
Total	<u>\$ 842,066</u>	<u>\$ (416,440)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2019	\$ 244,507
2020	206,394
2021	(237,670)
2022	(166,793)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return of 8.00 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from 2009-2013.

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

June 30, 2018

Note 9 - Pension Plan (Continued)***Investment Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2017 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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

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

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the City	\$ 11,080,551	\$ 8,192,857	\$ 5,771,043

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Other Postemployment Benefit Plan***Plan Description***

The City provides retiree healthcare benefits for all eligible employees, their spouses, and dependents who meet eligibility requirements. The benefits are provided through a single-employer plan. All investments are held in the Municipal Employees' Retirement System of Michigan (MERS) Retiree Health Funding Vehicle. MERS issues a publicly available financial report. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917. Effective July 1, 2017 (and earlier for certain divisions), the plan was closed to new hires.

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)***Benefits Provided***

The plan provides healthcare, vision, and dental benefits for retirees, their spouses, and dependents. Benefits are provided to pre-Medicare retirees and their dependents through the City's third-party insurers, and the full cost of the health benefits is covered by the plan and 50 percent of dental and medical premiums. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	June 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	48
Active plan members	<u>33</u>
Total plan members	<u><u>81</u></u>

Contributions

All collective bargaining agreements require the City to pay or contribute toward the premium costs for continuation of health insurance for eligible retirees with 15 or more years of service. With 15 years of service, the City will pay 60 percent of the premium costs for coverage of the retiree. For each year of service in excess of 15 years, the City's contribution shall increase by 4 percent of the total premium, to a maximum contribution by the City of 100 percent at 25 or more years of service. The retiree shall be responsible to pay his or her share of any health insurance premium to the City before the premium is due. The City shall not be responsible or obligated to pay any premium if the retiree has not paid his or her contribution by the date it is due. The City will only pay or contribute toward premium costs for supplemental healthcare coverages for retirees and their spouses who are eligible for Medicare Part B coverage. The City's General Fund and Utility Fund are used to liquidate retiree healthcare liabilities.

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the City made payments for postemployment health benefit premiums of \$426,732. The City also made advance contributions during the year to the MERS Retiree Health Funding Vehicle in the amount of \$93,816.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2018 measurement date. The June 30, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 12,335,516	\$ 1,557,697	\$ 10,777,819
Changes for the year:			
Service cost	261,510	-	261,510
Interest	1,089,519	-	1,089,519
Differences between expected and actual experience	342,988	-	342,988
Changes in assumptions	965,220	-	965,220
Contributions - Employer	-	520,548	(520,548)
Net investment income	-	122,223	(122,223)
Benefit payments, including refunds	(426,732)	(426,732)	-
Administrative expenses	-	(3,931)	3,931
Net changes	2,232,505	212,108	2,020,397
Balance at June 30, 2018	<u>\$ 14,568,021</u>	<u>\$ 1,769,805</u>	<u>\$ 12,798,216</u>

The plan's fiduciary net position represents 12.15 percent of the total OPEB liability.

OPEB Expense 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 \$1,364,181.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 309,395	\$ -
Changes in assumptions	870,683	-
Net difference between projected and actual earnings on OPEB plan investments	-	(3,314)
Total	<u>\$ 1,180,078</u>	<u>\$ (3,314)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2019	\$ 127,301
2020	127,301
2021	127,301
2022	127,301
2023	128,130
Thereafter	539,430
Total	<u>\$ 1,176,764</u>

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.75 percent; an investment rate of return (net of investment expenses) of 7.59 percent; a healthcare cost trend rate of 9.0 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2028 and later years; and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.59 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
MERS EST Market Portfolio	15.60 %	6.70 %
MERS Total Market Portfolio	84.40	6.54

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.59 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.59%)	Current Discount Rate (7.59%)	1 Percent Increase (8.59%)
Net OPEB liability of the plan	\$ 14,984,269	\$ 12,798,216	\$ 11,012,683

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 9.00 percent, decreasing to 4.5 percent, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.0% Decreasing to 3.5%)	Current Healthcare Cost Trend Rate (9.0% Decreasing to 4.5%)	1 Percent Increase (10.0% Decreasing to 5.5%)
Net OPEB liability of the plan	\$ 10,865,560	\$ 12,798,216	\$ 15,191,979

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately issued financial report online at www.mersofmichigan.com. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Change

There were certain changes of assumptions that affected the measurement of the total OPEB liability since the prior measurement date. The estimated annual per capita claims costs and healthcare costs trend rate assumptions were updated based on the data available at the June 30, 2018 measurement date.

Note 11 - Tax Abatements

The City receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974). Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 10 years.

For the fiscal year ended June 30, 2018, the City abated \$30,584 of taxes under this program. The DDA and LDFA abated \$28,715 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Note 12 - Change in Accounting Principle

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces GASB Statement No. 45. As a result, the government-wide statements and proprietary funds now include a liability for the City's estimated unfunded OPEB costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure (Note 10) for further details. This change does not impact the modified accrual funds.

The financial statements for the year ended June 30, 2017 have been restated in order to adopt GASB Statement No. 75. The effect of this new standard was a decrease in net position to record the net OPEB liability at June 30, 2017. Additionally, the net OPEB obligation previously recorded in the government-wide statements and proprietary funds in accordance with GASB Statement No. 45 has been eliminated. The overall result was a decrease in net position as of the beginning of the current fiscal year.

The net effect of this change is as follows:

	Governmental Activities	Business-type Activities
Net position - June 30, 2017 - As previously reported	\$ 13,261,374	\$ 26,948,271
Adjustment for GASB Statement No. 75 - To record the net OPEB liability	(9,156,863)	(1,620,956)
Adjustment for GASB Statement No. 75 - To eliminate net OPEB obligation under GASB Statement No. 45	3,465,406	365,999
Net position - June 30, 2017 - As restated	<u>\$ 7,569,917</u>	<u>\$ 25,693,314</u>

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,863,326	\$ 5,863,326	\$ 5,833,683	\$ (29,643)
State-shared revenue and grants	650,360	881,083	895,486	14,403
Charges for services	696,446	696,446	732,104	35,658
Fines, forfeitures, and penalties	274,168	274,168	273,654	(514)
Licenses and permits	357,600	562,600	596,211	33,611
Unrestricted investment interest	32,863	32,863	63,219	30,356
Other revenue	107,350	113,350	155,750	42,400
Total revenue	7,982,113	8,423,836	8,550,107	126,271
Expenditures				
Current services:				
General government:				
City Council	26,534	31,534	24,504	7,030
City manager	207,291	246,491	234,065	12,426
Information systems	99,970	103,770	103,752	18
Finance	597,251	597,251	560,198	37,053
City clerk	166,220	166,220	152,709	13,511
Legal services	169,751	205,251	190,443	14,808
Human resources	119,241	119,241	116,717	2,524
Postemployment benefits	84,563	91,563	90,183	1,380
Public safety	2,860,930	2,896,122	2,836,507	59,615
Public works	2,224,973	2,320,127	2,017,750	302,377
Community development	207,545	140,627	75,477	65,150
Total expenditures	6,764,269	6,918,197	6,402,305	515,892
Excess of Revenue Over Expenditures	1,217,844	1,505,639	2,147,802	642,163
Other Financing Uses - Transfers out	(1,177,948)	(1,160,776)	(910,738)	250,038
Net Change in Fund Balance	39,896	344,863	1,237,064	892,201
Fund Balance - Beginning of year	2,045,096	2,045,096	2,045,096	-
Fund Balance - End of year	<u>\$ 2,084,992</u>	<u>\$ 2,389,959</u>	<u>\$ 3,282,160</u>	<u>\$ 892,201</u>

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Fund
Major Streets Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 166,412	\$ 126,527	\$ 126,853	\$ 326
State-shared revenue and grants	450,000	550,270	559,116	8,846
Licenses and permits	25,000	25,000	29,277	4,277
Unrestricted investment interest	48,886	37,621	37,926	305
Other revenue	6,929	6,929	8,072	1,143
Total revenue	697,227	746,347	761,244	14,897
Expenditures				
Current services:				
Public works:				
Streets	102,000	144,800	138,992	5,808
Stormwater drainage	1,500	28,000	16,637	11,363
Routine maintenance	139,359	185,874	165,934	19,940
Winter maintenance	136,478	105,959	90,948	15,011
Traffic services	64,207	62,250	56,869	5,381
General administration	7,606	19,162	19,162	-
Debt service	265,024	265,150	265,150	-
Total expenditures	716,174	811,195	753,692	57,503
Excess of Revenue (Under) Over Expenditures	(18,947)	(64,848)	7,552	72,400
Other Financing Sources (Uses)				
Transfers in	85,000	85,000	49,617	(35,383)
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	35,000	35,000	(383)	(35,383)
Net Change in Fund Balance	16,053	(29,848)	7,169	37,017
Fund Balance - Beginning of year	94,332	94,332	94,332	-
Fund Balance - End of year	<u>\$ 110,385</u>	<u>\$ 64,484</u>	<u>\$ 101,501</u>	<u>\$ 37,017</u>

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Four Fiscal Years (subsequent to GASB 68 implementation in FY 2015)			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 386,140	\$ 407,326	\$ 394,320	\$ 405,232
Interest	1,731,810	1,653,911	1,535,088	1,438,814
Changes in benefit terms	-	-	(25,056)	-
Differences between expected and actual experience	(128,060)	103,238	76,212	-
Changes in assumptions	-	-	926,128	-
Benefit payments, including refunds	(1,115,268)	(950,236)	(742,672)	(600,570)
Net Change in Total Pension Liability	874,622	1,214,239	2,164,020	1,243,476
Total Pension Liability - Beginning of year	22,159,574	20,945,335	18,781,315	17,537,839
Total Pension Liability - End of year	\$ 23,034,196	\$ 22,159,574	\$ 20,945,335	\$ 18,781,315
Plan Fiduciary Net Position				
Contributions - Employer	\$ 658,086	\$ 584,909	\$ 583,850	\$ 556,493
Contributions - Member	244,263	180,773	170,541	133,499
Net investment income (loss)	1,761,885	1,390,411	(199,183)	736,585
Administrative expenses	(27,880)	(27,479)	(27,758)	(27,151)
Benefit payments, including refunds	(1,115,268)	(950,236)	(742,672)	(600,570)
Net Change in Plan Fiduciary Net Position	1,521,086	1,178,378	(215,222)	798,856
Plan Fiduciary Net Position - Beginning of year	13,320,253	12,141,875	12,357,097	11,558,241
Plan Fiduciary Net Position - End of year	\$ 14,841,339	\$ 13,320,253	\$ 12,141,875	\$ 12,357,097
City's Net Pension Liability - Ending	\$ 8,192,857	\$ 8,839,321	\$ 8,803,460	\$ 6,424,218
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.43 %	60.11 %	57.97 %	65.79 %
Covered Employee Payroll	\$ 3,498,942	\$ 3,510,572	\$ 3,533,771	\$ 3,572,072
City's Net Pension Liability as a Percentage of Covered Employee Payroll	234.15 %	251.79 %	249.12 %	179.85 %

Required Supplemental Information
Pension System Schedule of City Contributions

Last Ten Fiscal Years
Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 743,929	\$ 576,133	\$ 606,733	\$ 731,484	\$ 664,441	\$ 634,445	\$ 588,055	\$ 608,252	\$ 511,262	\$ 499,699
Contributions in relation to the actuarially determined contribution	743,929	576,133	606,733	731,484	664,441	634,445	588,055	608,252	511,262	499,699
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 3,698,193	\$ 3,791,017	\$ 3,533,771	\$ 3,572,072	\$ 3,361,410	\$ 3,391,420	\$ 3,248,929	\$ 3,389,919	\$ 3,654,991	\$ 3,688,786
Contributions as a Percentage of Covered Employee Payroll	20.12 %	15.20 %	17.17 %	20.48 %	19.77 %	18.71 %	18.10 %	17.94 %	13.99 %	13.55 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 years
Asset valuation method	10-year smoothed
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	7.75 percent
Retirement age	Varies depending on plan adoption
Mortality	50 percent female/50 percent male blend of RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables
Other information	None

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Fiscal Year
(schedule is built prospectively upon implementation of GASB 75)

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 261,510
Interest	1,089,519
Differences between expected and actual experience	342,988
Changes in assumptions	965,220
Benefit payments, including refunds	<u>(426,732)</u>
Net Change in Total OPEB Liability	2,232,505
Total OPEB Liability - Beginning of year	<u>12,335,516</u>
Total OPEB Liability - End of year	<u>\$ 14,568,021</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 520,548
Net investment income	122,223
Administrative expenses	(3,931)
Benefit payments, including refunds	<u>(426,732)</u>
Net Change in Plan Fiduciary Net Position	212,108
Plan Fiduciary Net Position - Beginning of year	<u>1,557,697</u>
Plan Fiduciary Net Position - End of year	<u>\$ 1,769,805</u>
Net OPEB Liability - Ending	<u>\$ 12,798,216</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	12.15 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Nine Fiscal Years
Year Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 351,075	\$ 951,817	\$ 639,057	\$ 738,327	\$ 754,345	\$ 764,433	\$ 762,551	\$ 1,069,544	\$ 1,044,518
Contributions in relation to the actuarially determined contribution	520,548	423,351	420,174	421,860	368,875	341,702	342,847	379,688	282,020
Contribution Excess (Deficiency)	\$ 169,473	\$ (528,466)	\$ (218,883)	\$ (316,467)	\$ (385,470)	\$ (422,731)	\$ (419,704)	\$ (689,856)	\$ (762,498)

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar (closed)
Remaining amortization period	10.21 years
Asset valuation method	Market value plus receivable contributions
Inflation	2.5 percent
Healthcare cost trend rates	Starting at 9.0 percent for 2018 and decreasing to 4.5 percent in year 2028 for medical and prescription; dental/vision remaining constant at 4.5 percent
Salary increase	3.75 percent
Investment rate of return	7.59 percent
Retirement age	60 years
Mortality	50 percent female/50 percent male blend of RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables
Other information	None

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law.

Expenditures are authorized via an annual budget passed by resolution in which the council authorizes the level of funding for city operations. The council adopts an activity-level budget for the General Fund, which is considered the maximum authorization to incur liabilities and not a mandate to spend. The council adopts a fund-level budget for all other governmental funds. No obligation shall be incurred against, and no payment shall be made from, any appropriation account that lacks a sufficient balance available to meet the obligation.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Budgetary Process

The City's annual budget process for the subsequent year begins soon after the audited annual financial report for the prior year is presented to the City Council. After the audit presentation, the City Council holds an annual fall goal-setting retreat, which results in the establishment of the City's goals and objectives for the following year. Soon after the council's annual goal-setting retreat, staff prepare a six-year capital improvement program (CIP), which is reviewed by the planning commission and adopted by the City Council in February. The first year of the adopted six-year CIP is then considered for inclusion in the next year's requested budget document. In January of each year, staff begin developing the operating budget for the next year. In March of each year, the city manager presents to the City Council the manager's recommended budget for the next year. In April and May of each year, the City Council reviews the manager's recommended budget, makes changes at their discretion, holds a public hearing, and ultimately adopts the city budget for the fiscal year, which begins the next July 1. The governmental funds that have legally adopted annual budgets are the General Fund, the Major Streets Fund, the Local Streets Fund, the Capital Improvement Fund, the Principal Shopping District Fund, the Arts and Cultural Commission Fund, the Street Debt Fund, the Imagination Station Maintenance Fund, the State Drug Law Enforcement Fund, Federal Drug Law Enforcement Fund, and the Public Safety/Law Enforcement Fund.

In accordance with GASB Statement No. 54, the Imagination Station Maintenance Fund, Principal Shopping District Fund, and Arts and Cultural Commission Fund are presented within the General Fund for financial reporting purposes, but are not budgeted in that manner.

A reconciliation of the General Fund budgetary comparison schedule to the fund-based statement of changes in fund balance is as follows:

	Total Revenue	Total Expenditures	Operating Transfers	Change in Fund Balance
Amounts per operating statement	\$ 8,660,012	\$ 6,492,674	\$ 901,238	\$ 1,266,100
Transfers to funds merged into the General Fund in accordance with GASB Statement No. 54	9,500	-	9,500	-
Imagination Station Reserve Fund	(9,604)	(3,833)	-	(5,771)
Principal Shopping District	(90,232)	(64,629)	-	(25,603)
Arts and Cultural Commission Fund	(19,569)	(21,907)	-	2,338
Amounts per budget statement	<u>\$ 8,550,107</u>	<u>\$ 6,402,305</u>	<u>\$ 910,738</u>	<u>\$ 1,237,064</u>

OPEB - Changes in Assumptions

There were certain changes of assumptions that affected the measurement of the total OPEB liability since the prior measurement date. The estimated annual per capita claims costs and healthcare cost trend rate assumptions were updated based on the data available at the June 30, 2018 measurement date.

Other Supplemental Information

City of Brighton, Michigan

	Nonmajor Special Revenue Funds			
	State Drug Law Enforcement Fund	Public Safety/Law Enforcement Fund	Federal Drug Law Enforcement Fund	Local Streets Fund
Assets				
Cash and investments	\$ 4,915	\$ 74,816	\$ 160,044	\$ 91,120
Receivables:				
Delinquent taxes	-	421	-	-
Other receivables	-	-	-	-
Due from other governments	-	-	-	30,611
Prepays	-	-	-	277
Total assets	\$ 4,915	\$ 75,237	\$ 160,044	\$ 122,008
Liabilities - Accounts payable	\$ 750	\$ 26,702	\$ 677	\$ 113,508
Deferred Inflows of Resources - Unavailable revenue - Property taxes	-	421	-	-
Fund Balances				
Nonspendable	-	-	-	277
Restricted:				
Roads	-	-	-	8,223
Federal/State drug law enforcement	4,165	-	159,367	-
Law enforcement/Public safety	-	48,114	-	-
Total fund balances	4,165	48,114	159,367	8,500
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,915	\$ 75,237	\$ 160,044	\$ 122,008

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	
Street Debt Fund	Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ -	\$ 85,218	\$ 416,113
-	-	421
-	28,001	28,001
-	-	30,611
-	-	277
\$ -	\$ 113,219	\$ 475,423
\$ -	\$ 113,219	\$ 254,856
-	-	421
-	-	277
-	-	8,223
-	-	163,532
-	-	48,114
-	-	220,146
\$ -	\$ 113,219	\$ 475,423

City of Brighton, Michigan

	Nonmajor Special Revenue Funds			
	State Drug Law Enforcement Fund	Public Safety/Law Enforcement Fund	Federal Drug Law Enforcement Fund	Local Streets Fund
Revenue				
Property taxes	\$ -	\$ 160,428	\$ -	\$ -
State-shared revenue and grants - State sources	-	-	-	178,985
Fines, forfeitures, and penalties	-	299	32,780	-
Licenses and permits	-	-	-	2,300
Unrestricted investment interest	22	706	630	73
Total revenue	22	161,433	33,410	181,358
Expenditures				
Current services:				
Public safety	1,484	24,708	3,492	-
Public works	-	-	-	273,996
Capital outlay	934	211,284	-	-
Debt service	-	-	-	-
Total expenditures	2,418	235,992	3,492	273,996
Excess of Revenue (Under) Over Expenditures	(2,396)	(74,559)	29,918	(92,638)
Other Financing Sources				
Transfers in	-	-	-	73,924
Face value of debt issue	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Sale of capital assets	-	11,132	-	-
Total other financing sources	-	11,132	-	73,924
Net Change in Fund Balances	(2,396)	(63,427)	29,918	(18,714)
Fund Balances - Beginning of year	6,561	111,541	129,449	27,214
Fund Balances - End of year	\$ 4,165	\$ 48,114	\$ 159,367	\$ 8,500

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2018

Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	
Street Debt Fund	Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 160,428
-	-	178,985
-	-	33,079
-	1,500	3,800
-	529	1,960
-	2,029	378,252
-	-	29,684
-	-	273,996
-	667,411	879,629
408,055	291,678	699,733
408,055	959,089	1,883,042
(408,055)	(957,060)	(1,504,790)
387,955	439,742	901,621
1,142,350	479,000	1,621,350
(1,122,250)	-	(1,122,250)
-	37,574	48,706
408,055	956,316	1,449,427
-	(744)	(55,363)
-	744	275,509
\$ -	\$ -	\$ 220,146

City of Brighton, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds State Drug Law Enforcement

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Unrestricted investment interest	\$ -	\$ -	\$ 22	\$ 22
Expenditures				
Current services - Public safety	2,720	2,720	1,484	1,236
Capital outlay	-	1,000	934	66
Total expenditures	2,720	3,720	2,418	1,302
Net Change in Fund Balance	(2,720)	(3,720)	(2,396)	1,324
Fund Balance - Beginning of year	6,561	6,561	6,561	-
Fund Balance - End of year	<u>\$ 3,841</u>	<u>\$ 2,841</u>	<u>\$ 4,165</u>	<u>\$ 1,324</u>

City of Brighton, Michigan

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Public Safety/Law Enforcement Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 161,737	\$ 161,737	\$ 160,428	\$ (1,309)
Fines, forfeitures, and penalties	-	-	299	299
Unrestricted investment interest	-	-	706	706
Total revenue	161,737	161,737	161,433	(304)
Expenditures				
Current services - Public safety	22,550	24,750	24,708	42
Capital outlay	206,000	245,732	211,284	34,448
Total expenditures	228,550	270,482	235,992	34,490
Excess of Expenditures Over Revenue	(66,813)	(108,745)	(74,559)	34,186
Other Financing Sources - Sale of capital assets	-	-	11,132	11,132
Net Change in Fund Balance	(66,813)	(108,745)	(63,427)	45,318
Fund Balance - Beginning of year	111,541	111,541	111,541	-
Fund Balance - End of year	<u><u>\$ 44,728</u></u>	<u><u>\$ 2,796</u></u>	<u><u>\$ 48,114</u></u>	<u><u>\$ 45,318</u></u>

City of Brighton, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Federal Drug Law Enforcement

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Fines, forfeitures, and penalties	\$ -	\$ -	\$ 32,780	\$ 32,780
Unrestricted investment interest	50	50	630	580
Total revenue	50	50	33,410	33,360
Expenditures - Current services - Public safety	28,000	28,000	3,492	24,508
Net Change in Fund Balance	(27,950)	(27,950)	29,918	57,868
Fund Balance - Beginning of year	129,449	129,449	129,449	-
Fund Balance - End of year	<u>\$ 101,499</u>	<u>\$ 101,499</u>	<u>\$ 159,367</u>	<u>\$ 57,868</u>

City of Brighton, Michigan

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Local Streets Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
State-shared revenue and grants	\$ 160,000	\$ 160,000	\$ 178,985	\$ 18,985
Licenses and permits	2,475	2,475	2,300	(175)
Unrestricted investment interest	-	-	73	73
Total revenue	162,475	162,475	181,358	18,883
Expenditures - Current services - Public works	284,344	284,344	273,996	10,348
Excess of Expenditures Over Revenue	(121,869)	(121,869)	(92,638)	29,231
Other Financing Sources - Transfers in	130,000	130,000	73,924	(56,076)
Net Change in Fund Balance	8,131	8,131	(18,714)	(26,845)
Fund Balance - Beginning of year	27,214	27,214	27,214	-
Fund Balance - End of year	<u><u>\$ 35,345</u></u>	<u><u>\$ 35,345</u></u>	<u><u>\$ 8,500</u></u>	<u><u>\$ (26,845)</u></u>

City of Brighton, Michigan

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Street Debt

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures - Debt service	396,828	411,859	408,055	3,804
Excess of Expenditures Over Revenue	(396,828)	(411,859)	(408,055)	3,804
Other Financing Sources (Uses)				
Transfers in	396,828	395,647	387,955	(7,692)
Face value of debt issue	-	1,142,350	1,142,350	-
Payment to bond refunding escrow agent	-	(1,126,138)	(1,122,250)	3,888
Total other financing sources (uses)	396,828	411,859	408,055	(3,804)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brighton, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Capital Improvement Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Unrestricted investment interest	-	-	529	529
Total revenue	1,500	1,500	2,029	529
Expenditures				
Capital outlay	402,500	817,026	667,411	149,615
Debt service	205,620	291,678	291,678	-
Total expenditures	608,120	1,108,704	959,089	149,615
Excess of Expenditures Over Revenue	(606,620)	(1,107,204)	(957,060)	150,144
Other Financing Sources				
Transfers in	606,620	590,630	439,742	(150,888)
Face value of debt issue	-	479,000	479,000	-
Sale of capital assets	-	37,574	37,574	-
Total other financing sources	606,620	1,107,204	956,316	(150,888)
Net Change in Fund Balance	-	-	(744)	(744)
Fund Balance - Beginning of year	-	-	744	744
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brighton, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds

June 30, 2018

	July 1, 2017	Additions	Deductions	June 30, 2018
Assets - Cash and investments	\$ 1,919	\$ 13,441,843	\$ (13,442,093)	\$ 1,669
Liabilities	\$ 1,919	\$ 13,460,137	\$ (13,460,387)	\$ 1,669

**Other Supplemental Information
Balance Sheet/Statement of Net Position
Downtown Development Authority**

June 30, 2018

	Downtown Development Authority	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 466,522	\$ -	\$ 466,522
Receivables	15,548	-	15,548
Prepays	11,948	-	11,948
Restricted cash	1,873,169	-	1,873,169
Capital assets - Net	-	4,803,419	4,803,419
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,367,187</u>	4,803,419	7,170,606
Liabilities			
Accounts payable	\$ 66,897	-	66,897
Accrued liabilities and other	14,850	-	14,850
Long-term debt	-	3,058,262	3,058,262
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	81,747	3,058,262	3,140,009
Fund Balance - Unassigned	<u>2,285,440</u>	<u>(2,285,440)</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 2,367,187</u>		
Net Position			
Net investment in capital assets		3,618,326	3,618,326
Unrestricted		412,271	412,271
		<u> </u>	<u> </u>
Total net position		<u>\$ 4,030,597</u>	<u>\$ 4,030,597</u>

City of Brighton, Michigan

Other Supplemental Information Statement of Revenue, Expenditures, and Changes in Fund Balance/ Statement of Activities Downtown Development Authority

Year Ended June 30, 2018

	Downtown Development Authority	Adjustments	Statement of Activities
Revenue			
Property taxes	\$ 754,910	\$ -	\$ 754,910
State-shared revenue and grants	81,673	-	81,673
Unrestricted investment interest	20,551	-	20,551
Other revenue	1,511	20,000	21,511
Total revenue	858,645	20,000	878,645
Expenditures			
Community development	940,671	317,163	1,257,834
Capital outlay	240,816	(240,816)	-
Debt service:			
Principal	237,702	(237,702)	-
Interest and fiscal charges	84,222	-	84,222
Total expenditures	1,503,411	(161,355)	1,342,056
Excess of Expenditures Over Revenue	(644,766)	181,355	(463,411)
Other Financing Sources			
Face value of debt issue	2,500,000	(2,500,000)	-
Proceeds from the sale of long-term asset	65,000	(65,000)	-
Total other financing sources	2,565,000	(2,565,000)	-
Net Change in Fund Balance/Net Position	1,920,234	(2,383,645)	(463,411)
Fund Balance/Net Position - Beginning of year	365,206	4,128,802	4,494,008
Fund Balance/Net Position - End of year	\$ 2,285,440	\$ 1,745,157	\$ 4,030,597

Other Supplemental Information
Balance Sheet/Statement of Net Position
Local Development Finance Authority

June 30, 2018

	Local Development Finance Authority	Adjustments	Statement of Net Position
Assets - Cash and cash equivalents	<u><u>\$ 86,197</u></u>	\$ -	\$ 86,197
Liabilities			
Accrued liabilities and other	\$ 3,201	-	3,201
Long-term debt	<u>-</u>	<u>240,000</u>	<u>240,000</u>
Total liabilities	3,201	240,000	243,201
Fund Balance - Unassigned	<u>82,996</u>	<u>(82,996)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 86,197</u></u>		
Net Deficit		<u><u>\$ (157,004)</u></u>	<u><u>\$ (157,004)</u></u>

City of Brighton, Michigan

Other Supplemental Information Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Local Development Finance Authority

Year Ended June 30, 2018

	Local Development Finance Authority	Adjustments	Statement of Activities
Revenue			
Property taxes	\$ 84,848	\$ -	\$ 84,848
State-shared revenue and grants	9,793	-	9,793
Unrestricted investment interest	538	-	538
Total revenue	95,179	-	95,179
Expenditures			
Community development	33,318	-	33,318
Debt service:			
Principal	35,000	(35,000)	-
Interest and fiscal charges	14,005	-	14,005
Total expenditures	82,323	(35,000)	47,323
Net Change in Fund Balance/Net Position	12,856	35,000	47,856
Fund Balance/Net Position - Beginning of year	70,140	(275,000)	(204,860)
Fund Balance/Net Position - End of year	\$ 82,996	\$ (240,000)	\$ (157,004)

Statistical Section

Description of Statistical Section

This part of the City of Brighton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.
- Revenue capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.
- Debt capacity - These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
- Demographic and economic information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.
- Operating information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Brighton, Michigan

		As of June 30			
		2009	2010	2011	2012
Governmental Activities					
Net investment in capital assets	\$	20,539,886	\$ 21,280,993	\$ 20,780,160	\$ 20,392,406
Restricted		3,157,947	2,826,733	2,559,604	2,355,100
Unrestricted		<u>481,840</u>	<u>(514,333)</u>	<u>(625,820)</u>	<u>850,367</u>
Total net position		24,179,673	23,593,393	22,713,944	23,597,873
Business-type Activities					
Net investment in capital assets		27,453,406	26,290,684	26,171,909	25,351,552
Restricted		-	630,000	-	-
Unrestricted		<u>1,805,252</u>	<u>1,119,981</u>	<u>1,152,318</u>	<u>1,503,663</u>
Total net position		<u>29,258,658</u>	<u>28,040,665</u>	<u>27,324,227</u>	<u>26,855,215</u>
Primary Government in Total					
Net investment in capital assets		47,681,981	47,571,677	46,952,069	45,743,958
Restricted		3,157,947	3,456,733	2,559,604	663,590
Unrestricted		<u>2,287,092</u>	<u>605,648</u>	<u>526,498</u>	<u>2,344,806</u>
Total net position	\$	<u>53,127,020</u>	<u>51,634,058</u>	<u>50,038,171</u>	<u>48,752,354</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Financial Trend Information
Net Position by Component
Last Ten Fiscal Years

As of June 30					
2013	2014	2015	2016	2017	2018
\$ 19,941,607	\$ 18,878,877	\$ 18,687,470	\$ 19,363,331	\$ 20,092,730	\$ 19,816,360
2,100,973	1,899,223	1,692,565	1,460,894	1,354,762	650,454
(1,215,537)	(6,183,721)	(6,611,195)	(7,210,082)	(8,186,118)	(13,347,865)
20,827,043	14,594,379	13,768,840	13,614,143	13,261,374	7,118,949
24,760,603	24,206,346	23,922,458	24,109,024	24,310,660	24,417,707
-	-	-	-	-	-
1,844,621	691,925	969,664	943,480	2,637,611	2,349,241
26,605,224	24,898,271	24,892,122	25,052,504	26,948,271	26,766,948
44,702,210	43,085,223	42,609,928	43,472,355	44,403,390	44,234,067
2,100,973	1,899,223	1,692,565	1,460,894	1,354,762	650,454
629,084	(5,491,796)	(5,641,531)	(6,266,602)	(5,548,507)	(10,998,624)
\$ 47,432,267	\$ 39,492,650	\$ 38,660,962	\$ 38,666,647	\$ 40,209,645	\$ 33,885,897

City of Brighton, Michigan

	Fiscal Year Ended June 30			
	2009	2010	2011	2012
Expenses				
Governmental Activities:				
General government	\$ 2,472,165	\$ 2,309,301	\$ 2,087,163	\$ 2,168,443
Public safety	2,410,316	2,794,089	2,698,518	2,653,575
Public works	4,161,139	4,039,665	3,769,179	3,674,221
Community development	407,174	485,429	487,858	516,588
Interest on long-term debt	562,972	536,291	493,284	459,547
Total governmental activities expenses	10,013,766	10,164,775	9,536,002	9,472,374
Business-type activities - Water and sewer:	4,227,377	4,553,297	4,367,994	4,325,144
Total primary government expenses	14,241,143	14,718,072	13,903,996	13,797,518
Program Revenue				
Governmental Activities:				
Charges for services - General government	397,968	487,488	505,061	496,462
Charges for services - Public safety	346,522	349,657	319,401	299,944
Charges for services - Public works	-	-	138,847	540,188
Charges for services - Community Development	-	-	-	-
Operating grants and contributions	446,403	1,336,369	402,355	446,248
Capital grants and contributions	401,761	-	26,025	500
Total governmental activities program revenue	1,592,654	2,173,514	1,391,689	1,783,342
Business-type activities - Water and sewer:				
Charges for services	3,322,796	3,046,378	3,361,774	3,607,045
Operating grants and contributions	-	-	-	-
Capital grants and contributions	646,237	283,536	285,080	245,890
Total business-type activities program revenue	3,969,033	3,329,914	3,646,854	3,852,935
Total primary government program revenue	5,561,687	5,503,428	5,038,543	5,636,277
Net (Expenses) Revenue				
Governmental activities	(8,421,112)	(7,991,261)	(8,144,313)	(7,689,032)
Business-type activities	(258,344)	(1,223,383)	(721,140)	(472,209)
Total primary government net expense	(8,679,456)	(9,214,644)	(8,865,453)	(8,161,241)
General Revenue				
Governmental Activities:				
Property taxes	6,302,824	6,204,750	6,183,250	5,821,413
Special assessments	-	-	-	-
State-shared revenue	582,580	536,136	611,656	646,508
Investment earnings	229,198	143,812	153,275	138,431
Other	294,734	520,283	286,007	257,671
Gain/Loss on disposal of asset	-	-	30,676	8,204
Total governmental activities revenue	7,409,336	7,404,981	7,264,864	6,872,227
Business-type activities - Investment income	18,289	5,390	4,702	3,197
Total primary government	7,427,625	7,410,371	7,269,566	6,875,424
Impact of GASB Statement No. 68	-	-	-	-
Impact of GASB Statement No. 75	-	-	-	-
Change in Net Position	\$ (1,251,831)	\$ (1,804,273)	\$ (1,595,887)	\$ (1,285,817)

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Financial Trend Information

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year Ended June 30					
2013	2014	2015	2016	2017	2018
\$ 1,840,373	\$ 1,802,904	\$ 1,686,985	\$ 1,861,586	\$ 1,544,770	\$ 1,538,298
2,741,069	2,818,030	3,064,464	3,160,650	3,584,155	3,664,694
3,695,213	3,857,556	3,990,950	3,606,873	3,908,915	4,148,675
578,601	662,880	765,784	743,270	787,550	526,269
459,104	323,283	280,040	253,091	227,747	214,003
9,314,360	9,464,653	9,788,223	9,625,470	10,053,137	10,091,939
4,147,395	4,316,231	4,209,829	4,346,161	4,234,750	4,453,286
13,461,755	13,780,884	13,998,052	13,971,631	14,287,887	14,545,225
523,116	446,057	784,438	394,462	400,802	399,916
300,142	297,201	257,625	173,911	162,053	158,550
545,503	552,101	785,228	598,394	627,675	639,760
-	-	-	275,466	269,551	422,538
457,293	475,005	494,412	518,838	474,025	759,346
1,685	28,059	79,401	660,611	961,893	-
1,827,739	1,798,423	2,401,104	2,621,682	2,895,999	2,380,110
3,509,474	3,401,513	3,309,023	3,443,717	3,662,162	3,682,830
-	-	-	160,501	108,183	173,687
384,097	242,288	887,609	889,892	2,340,484	1,634,200
3,893,571	3,643,801	4,196,632	4,494,110	6,110,829	5,490,717
5,721,310	5,442,224	6,597,736	7,115,792	9,006,828	7,870,827
(7,486,621)	(7,666,230)	(7,387,119)	(7,003,788)	(7,157,138)	(7,711,829)
(253,824)	(672,430)	(13,197)	147,949	1,876,079	1,037,431
(7,740,445)	(8,338,660)	(7,400,316)	(6,855,839)	(5,281,059)	(6,674,398)
5,458,202	5,053,574	5,452,696	5,735,336	5,901,323	6,012,882
-	-	76,007	-	-	-
613,218	637,657	681,895	761,152	666,436	923,521
128,178	112,530	108,836	111,027	88,244	103,630
212,427	301,429	242,146	241,576	148,366	220,828
4,500	-	-	-	-	-
6,416,525	6,105,190	6,561,580	6,849,091	6,804,369	7,260,861
3,833	4,884	7,048	12,433	19,688	36,203
6,420,358	6,110,074	6,568,628	6,861,524	6,824,057	7,297,064
-	(5,711,031)	-	-	-	-
-	-	-	-	-	(6,946,414)
\$ (1,320,087)	\$ (7,939,617)	\$ (831,688)	\$ 5,685	\$ 1,542,998	\$ (6,323,748)

City of Brighton, Michigan

	Fiscal Year Ended June 30			
	2009	2010	2011	2012
General Fund				
Nonspendable	\$ 327,659	\$ 327,659	\$ 327,659	\$ 327,659
Restricted	2,138	2,138	2,138	2,138
Committed	-	-	-	20,000
Assigned	206,978	14,600	6,988	18,746
Unassigned	<u>833,806</u>	<u>873,991</u>	<u>1,320,375</u>	<u>1,537,954</u>
Total General Fund	1,370,581	1,218,388	1,657,160	1,906,497
All Other Governmental Funds				
Nonspendable	-	-	-	-
Restricted/Assigned - Reported in:				
Special Revenue Funds	702,459	338,210	401,557	333,793
Capital Project Funds	129,432	973	1,150	8,827
Debt Service Funds	-	-	-	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>831,891</u>	<u>339,183</u>	<u>402,707</u>	<u>342,620</u>
Total	<u>\$ 2,202,472</u>	<u>\$ 1,557,571</u>	<u>\$ 2,059,867</u>	<u>\$ 2,249,117</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Financial Trend Information
Governmental Funds Fund Balance
Last Ten Fiscal Years

Fiscal Year Ended June 30					
2013	2014	2015	2016	2017	2018
\$ 336,244	\$ 364,783	\$ 347,401	\$ 450,008	\$ 506,096	\$ 474,000
2,138	2,138	-	-	50	1,148
77,139	77,139	108,089	108,089	108,089	108,089
42,133	47,582	48,773	79,973	451,415	1,391,579
<u>1,477,407</u>	<u>1,171,908</u>	<u>1,061,125</u>	<u>1,211,115</u>	<u>1,021,687</u>	<u>1,378,621</u>
1,935,061	1,663,550	1,565,388	1,849,185	2,087,337	3,353,437
-	-	-	-	2,202	2,198
246,848	212,369	174,523	126,551	366,895	319,449
3	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,310)</u>	<u>744</u>	<u>-</u>
<u>246,851</u>	<u>212,369</u>	<u>174,523</u>	<u>109,241</u>	<u>369,841</u>	<u>321,647</u>
<u>\$ 2,181,912</u>	<u>\$ 1,875,919</u>	<u>\$ 1,739,911</u>	<u>\$ 1,958,426</u>	<u>\$ 2,457,178</u>	<u>\$ 3,675,084</u>

City of Brighton, Michigan

	Year Ended June 30			
	2009	2010	2011	2012
Revenue				
Property taxes	\$ 6,302,824	\$ 6,204,750	\$ 6,180,688	\$ 5,828,975
State-shared	970,073	1,175,363	1,001,651	1,128,580
Federal grants	58,910	651,152	69,917	7,686
Charges for services	103,810	109,980	171,232	599,823
Special assessment	285,092	180,813	336,953	166,975
Fines and penalties	346,522	349,657	319,401	299,944
Licenses and permits	294,158	359,532	387,032	353,208
Interest	229,198	143,812	153,275	138,431
Contributions from other funds	-	-	-	-
Other	294,734	678,577	375,961	353,011
Total revenue	8,885,321	9,853,636	8,996,110	8,876,633
Expenditures				
Current:				
General government	2,434,413	2,192,805	1,976,725	2,057,136
Community development	404,321	436,179	468,415	487,279
Public safety	2,316,609	2,341,456	2,215,226	2,342,799
Public works - Operating	2,809,922	2,458,126	2,279,711	2,213,801
Public works - Capital (streets)	913,778	1,283,996	-	-
Capital outlay (exclusive of streets)	116,479	384,825	40,209	173,575
Debt service - Principal	872,500	945,000	1,048,447	1,097,051
Debt service - Interest	571,215	537,125	495,757	451,261
Total expenditures	10,439,237	10,579,512	8,524,490	8,822,902
Excess of Revenue (Under) Over Expenditures	(1,553,916)	(725,876)	471,620	53,731
Other Financing Sources (Uses)				
Sale of capital assets	-	-	30,676	8,204
Transfers in	1,895,719	1,688,475	1,668,363	1,730,517
Transfers out	(1,895,719)	(1,688,475)	(1,668,363)	(1,730,517)
Issuance of debt - Net	185,000	80,975	-	127,315
Total other financing sources	185,000	80,975	30,676	135,519
Net Change in Fund Balances	(1,368,916)	(644,901)	502,296	189,250
Fund Balances - Beginning of year	3,571,388	2,202,472	1,557,571	2,059,867
Fund Balances - End of year	\$ 2,202,472	\$ 1,557,571	\$ 2,059,867	\$ 2,249,117
Debt Service as a Percentage of Noncapital Expenditures	15%	17%	18%	18%

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Financial Trend Information
Changes in Governmental Funds Fund Balance
Last Ten Fiscal Years

Year Ended June 30					
2013	2014	2015	2016	2017	2018
\$ 5,449,204	\$ 5,063,849	\$ 5,431,020	\$ 5,708,220	\$ 5,880,599	\$ 5,994,111
1,062,821	1,116,018	1,158,474	1,338,611	1,245,784	1,634,325
7,690	10,240	11,258	1,824	15,181	13,762
582,888	583,690	668,770	603,077	708,955	732,104
167,182	167,271	242,952	237,200	196,684	192,184
300,142	297,201	277,242	298,127	393,052	306,733
404,228	331,631	610,114	460,886	488,241	629,288
128,178	112,530	108,836	111,027	88,244	103,630
-	-	-	-	-	-
297,104	398,729	334,470	330,469	120,728	193,371
8,399,437	8,081,159	8,843,136	9,089,441	9,137,468	9,799,508
1,729,028	1,754,250	1,773,228	1,713,256	1,380,618	1,472,571
540,049	634,650	737,652	564,041	523,201	162,013
2,453,804	2,481,155	2,618,172	2,765,402	2,813,901	2,866,191
2,282,250	2,444,233	2,625,647	2,678,217	2,799,577	2,784,121
-	-	-	-	-	-
77,302	91,184	207,035	128,998	276,291	879,629
962,861	749,111	736,176	766,106	651,643	740,151
457,859	310,384	282,969	254,906	228,950	224,732
8,503,153	8,464,967	8,980,879	8,870,926	8,674,181	9,129,408
(103,716)	(383,808)	(137,743)	218,515	463,287	670,100
4,500	61,000	1,735	-	35,465	48,706
1,519,072	1,322,308	1,440,901	941,921	1,139,601	951,238
(1,547,922)	(1,322,308)	(1,440,901)	(941,921)	(1,139,601)	(951,238)
60,861	16,815	-	-	-	499,100
36,511	77,815	1,735	-	35,465	547,806
(67,205)	(305,993)	(136,008)	218,515	498,752	1,217,906
2,249,117	2,181,912	1,875,919	1,739,911	1,958,426	2,457,178
\$ 2,181,912	\$ 1,875,919	\$ 1,739,911	\$ 1,958,426	\$ 2,457,178	\$ 3,675,084
17%	13%	11%	12%	12%	12%

City of Brighton, Michigan

Taxable Value by Property Type

Real Property

Tax Year	Year Ended June 30	Residential	Commercial	Industrial	Personal Property	IFT Real & Personal	Total Taxable Value
2008	2009	229,013,040	151,805,205	28,128,150	34,683,080	15,268,920	458,898,395
2009	2010	216,792,630	158,577,120	27,382,940	34,187,245	15,448,630	452,388,565
2010	2011	203,158,330	157,961,620	23,634,280	32,294,152	18,087,160	435,135,542
2011	2012	194,233,278	152,897,460	19,161,060	31,502,940	14,483,030	412,277,768
2012	2013	190,697,314	148,301,458	16,405,055	36,264,060	9,563,000	401,230,887
2013	2014	191,614,956	139,343,070	16,752,160	35,530,296	11,246,470	394,486,952
2014	2015	199,092,840	140,907,773	17,577,710	32,744,850	10,811,810	401,134,983
2015	2016	208,346,880	143,167,910	17,574,288	42,558,068	6,219,500	417,866,646
2016	2017	216,616,231	141,450,927	18,702,444	35,725,700	13,951,900	426,447,202
2017	2018	226,770,035	143,942,903	19,842,303	28,816,500	7,520,300	426,892,041

Note: Under Michigan law, the revenue base is referred to as "Taxable Value". This amount represents Assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Revenue Capacity Information
Taxable Value and Actual Value of Taxable Property
Last Ten Fiscal Years

City Tax Millage	Assessed Value	Estimated Actual Value	Value as a Percentage of Assessed Value	Taxable Value as a Percentage of Actual	City Levy
15.8749	516,306,560	1,032,613,120	89	44	7,163,561
15.9582	495,101,495	990,202,990	91	46	7,096,002
16.3927	469,699,617	939,399,234	93	46	6,984,758
16.4623	434,885,628	869,771,256	95	47	6,674,434
16.0487	420,390,356	840,780,712	95	48	6,362,497
15.2734	411,932,182	823,864,364	96	48	5,939,271
15.6534	433,968,889	867,937,778	92	46	6,194,710
15.6534	466,376,806	932,753,612	90	45	6,492,356
15.7703	514,295,757	1,028,591,514	83	41	6,615,187
15.7705	516,852,068	1,033,704,136	83	41	6,673,001

City of Brighton, Michigan

Millage Rates - Direct City Taxes							Overlapping Taxes	
Tax Year	Year Ended June 30	City	City Debt	City	City - Economic	Total Direct	Livingston County	Brighton District Library
		Operating		Law Enforcement / Public Safety	Development PA 359 of 1925	City Tax Rates		
2008	2009	14.8872	0.9877	-	-	15.8749	3.8842	0.8792
2009	2010	14.8872	1.0710	-	-	15.9582	3.8988	0.8792
2010	2011	15.2734	1.1193	-	-	16.3927	3.9488	0.8892
2011	2012	15.2734	1.1889	-	-	16.4623	3.9543	0.8892
2012	2013	15.2734	0.7753	-	-	16.0487	3.9543	0.8892
2013	2014	15.2734	-	-	-	15.2734	3.9543	0.8992
2014	2015	15.2734	-	0.3800	-	15.6534	3.9543	0.8762
2015	2016	15.2734	-	0.3800	-	15.6534	3.9535	0.8892
2016	2017	15.2734	-	0.3800	0.1169	15.7703	4.0068	0.8865
2017	2018	15.2734	-	0.3800	0.1171	15.7705	3.9776	0.8828

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Revenue Capacity Information
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Operating Taxes					Total Tax Rate	
Brighton Area Fire Authority	State Education Tax	Livingston Educational Service Agency	Brighton Area Schools - Homestead	Brighton Area Schools - Non- homestead	Homestead	Non- homestead
1.2500	6.0000	2.3361	5.2000	18.0000	35.4244	53.4244
1.2500	6.0000	2.3361	5.2000	18.0000	35.5223	53.5223
1.2500	6.0000	2.3361	5.8000	18.0000	36.6168	54.6168
1.2500	6.0000	2.3361	5.7000	18.0000	36.5919	54.5919
1.2500	6.0000	2.3361	7.1900	18.0000	37.6683	55.6683
1.2500	6.0000	2.3361	7.1900	18.0000	36.9030	54.9030
1.2500	6.0000	2.3361	7.1900	18.0000	37.2600	55.2600
1.2500	6.0000	2.3334	7.1900	18.0000	37.2695	55.2695
1.5000	6.0000	3.3585	7.1900	18.0000	38.7121	56.7121
1.4938	6.0000	3.3351	7.1900	18.0000	38.6498	56.6498

Statistical Section – Revenue Capacity Information
Principal Property Taxpayers
Current Year and Ten Fiscal Years

Taxpayer	2017 Taxable Value	Percentage of Total	2008 Taxable Value	Percentage of Total	2008 Rank
1 Brighton Holdings LLC	\$ 13,365,990	3.13%	\$ 7,167,310	1.56%	3
2 Eberspaecher North America	\$ 12,258,298	2.87%	\$ 14,111,360	3.08%	4
3 Brighton Mall Associates, LTD	\$ 10,521,636	2.46%	\$ 8,667,640	1.89%	1
4 BMH Realty, LLC	\$ 7,352,966	1.72%	\$ 7,202,640	1.57%	2
5 Brightland Properties, LLC	\$ 6,362,300	1.49%	\$ 3,786,390	0.83%	14
6 Brookdale Senior Living Inc	\$ 5,862,000	1.37%	*	*	*
7 MJR Group LLC	\$ 5,031,629	1.18%	\$ 5,131,880	1.12%	7
8 Brighton Hotel Suites Inc	\$ 3,962,688	0.93%	\$ 4,832,910	1.05%	8
9 Good Will Co, INC	\$ 3,907,060	0.92%	*	*	*
10 DTE Energy Company	\$ 3,632,400	0.85%	\$ 2,438,480	0.53%	19

Total taxable value	\$ 426,892,041	\$ 458,898,395
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* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Revenue Capacity Information
Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Year Ended June 30	Total City Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
2008	2009	7,163,561	6,914,314	96.46	195,035	6,988,153	99.23
2009	2010	7,096,002	6,788,947	95.67	278,847	7,067,794	99.60
2010	2011	6,984,758	6,745,106	96.57	227,256	6,972,362	99.82
2011	2012	6,674,434	6,420,880	96.20	241,823	6,662,703	99.82
2012	2013	6,362,497	6,159,356	96.81	183,738	6,343,094	99.70
2013	2014	5,939,271	5,821,426	98.02	100,696	5,922,122	99.71
2014	2015	6,194,710	6,102,481	98.51	80,093	6,182,574	99.80
2015	2016	6,492,356	6,399,602	98.57	81,500	6,481,102	99.83
2016	2017	6,615,187	6,539,458	98.86	67,486	6,606,944	99.88
2017	2018	6,673,001	6,610,547	99.06	54,505	6,665,052	99.88

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

	2009	2010	2011	2012
Governmental Activities				
General obligation bonds	\$ 9,903,450	\$ 9,133,450	\$ 8,303,450	\$ 7,443,450
Installment purchase agreements	-	80,975	52,528	132,792
Special assessment bonds	<u>2,685,000</u>	<u>2,510,000</u>	<u>2,320,000</u>	<u>2,130,000</u>
Total	12,588,450	11,724,425	10,675,978	9,706,242
Business-type Activities				
General obligation bonds	2,949,150	3,211,950	3,039,750	2,827,550
Installment purchase agreements	-	-	-	-
Special assessment bonds	105,000	70,000	35,000	-
Revenue bonds	<u>8,454,294</u>	<u>7,939,294</u>	<u>7,374,294</u>	<u>6,928,435</u>
Total	<u>11,508,444</u>	<u>11,221,244</u>	<u>10,449,044</u>	<u>9,755,985</u>
Total Debt of the Primary Government	24,096,894	22,945,669	21,125,022	19,462,227
Total Taxable Value	458,898,395	452,388,565	435,135,542	412,277,768
Ratio of Total Debt to Taxable Value	5.25%	5.07%	4.85%	4.72%
Total Population	7,173	7,702	7,444	7,442
Total Debt per Capita	\$ 3,359	\$ 2,979	\$ 2,838	\$ 2,615
Debt as a Percentage of Personal Income	7.01%	6.38%	6.07%	5.60%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the schedule of demographic and economic statistics for personal income data.

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Debt Capacity Information
Ratios of Outstanding Debt
Last Ten Fiscal Years

2013	2014	2015	2016	2017	2018
\$ 6,766,500	\$ 6,661,279	\$ 6,131,669	\$ 5,572,359	\$ 5,111,249	\$ 4,664,039
69,932	45,936	26,560	6,954	3,611	401,960
<u>1,945,000</u>	<u>1,735,000</u>	<u>1,525,000</u>	<u>1,315,000</u>	<u>1,105,000</u>	<u>890,000</u>
8,781,432	8,442,215	7,683,229	6,894,313	6,219,860	5,955,999
2,643,846	2,445,109	2,182,226	1,921,200	1,731,850	1,586,250
-	-	247,586	212,217	176,848	141,479
-	-	-	-	-	-
<u>6,257,974</u>	<u>5,582,514</u>	<u>4,873,133</u>	<u>4,166,595</u>	<u>3,485,179</u>	<u>2,703,315</u>
<u>8,901,820</u>	<u>8,027,623</u>	<u>7,302,945</u>	<u>6,300,012</u>	<u>5,393,877</u>	<u>4,431,044</u>
17,683,252	16,469,838	14,986,174	13,194,325	11,613,737	10,387,043
401,230,887	394,486,952	401,134,983	417,866,646	426,447,202	426,892,041
4.41%	4.18%	3.74%	3.16%	2.72%	2.43%
7,613	7,807	7,684	7,659	7,899	7,899
\$ 2,323	\$ 2,110	\$ 1,950	\$ 1,723	\$ 1,470	\$ 1,315
4.97%	4.51%	4.17%	3.69%	3.15%	2.81%

Statistical Section – Debt Capacity Information

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities		Debt as a Percentage of			Personal Income		Debt as a Percentage of Personal Income
	Tax Limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Total General Governmental Activities Bonded Debt	Total Business-type Activities Bonded Debt	Total Primary Government	Taxable Value	Taxable Value	Population	Debt per Capita	(in Thousands) (1)	
2009	8,328,450	1,575,000	9,903,450	2,949,150	12,852,600	458,898,395	2.80%	7,173	1,792	47,897	3.74%
2010	7,958,450	1,175,000	9,133,450	3,211,950	12,345,400	452,388,565	2.73%	7,702	1,603	50,794	3.16%
2011	7,553,450	750,000	8,303,450	3,039,750	11,343,200	435,135,542	2.61%	7,444	1,524	50,794	3.00%
2012	7,143,450	300,000	7,443,450	2,827,550	10,271,000	412,277,768	2.49%	7,442	1,380	50,794	2.72%
2013	6,766,500	-	6,766,500	2,643,846	9,410,346	401,230,887	2.35%	7,613	1,236	50,794	2.43%
2014	6,661,279	-	6,661,279	2,445,109	9,106,388	394,486,952	2.31%	7,807	1,166	50,794	2.30%
2015	6,131,669	-	6,131,669	2,182,226	8,313,895	401,134,983	2.07%	7,684	1,082	60,910	1.78%
2016	5,572,359	-	5,572,359	1,921,200	7,493,559	417,866,646	1.79%	7,659	978	60,910	1.61%
2017	5,111,249	-	5,111,249	1,731,850	6,843,099	426,447,202	1.60%	7,899	866	60,910	1.42%
2018	4,664,039	-	4,664,039	1,586,250	6,250,289	426,892,041	1.46%	7,899	791	60,910	1.30%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note: Does not include outstanding debt of the City's component units.

(1) Personal Income is equal to the median household income from SEMCOG and is updated every 5 years

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records and SEMCOG

Statistical Section – Debt Capacity Information
Direct and Overlapping Governmental Activities Debt
Year Ended June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Brighton Area School District	\$ 102,926,737	18.82	\$ 19,370,812
Livingston Educational Service Agency	2,530,000	5.64	142,692
Livingston County	<u>21,671,000</u>	4.97	<u>1,077,049</u>
Total overlapping debt	127,127,737		20,590,553
Direct net city debt *	<u>5,955,999</u>	100.00	<u>5,955,999</u>
Total direct and overlapping debt	<u>\$ 133,083,736</u>		<u>\$ 26,546,552</u>

* Business-Type Activities are not included in Direct Net City Debt total

Source: Municipal Advisory Council of Michigan and the
Audited Financial Statements of the City of Brighton

City of Brighton, Michigan

	2009	2010	2011	2012
Calculation of Debt Limit				
State Equalized Valuation:				
Ad Valorem	\$ 501,000,160	\$ 479,652,865	\$ 451,592,957	\$ 420,402,598
IFT	<u>15,306,400</u>	<u>15,448,630</u>	<u>18,106,660</u>	<u>14,483,030</u>
Total valuation	516,306,560	495,101,495	469,699,617	434,885,628
Debt Limit (10 percent of taxable value)	51,630,656	49,510,150	46,969,962	43,488,563
Calculation of Debt Subject to Limit				
Total debt*	27,386,894	26,071,984	23,665,936	21,628,859
Less debt not subject to limit:				
Special assessment bonds	2,790,000	2,580,000	2,355,000	2,130,000
MTF bonds	170,000	140,000	110,000	75,000
Revenue bonds	8,454,294	7,939,294	7,374,294	5,969,141
Share of County-issued bonds	<u>1,837,600</u>	<u>1,500,400</u>	<u>1,358,200</u>	<u>959,294</u>
Net debt subject to limit	<u>14,135,000</u>	<u>13,912,290</u>	<u>12,468,442</u>	<u>12,495,424</u>
Legal Debt Margin	<u>\$ 37,495,656</u>	<u>\$ 35,597,860</u>	<u>\$ 34,501,520</u>	<u>\$ 30,993,139</u>
Net Debt Subject to Limit as Percentage of Debt Limit	27.38%	28.10%	26.55%	28.73%

* Does not include installment loans

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years

2013	2014	2015	2016	2017	2018
\$ 410,827,356	\$ 400,685,712	\$ 423,157,079	\$ 460,157,306	\$ 500,343,857	\$ 509,331,768
<u>9,563,000</u>	<u>11,246,470</u>	<u>10,811,810</u>	<u>6,219,500</u>	<u>13,951,911</u>	<u>7,520,300</u>
420,390,356	411,932,182	433,968,889	466,376,806	514,295,768	516,852,068
42,039,036	41,193,218	43,396,889	46,637,681	51,429,577	51,685,207
19,417,423	17,697,420	15,694,135	13,926,702	12,274,242	12,251,866
1,945,000	1,735,000	1,525,000	1,315,000	1,105,000	890,000
40,000	-	-	-	-	-
5,368,680	4,763,220	4,123,839	3,492,301	2,864,020	2,179,021
<u>889,294</u>	<u>819,294</u>	<u>749,294</u>	<u>674,294</u>	<u>599,294</u>	<u>524,294</u>
<u>11,174,449</u>	<u>10,379,906</u>	<u>9,296,002</u>	<u>8,445,107</u>	<u>7,705,928</u>	<u>8,658,551</u>
<u>\$ 30,864,587</u>	<u>\$ 30,813,312</u>	<u>\$ 34,100,887</u>	<u>\$ 38,192,574</u>	<u>\$ 43,723,649</u>	<u>\$ 43,026,656</u>
26.58%	25.20%	21.42%	18.11%	14.98%	16.75%

City of Brighton, Michigan

Water and Sewer Revenue Bonds						
Fiscal Year	Gross Revenue	Applicable Expenses	Net Revenue	Debt Service		Coverage*
				Principal	Interest	
2009	3,645,288	2,106,954	1,538,334	460,000	385,191	693,143
2010	3,335,311	2,475,618	859,693	515,000	366,213	(21,520)
2011	3,651,556	2,315,120	1,336,436	565,000	344,632	426,804
2012	3,856,132	2,304,646	1,551,486	565,000	321,501	664,985
2013	3,897,404	2,295,008	1,602,396	620,000	296,691	685,705
2014	3,648,685	2,497,249	1,151,436	655,000	162,604	333,832
2015	4,203,680	2,492,502	1,711,178	690,000	145,966	875,212
2016	4,346,042	2,643,992	1,702,050	685,000	125,976	891,074
2017	6,022,334	2,534,611	3,487,723	675,000	107,826	2,704,897
2018	5,353,233	2,764,779	2,588,454	760,000	85,363	1,743,091

* Shortfalls in revenue coverage have been subsidized by capital contributions from connection fees and general fund contributions

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Debt Capacity Information
Pledged Revenue Coverage
Last Ten Fiscal Years

Special Assessment Collections	Special Assessment Bonds		
	Debt Service		Coverage
	Principal	Interest	
363,160	265,000	126,417	(28,257)
343,628	210,000	124,075	9,553
514,541	225,000	116,294	173,247
312,179	225,000	106,393	(19,214)
268,837	185,000	96,481	(12,644)
257,965	210,000	87,887	(39,922)
248,049	210,000	78,499	(40,450)
238,996	210,000	68,899	(39,903)
171,512	210,000	59,100	(97,588)
164,659	215,000	49,025	(99,366)

Statistical Section – Demographic and Economic Information
Demographic and Economic Statistics
Last Eighteen Fiscal Years

Fiscal Year	Estimated Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemploy- ment Rate (Percent)
2000	6,701	\$ 47,897	21,007	1.80
2001	6,800	47,897	21,007	2.71
2002	6,900	47,897	22,487	4.10
2003	7,100	47,897	22,487	3.90
2004	7,173	47,897	22,808	3.60
2005	7,182	47,897	22,917	*
2006	7,263	47,897	23,251	*
2007	7,483	47,897	23,364	*
2008	7,268	47,897	23,595	*
2009	7,173	47,897	23,711	*
2010	7,702	50,794	33,051	*
2011	7,444	50,794	33,051	*
2012	7,442	50,794	33,051	*
2013	7,613	50,794	33,051	*
2014	7,807	50,794	33,051	*
2015	7,684	60,910	35,436	*
2016	7,659	60,910	35,436	*
2017	7,899	60,910	35,436	*
2018	7,899	60,910	35,436	*

* Not available/no longer available

Note: Personal Income is equal to the median household income, updated every 5 years beginning in 2010
2018 population estimate not available as of publication date.

Source: Southeast Michigan Council of Governments (SEMCOG), US Census Bureau and
2015 American Community Survey 5-Year Estimates.

Statistical Section – Demographic and Economic Information

Principal Employers

Current Year and Nine Years Ago

Taxpayer	2018 Employees	Percentage of Total	2008 Employees	Percentage of Total	2008 Rank
1 Brighton Area Schools	1,100	10.00%	860	9.56%	1
2 Eberspaecher	530	4.82%	217	2.41%	5
3 TG Fluid Systems	368	3.34%	267	-	4
4 Meijer	350	3.18%	310	3.44%	2
5 Target	200	1.82%	275	3.06%	3
6 Work Skills Corporation	195	1.77%	150	1.67%	8
7 March Coatings	155	1.41%	*	- %	-
8 Home Depot	150	1.36%	150	1.67%	7
9 Best Buy	100	0.91%	*	- %	-
10 Corrigan Oil	90	0.82%	-	- %	-
Total	3,238	29.43%	2,229	21.80%	
Estimated total city employment	11,002		9,000		

* Not available

Source: Dunn & Bradstreet, Ann Arbor SPARK, Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Function/Program	2009	2010	2011	2012	2013
General government:					
City manager	1.50	1.50	1.00	1.00	1.00
City clerk/Human resources	3.13	2.50	2.50	2.50	2.50
Finance	<u>9.25</u>	<u>9.25</u>	<u>7.63</u>	<u>7.63</u>	<u>7.63</u>
Total general government	13.88	13.25	11.13	11.13	11.13
Community development	5.00	5.00	4.00	4.00	4.00
Public safety (police)	19.60	19.60	19.60	19.60	19.00
Public services:					
Cemetery	2.00	2.00	2.00	2.00	2.00
Facilities and grounds	3.00	3.00	3.00	3.00	3.00
Streets	8.00	8.00	8.00	8.00	7.00
Utilities	<u>9.00</u>	<u>9.00</u>	<u>7.00</u>	<u>7.00</u>	<u>7.00</u>
Total public services	<u>22.00</u>	<u>22.00</u>	<u>20.00</u>	<u>20.00</u>	<u>19.00</u>
Total	<u>60.48</u>	<u>59.85</u>	<u>54.73</u>	<u>54.73</u>	<u>53.13</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Operating Information
Full-time Equivalent Government Employees
Last Ten Fiscal Years

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1.00	1.00	1.00	1.84	2.00
2.50	2.50	2.50	2.66	2.25
<u>7.63</u>	<u>7.63</u>	<u>7.63</u>	<u>7.00</u>	<u>7.00</u>
11.13	11.13	11.13	11.50	11.25
4.00	4.00	4.00	3.00	2.00
19.00	19.00	19.60	19.60	19.00
1.00	1.00	1.00	1.00	1.00
3.00	4.00	4.00	4.00	4.75
6.00	5.00	6.00	6.00	4.50
<u>7.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>11.50</u>
<u>17.00</u>	<u>18.00</u>	<u>19.00</u>	<u>19.00</u>	<u>21.75</u>
<u>51.13</u>	<u>52.13</u>	<u>53.73</u>	<u>53.10</u>	<u>54.00</u>

City of Brighton, Michigan

Function/Program	2009	2010	2011	2012
Election data:				
Registered voters	5,307	5,380	5,575	5,900
Voters (at the polls or absentee)	2,970	1,013	2,899	3,725
Percent voting	55.96%	18.83%	52.00%	63.14%
Human resource data - Number of recruitments	2	-	-	1
Finance data:				
Number of A/P checks	2,156	1,835	1,552	1,588
Number of property tax parcels	3,969	3,974	4,093	4,136
Number of utility bill customers	3,516	3,595	3,584	3,592
Police:				
Physical arrests	944	925	577	495
Traffic violations	4,102	4,325	3,980	2,589
Investigations	12,103	12,099	20,312	19,468
Community development data:				
Number of building permits	258	249	208	289
Value of building permits	\$ 5,103,742	\$ 5,626,679	\$ 7,910,371	\$ 7,099,816
Number of building inspections	679	459	965	551
Public works data:				
Miles of street constructed, reconstructed, and resurfaced	1.00	0.90	-	-
Road salt used (tons)	2,300	2,100	1,600	1,375
R.O.W. tree plantings	10	-	-	-
Grave openings	66	64	57	56
Water data:				
Total billed consumption (000s)	445,079	408,123	432,962	439,746
Avg. billed consump./user (000s)	127	114	121	122
Number of water main breaks	1	2	2	6
Sewer data - Avg. daily treatment (MGD)	1.250	1.285	1.200	1.250

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Operating Information

Operating Indicators

Last Ten Fiscal Years

2013	2014	2015	2016	2017	2018
5,927	5,889	5,671	5,686	5,986	5,838
3,975	1,279	1,979	2,625	4,327	1,070
67.07%	21.72%	34.90%	46.17%	72.29%	18.33%
9	12	12	14	18	14
1,601	1,418	1,211	1,210	1,264	1,981
4,296	4,298	4,294	4,424	4,505	4,463
3,646	3,481	3,508	3,536	3,551	3,575
421	354	340	484	428	377
2,273	1,819	1,523	1,541	1,698	1,968
16,929	19,330	22,350	29,112	23,913	26,410
332	253	331	348	334	315
\$ 9,143,156	\$ 7,494,230	\$ 26,600,740	\$ 11,824,906	\$ 12,993,840	\$ 28,416,112
693	530	709	797	653	693
-	-	-	-	0.94	-
1,030	2,364	1,675	1,428	1,423	1,800
4	2	-	-	29	4
64	50	51	59	48	55
450,317	400,702	385,893	398,439	431,485	426,575
124	115	110	113	122	119
3	7	6	2	4	1
1.110	1.190	1.060	1.070	1.180	1.400

City of Brighton, Michigan

Function/Program	2009	2010	2011	2012
Police - Patrol units	8	8	8	8
Public works:				
Streets (miles):				
Major streets	11.32	11.32	11.32	11.32
Local streets	14.99	14.99	18.12	18.12
Sidewalks	80	80	80	80
Traffic signals	9	9	9	9
Water:				
Mains (miles)	52	52	52	52
Fire hydrants	484	484	484	484
Storage capacity	1,620,000,000	1,620,000,000	1,620,000,000	1,620,000,000
Sewer:				
Miles of sanitary sewers	45	45	45	45
Miles of storm sewers	27	27	27	27
Treatment capacity	2,250,000,000	2,250,000,000	2,250,000,000	2,250,000,000

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical Section – Operating Information
Capital Asset Statistics
Last Ten Fiscal Years

2013	2014	2015	2016	2017	2018
8	8	9	8	8	8
11.32	11.32	11.32	11.32	11.32	11.32
18.12	18.12	18.12	18.37	18.37	18.66
80	80	80	80	80	80
9	9	9	9	9	9
52	52	59	60	60	65
638	648	655	673	673	673
1,620,000,000	1,620,000,000	1,620,000,000	1,620,000	1,620,000	1,620,000
45	45	48	58	58	58
27	27	27	27	27	27
2,250,000,000	2,250,000,000	2,250,000,000	2,250,000	2,250,000	2,250,000