

CITY OF BRIGHTON, MICHIGAN

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2022



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October 17, 2022

Honorable Mayor and City Council
City of Brighton

The Annual Comprehensive Financial Report of the City of Brighton, Michigan for the fiscal year ended June 30, 2022 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 35 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.

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The Reporting Entity and Services Provided

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

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 7,450, and is the central business hub for all of Livingston County. The City's estimated 3,650 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 decreased from 4.8% to 3.2% over the last year. In addition, the Consumer Price Index (CPI) for our region increased by 9.7% from last year. The decrease in unemployment and increase in the CPI are results of the economic recovery after a significant downturn beginning in the 2020 related to the COVID-19 virus. Unemployment for the county saw its peak at 21 percent in April of 2020 and we have seen steady and significant improvement since then.

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 Attorneys.

Prior to the economic decline driven by COVID-19 there were indications that the local economy was continuing to improve, two years after the initial economic shutdown we have seen the local economy recover steadily, however this is also combined with high inflation. The City of Brighton has been fortunate that even with the general economic decline over the last two years, housing sales prices have not been impacted and those listed for sale continue to be sold quickly. Interest rates have seen several modest increases over the last year in an attempt to rein in inflation. The number of foreclosures in the City of Brighton has continued to be relatively low over the last several years, with zero in the current year and zero in the prior year. The economic downturn in 2008 led to reduced residential, industrial and commercial taxable values for a number of years. Beginning in FY16/17 and continuing in the recent budget process for FY22/23 we have seen taxable values for residential and commercial improving to where they have finally exceeded where they were in 2009. The property tax values for residential, commercial, and industrial-not including Industrial Facilities Tax (IFT) properties increased over the prior year by 5.4%, 1.9%, and 1.9% respectively. The personal property taxable values have seen a decrease of 1.0%, and the IFT properties realized a decrease of 9.7% 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 9.6%, and 2.2%, 7.6%, 10.1%, and 16.2% for the years preceding that. 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; OPEB and Pension Liabilities; and the future effects of the current economic conditions 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 increased funding for capital projects over the last several years, after a long period of restricted capital spending. This funding has been primarily in the Public Works and Utilities divisions. The FY22/23 adopted budget includes continued 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. The FY22/23 adopted DDA budget includes bond proceeds for a Streetscape project.

City residents approved a Law Enforcement/Public Safety Millage during the November, 2013 election. This millage is 0.38 mills for 10 years, subject to Headlee Rollbacks. Effective FY 2022/23 the rolled back millage is 0.3674. The millage is currently providing approximately \$178,000 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 and facilities. The approval of this millage has enabled the City to replace police equipment that had been put on hold.

In May of 2019, City residents approved a Headlee Override millage for streets at 2.5 mills for 7 years, subject to Headlee Rollbacks. Effective FY 2022/23 the rolled back millage is 2.4199. The millage provides approximately \$1.2 million in revenue annually.

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, 2022 was \$1,566,193 or 15.8% of the operating expenditures budgeted for FY22/23. 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 3.6 on June 30, 2022, which is above the target of 2.1. This ratio is lower than last year's ratio of 5.4 due to accounts payable to be paid out of non-current restricted cash. Working capital, a key benchmark of the Utilities Fund, increased by \$733,015 to \$5,024,726 at June 30, 2022. The working capital less the capital reserve fund, covered 134% of the Utilities Fund Expenses, including depreciation. Exclusive of depreciation, the coverage was 251% of expenses. These increases are the result of the combination of increases in the water and sewer rates coupled with projects that were delayed as a result of the supply chain issues in wake of the COVID-19 pandemic. Significant capital expenditures were necessary over the last several years and the need will continue into future years, rather than spiking utility rates each year, the City Council opted to smooth the rate increases over the next several years to build the working capital reserves back to prior levels.

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. Due to very low interest rates, the city chose not to tie up funds in certificates of deposit. Interest earned for the current fiscal year

amounted to \$96,350, an increase of \$39,564 or 69.7% from the preceding year, which is the result of increasing interest rates over the past year. 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 2021-22

- The City added \$9,565,975 of new capital assets including: street infrastructure, two new police vehicles, municipal parking lot, cemetery drive and fire hall drive replacements, completion of prior year CIP plow truck and council chambers remodel, current year CIP projects for DPW office renovation, storage addition, and drive/lot replacement. Continued work on the Northwest Neighborhoods underground, Grand River East Streets underground and Nelson booster station projects. Completed the Rickett Road underground project. Installed sewer lining and purchased a new Vector truck. Continued to engineer the upcoming downtown streetscape project.
- The City received its thirteenth consecutive GFOA Certificate of Achievement for Excellence in Financial Reporting Award for its FY 2020/21 Annual Comprehensive Financial Report (ACFR).
- The City prepared a six-year Capital Improvement Program
- The City's had its third year of collection on a voter approved a Headlee override for streets at 2.4199 mills.
- The City continued to fund its Capital Reserve Fund to ensure future capital needs will be funded.

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 found on pages 57-61 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 a department/activity level budget, which is considered the maximum authorization to incur liabilities and not a mandate to spend subject to the following conditions:

- i. Additional appropriations may be made by the City Council from the unappropriated fund balance account of the General Fund for approved reallocations, providing that such appropriations do not cause the unreserved fund balance account to be less than 15% of the total General Fund budgeted operating expenditures.
- ii. Transfers may be made by the City Manager from departmental reserves or surplus of the General Fund to any department of the General Fund in amounts not to exceed five percent of the original total budget for the department receiving the transfer, provided that such transfers shall not exceed the total amount of operating reserves or surplus available at the time of transfer, and providing that such transfers do not cause the unreserved fund balance account to be less than 15% of the total General Fund budgeted operating expenditures.
- iii. Transfers may be made by the City Manager from departmental reserves or surplus of the General Fund to any other Fund of the City in amounts not to exceed ten percent of the original total budget for all such transfers, providing that the limitations of Section (B) are not exceeded.

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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. 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 Annual Comprehensive Financial Report (ACFR), whose contents conform to program standards. Such ACFR 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 thirteen 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 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
City Manager and Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Brighton
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



CITY OF BRIGHTON, MICHIGAN
List of Elected and Appointed Officials
For the Fiscal Year Ended June 30, 2022

ELECTED OFFICIALS

Kristoffer Tobbe	Mayor
Jim Bohn	Mayor Pro Tem
Bill Albert	Council Member
Jon Emaus	Council Member
Susan Gardner	Council Member
Paul Gipson	Council Member
Renee Pettengill	Council Member

APPOINTED OFFICIALS

Gretchen Gomolka	Acting City Manager & Finance Director
Michael Homier	City General Attorney
Stephanie Morita	City MTT Attorney
Gregg Schultz	City Labor Attorney
Tara Brown	City Clerk
Michelle Miller	Human Resources Manager
Robert Bradford	Police Chief
Marcel Goch	Public Services Director
Michael Caruso	Community Development Manager

Independent Auditor's Report

To the City Council
City of Brighton, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brighton, Michigan (the "City") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which changes accounting and financial reporting for leases by governments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the City Council
City of Brighton, Michigan

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the City Council
City of Brighton, Michigan

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Plante & Moreau, PLLC

October 17, 2022

The City of Brighton, Michigan's (the "City") Annual Comprehensive Financial Report (ACFR) is presented in the format required by Governmental Accounting Standards Board (GASB) Statement No. 34. The June 30, 2022 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) the 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 and deferred outflows of resources of the primary government of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$46.4 million (net position). Included in this amount is a negative \$8.2 million of unrestricted net position.
- The City's total primary government net position increased by \$4.1 million. This increase is the result of an increase in governmental net position of \$1.8 million and an increase of \$2.3 million in business-type net position.
- The \$1.8 million increase in the net position of the governmental activities is primarily the result of a net increase in the deferred inflows of resources for the OPEB and pension liabilities and leases of \$849 thousand, a decrease in cash of \$3.9 million, and an increase in current liabilities of \$459 thousand, partially offset by increased capital assets of \$3.5 million, a net decrease in deferred outflows of resources related to the OPEB and pension plans of \$249 thousand, and a decrease in noncurrent liabilities of \$3.8 million.
- The \$2.3 million increase in the net position of the business-type funds is primarily the result of a decrease in cash of \$1.6 million, an increase in capital assets of \$2.4 million, a decrease in the deferred outflows of resources for the OPEB and pension liabilities of \$268 thousand, a decrease in total liabilities of \$1.4 million, and an increase in the deferred inflows of resources related to the OPEB and pension plans of \$394 thousand.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12.7 million, a decrease of \$4.3 million in comparison with the prior year. A total of \$12.2 million, or approximately 96 percent, of the fund balance is available for spending at the City Council's discretion. Of that amount, \$7.6 million is restricted for spending on streets in the Major Streets and Local Street funds, the Street Millage Fund, and the 2021 Capital Improvement Bonds Construction Fund; \$107 thousand is restricted for police expenditures related to forfeiture; \$205 thousand is restricted for law enforcement/public safety expenditures related to the police millage; \$475 thousand is restricted for spending on capital projects in the 2021 Capital Improvement Bonds Construction Fund; \$11 thousand is assigned to the Arts and Cultural Commission; and \$28 thousand is assigned to Imagination Station maintenance. A total of \$2.1 million of the available fund balance is assigned for retiree legacy costs, capital projects/purchases, and streets. The remaining \$1.6 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 \$1.6 million, or 15.8 percent of total current General Fund budgeted operating expenditures for the year ending June 30, 2023.

Government-wide Overall Financial Analysis

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two former and the two latter 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. Therefore, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 component unit, the Downtown Development Authority (the "DDA"), for which the City of Brighton, Michigan is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 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. 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 funds balance sheet and the governmental funds 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 14 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the General Fund, Major Streets Fund, Local Streets Fund, Street Millage Fund, and 2021 Capital Improvement Bonds Construction Fund, which are considered to be major funds, and the State Drug Law Enforcement Fund, Federal Drug Law Enforcement Fund, Street Debt Fund, Public Safety/Law Enforcement Fund, Capital Improvement Fund, and Capital Reserve Fund, which are considered to be nonmajor funds. In accordance with Governmental Accounting Standards Board Statement No. 54, the Brownfield Redevelopment Authority Fund, Imagination Station Maintenance 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 schedule has been provided for the General Fund in the required supplemental information to demonstrate compliance with this budget. The Brownfield Redevelopment Authority Fund, Imagination Station Maintenance 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 16-19 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 (Utilities Fund) operations. The Utilities 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 in more detail. The proprietary fund financial statements can be found on pages 20-22 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 proprietary funds. The adoption of GASB Statement No. 84, *Fiduciary Activities*, in the prior year resulted in the addition of a new fiduciary fund related to the City's retiree health care trust fund to be reported in the financial statements. The City of Brighton, Michigan maintains two fiduciary funds, one for current and delinquent tax collections (Custodial Fund) and the other for the City's Other Postemployment Benefit Trust Fund. The basic fiduciary fund financial statements can be found on pages 23-24 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 25-53 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 the General Fund, Major Streets Fund, Local Streets Fund, and Street Millage Fund, as well as certain required schedules showing the funding progress of the pension and OPEB plans. Required supplemental information can be found on pages 54-65 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, 2022, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$46.4 million for the primary government of the City.

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)

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 14,484,616	\$ 18,359,123	\$ 11,319,543	\$ 12,179,954	\$ 25,804,159	\$ 30,539,077
Capital assets	30,530,923	27,057,092	31,464,486	29,031,563	61,995,409	56,088,655
Total assets	45,015,539	45,416,215	42,784,029	41,211,517	87,799,568	86,627,732
Deferred Outflows of Resources	2,862,790	3,111,392	544,182	811,838	3,406,972	3,923,230
Liabilities						
Current liabilities	1,710,688	1,251,419	1,226,645	307,628	2,937,333	1,559,047
Noncurrent liabilities:						
Due within one year	1,603,026	1,744,095	698,480	658,431	2,301,506	2,402,526
Due in more than one year	23,504,552	27,115,245	10,224,900	12,549,885	33,729,452	39,665,130
Total liabilities	26,818,266	30,110,759	12,150,025	13,515,944	38,968,291	43,626,703
Deferred Inflows of Resources	4,566,494	3,717,239	1,268,209	873,838	5,834,703	4,591,077
Net Position						
Net investment in capital assets	24,099,735	23,201,408	27,129,604	27,036,903	51,229,339	50,238,311
Restricted	3,373,942	3,275,904	-	-	3,373,942	3,275,904
Unrestricted	(10,980,108)	(11,777,703)	2,780,373	596,670	(8,199,735)	(11,181,033)
Total net position	<u>\$ 16,493,569</u>	<u>\$ 14,699,609</u>	<u>\$ 29,909,977</u>	<u>\$ 27,633,573</u>	<u>\$ 46,403,546</u>	<u>\$ 42,333,182</u>

An additional portion of the City of Brighton, Michigan's net position (7.3 percent) represents resources that are subject to external restrictions on how they may be used.

Governmental Activities

As shown below, governmental activities increased the City of Brighton's net position by \$1.8 million. Last fiscal year, the net position of the governmental activities increased by \$2.8 million. The increase in the current year is primarily due to \$592 thousand of unspent road millage funds coupled with adjustments to the OPEB and pension liabilities. The increase in the prior year was due to \$1.3 million in unspent road millage funds, \$630 thousand in federal and state grants, and reduced spending, particularly in pension and OPEB.

Business-type Activities

Business-type activities increased the City of Brighton, Michigan's net position by \$2.3 million in the current fiscal year. Last fiscal year, the net position of the business-type activities increased by \$1.5 million. The increases in the current and prior year are due to increases in the water and sewer rates to continue replenishing the reserves of the utility fund, coupled with delays in budgeted capital improvements primarily due to supply chain and contractor shortages.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 1,760,398	\$ 1,622,519	\$ 5,304,829	\$ 5,660,613	\$ 7,065,227	\$ 7,283,132
Operating grants	905,096	1,558,554	232,103	-	1,137,199	1,558,554
Capital grants	-	-	435,605	530,600	435,605	530,600
General revenue:						
Property taxes	8,332,107	7,920,150	-	-	8,332,107	7,920,150
Intergovernmental	1,166,585	1,056,522	-	-	1,166,585	1,056,522
Investment earnings	46,434	46,555	47,817	8,138	94,251	54,693
Other revenue	228,089	188,077	-	-	228,089	188,077
Total revenue	12,438,709	12,392,377	6,020,354	6,199,351	18,459,063	18,591,728
Expenses						
General government	2,031,259	1,634,559	-	-	2,031,259	1,634,559
Public safety	3,396,419	2,835,358	-	-	3,396,419	2,835,358
Public works	4,537,834	4,367,392	-	-	4,537,834	4,367,392
Community and economic development	436,547	408,674	-	-	436,547	408,674
Debt service	242,690	305,900	-	-	242,690	305,900
Water and sewer	-	-	3,743,950	4,707,792	3,743,950	4,707,792
Total expenses	10,644,749	9,551,883	3,743,950	4,707,792	14,388,699	14,259,675
Change in Net Position	1,793,960	2,840,494	2,276,404	1,491,559	4,070,364	4,332,053
Net Position - Beginning of year	14,699,609	11,859,115	27,633,573	26,142,014	42,333,182	38,001,129
Net Position - End of year	\$ 16,493,569	\$ 14,699,609	\$ 29,909,977	\$ 27,633,573	\$ 46,403,546	\$ 42,333,182

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 \$12.7 million, a decrease of \$4.3 million in comparison with the prior year. Approximately 12.3 percent of this total amount (\$1.6 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 (streets, federal and state drug forfeiture, law enforcement/public safety, and capital projects), or assigned for purposes such as Arts and Cultural Commission, Imagination Station maintenance, streets, retiree legacy costs, and capital projects/purchases.

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 \$1.6 million. The FY 2022-2023 budget is balanced with a budgeted use of fund balance totaling \$617 thousand. Approximately \$750 thousand of the assigned fund balance is for future contributions to the pension and OPEB plans, and another \$650 thousand is assigned for capital projects/purchases and streets. As a measure of the General Fund's liquidity, it is more useful to compare the total unassigned fund balance to total fund operating expenditures. Unassigned fund balance represents 15.8 percent of total current General Fund budgeted operating expenditures for the year ending June 30, 2023. 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 decreased by \$220 thousand from the prior year. This is due to budgeted use of fund balance for additional payments into the pension liability, partially offset by savings in various expenditure line items.

At the end of the current fiscal year, total fund balance of the Major Streets Fund was \$704 thousand. This is a decrease of \$276 thousand from the prior year. The decrease is due to ongoing projects in the current year that had been delayed in the prior year.

At the end of the current fiscal year, total fund balance of the Local Streets Fund was \$164 thousand. This is a decrease of \$63 thousand from the prior year. The decrease is due to ongoing projects in the current year that had been delayed in the prior year.

At the end of the current fiscal year, total fund balance of the Street Millage Fund was \$1.8 million. This is an increase of \$592 thousand from the prior year. The increase is due to the timing of budgeted projects occurring compared to the collection of property tax revenue.

The 2021 Capital Improvement Bonds Construction Fund was established in the prior year to account for bond proceeds and related transfers out to reimburse the various funds incurring expenditures for bonded projects. At the end of the current fiscal year, total fund balance was \$5.4 million. The bonds were issued in February 2021 and will be expended over a period of three years.

The Federal Drug Law Enforcement and State Drug Law Enforcement funds had a combined ending fund balance of \$107 thousand. The revenue in these funds is from police forfeiture funds. During the fiscal year, the police department funded a surgery for the K-9 officer, software for police accreditation, and police training.

The Public Safety/Law Enforcement Fund had an ending fund balance of \$206 thousand, which is funded primarily through a voter-approved millage for law enforcement and public safety equipment and will be used for future law enforcement equipment. Revenue of approximately \$197 thousand assisted the police department with purchasing replacement sprinkler heads, LED lights, furnace replacement, and an A/C unit for the police department building, as well as ammunition and two new police vehicles.

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

The Capital Improvement Fund and the Capital Reserve Fund had a combined fund balance of \$753 thousand. The Capital Reserve Fund is funded annually by transfers from the General Fund, and funds are transferred out to various funds to complete budgeted capital projects. The current year capital projects funded include snow plow and cemetery equipment, sidewalk improvements, council chambers renovation, and debt service for capital related debt.

Proprietary Funds

The City of Brighton, Michigan's enterprise fund, the Utilities Fund, provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Utilities Fund at the end of the year amounted to \$2.8 million, an increase of \$2.2 million from the prior year. The Utilities Fund had a \$1.0 million operating gain. The fund had a net gain of \$2.3 million. This increase is primarily the result of increased water and sewer rates designed to continue replenishing the reserves.

General Fund Budgetary Highlights

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

The \$608 thousand, or 7.1 percent, increase in total expenditure amendments to the original budget is primarily the result of a City Council-approved amendment to use fund balance to pay an additional \$750 thousand into the pension plan; this is offset by various amendments to reduce budgeted expenditures most notably for lower than anticipated property appraisal fees, retiree health care premiums, and staffing needs. The \$100 thousand, or 8.6 percent, increase in transfers out is a carryover amendment for a transfer budgeted in the prior year that did not occur until 2021-2022. Actual year-end revenue came in above the budgeted amounts due to higher than budgeted tax revenue, state shared revenue, charges for services, fines and licenses and permits. Actual year-end expenditures came in below budgeted amounts primarily due to savings in the public safety and public works divisions resulting from temporary employee vacancies and lower than anticipated engineering costs in the community and economic development department.

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, 2022 amounts to \$62 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 unit (the DDA) as of June 30, 2022 amounts to \$4.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements. The net increase in the City of Brighton, Michigan's investment in capital assets for the current year was 9.6 percent (a 12.8 percent increase in governmental activities, an 8.4 percent increase for business-type activities, and a 1.6 percent decrease for its component unit).

	Governmental Activities		Business-type Activities		Component Unit		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
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	4,248,736	802,666	2,864,894	763,017	372,660	147,964	7,486,290	1,713,647
Infrastructure	8,100,722	8,285,322	17,654,282	17,256,906	-	-	25,755,004	25,542,228
Building and building improvements	3,258,254	3,081,071	10,329,028	10,746,701	2,148,807	2,388,726	15,736,089	16,216,498
Machinery and equipment	1,392,390	1,357,212	458,920	107,577	62,174	99,341	1,913,484	1,564,130
Right-of-use assets - Parking lots	-	-	-	-	197,436	223,329	197,436	223,329
Total	\$ 30,530,923	\$ 27,057,092	\$ 31,464,486	\$ 29,031,563	\$ 4,824,275	\$ 4,902,558	\$ 66,819,684	\$ 60,991,213

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

- Governmental activities - Street infrastructure, two new police vehicles, municipal parking lot, cemetery drive and fire hall drive replacements, completion of prior year CIP plow truck build and council chambers remodel, current year CIP projects for DPW office renovation, storage addition, and drive/lot replacement
- Business-type activities - Continued work on the Northwest Neighborhoods underground, Grand River East Streets underground, and Nelson booster station projects. Completed the Rickett Road underground project. Installed sewer lining and purchased a new Vactor truck.
- Component unit - Continued to engineer the upcoming downtown streetscape project.

Additional information on the City of Brighton, Michigan's capital assets can be found in Note 5 on pages 35-37 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 \$19.4 million. Of this total, \$19.3 million, or 99.8 percent, comprises debt backed by the full faith and credit of the City, including \$179 thousand of revenue bonds, and \$30 thousand, or 0.2 percent, is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. A total of \$10.4 million, or 53.6 percent, of the total debt is governmental activities debt; \$7.1 million, or 36.6 percent, is business-type activities debt; and the remaining \$1.9 million, or 9.7 percent, is component unit debt (DDA bonds).

	Governmental Activities		Business-type Activities		Component Units		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Direct borrowings/placements	\$ -	\$ 112,625	\$ 179,294	\$ 304,664	\$ 314,100	\$ 314,100	\$ 493,394	\$ 731,389
General obligation bonds/notes	10,359,750	11,373,450	6,915,250	7,296,550	1,570,000	1,810,000	18,845,000	20,480,000
Special assessment bonds	30,000	245,000	-	-	-	-	30,000	245,000
Total	\$ 10,389,750	\$ 11,731,075	\$ 7,094,544	\$ 7,601,214	\$ 1,884,100	\$ 2,124,100	\$ 19,368,394	\$ 21,456,389

The City of Brighton, Michigan's total debt, excluding compensated absences and unamortized bond premiums, decreased by \$2.1 million (9.7 percent) during the current fiscal year.

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

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 \$66.1 million, which is significantly in excess of the City's total net debt (total debt less installment purchase agreements, special assessment debt, revenue bonds, MTF, and county-shared debt) of \$22.0 million. Therefore, the legal debt margin, or what the City could legally add to its outstanding debt, at June 30, 2022 was \$44.2 million.

Additional information on the City of Brighton, Michigan's long-term debt can be found in Note 7 on pages 39-42 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 June 30, 2022, the average unemployment rate for Livingston County, Michigan was 3.2 percent, which is a decrease from 4.8 percent a year ago; for the State of Michigan, it was 4.3 percent, and for the United States, it was 3.6 percent. This decrease is a result of the continued rebound from the economic downturn in 2020 caused by the COVID-19 pandemic. Unemployment for the county saw its peak at 21 percent in April 2020, and we have seen steady and significant improvement in the last two years.
- The Consumer Price Index (CPI) region including Livingston County is Detroit/Wayne/Dearborn. For the year ended June 30, 2022, the CPI for this region increased by 9.7 percent from a year ago, the midwest region average CPI rate increased by 9.5 percent from a year ago, and the national CPI rate increased by 9.1 percent from a year ago.
- The impacts of COVID-19 and recent inflation have not had a significant effect on taxable value. Home sales in the City have remained strong despite the general economic downturn and resulting inflation. Revenue received from the State of Michigan related to sales tax and gasoline tax sharing has been increasing and outperforming our budgeted numbers.

The trends in these economic factors were considered in the development of the City of Brighton, Michigan's FY 2022-2023 budget and will continue to be considered when preparing the 2023-2024 budget.

During the current fiscal year, assigned fund balance includes \$1.4 million for capital projects/purchases and streets. This represents fund balance in both the General Fund and the Capital Reserve Fund. The FY 2022-2023 budget was balanced with a budgeted use of fund balance totaling \$617 thousand, including a \$459 thousand additional payment into the City's pension plan. The unassigned fund balance represents 15.8 percent of the total current General Fund budgeted expenditures at June 30, 2023.

Based on average bimonthly usage of 10 thousand gallons, the City's utility user fees increased an average of 7.9 percent for the fiscal year 2022-2023 budget year. The City is continuing to see steady connection fee sales as developers are proposing redevelopment of existing parcels. The City is almost entirely built out, and new developments are primarily on existing built parcels. In the current year, the City had \$4.2 million in utility capital asset additions, which was paid for using revenue from current year sales and bond proceeds. User fees are evaluated annually and are adjusted to cover needed improvements to its utility systems and to increase reserves using a smoothed increase approach.

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, City Manager, City of Brighton, 200 N. First Street, Brighton, MI 48116.

Statement of Net Position

June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 8,333,916	\$ 5,486,566	\$ 13,820,482	\$ 863,760
Receivables:				
Delinquent taxes	170,804	-	170,804	22,856
Special assessments	25,030	-	25,030	-
Customers	64,947	1,286,043	1,350,990	-
Current portion of leases receivable (Note 8)	-	20,262	20,262	-
Other receivables	193,415	-	193,415	-
Due from other governments	137,930	-	137,930	-
Inventory	-	93,416	93,416	-
Prepays	168,320	63,564	231,884	7,726
Restricted cash	5,390,254	3,986,398	9,376,652	-
Capital assets:				
Assets not subject to depreciation (Note 5)	17,779,557	3,022,256	20,801,813	2,415,858
Assets subject to depreciation - Net (Note 5)	12,751,366	28,442,230	41,193,596	2,408,417
Leases receivable - Net of current portion (Note 8)	-	383,294	383,294	-
Total assets	45,015,539	42,784,029	87,799,568	5,718,617
Deferred Outflows of Resources				
Deferred charges on refunding	138,629	13,857	152,486	-
Deferred pension costs (Note 10)	1,357,714	268,101	1,625,815	-
Deferred OPEB costs (Note 11)	1,366,447	262,224	1,628,671	-
Total deferred outflows of resources	2,862,790	544,182	3,406,972	-
Liabilities				
Accounts payable	1,051,272	567,238	1,618,510	48,718
Unearned revenue	479,457	573,507	1,052,964	-
Accrued liabilities and other	179,959	85,900	265,859	8,714
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	377,390	86,014	463,404	-
Current portion of long-term debt (Note 7)	1,225,636	612,466	1,838,102	274,074
Due in more than one year:				
Compensated absences (Note 7)	251,594	57,343	308,937	-
Net pension liability (Note 10)	6,884,036	1,363,623	8,247,659	-
Net OPEB liability (Note 11)	5,634,487	1,081,263	6,715,750	-
Long-term debt (Note 7)	10,734,435	7,722,671	18,457,106	1,804,779
Total liabilities	26,818,266	12,150,025	38,968,291	2,136,285
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 10)	1,178,283	232,294	1,410,577	-
Deferred OPEB cost reductions (Note 11)	3,388,211	650,203	4,038,414	-
Deferred inflows from leases (Note 8)	-	385,712	385,712	-
Total deferred inflows of resources	4,566,494	1,268,209	5,834,703	-
Net Position				
Net investment in capital assets	24,099,735	27,129,604	51,229,339	2,745,422
Restricted:				
Streets	2,731,890	-	2,731,890	-
Cemetery care - Nonexpendable	327,659	-	327,659	-
Capital improvements	771	-	771	-
Federal/State drug law enforcement	107,326	-	107,326	-
Law enforcement/Public safety	206,296	-	206,296	-
Unrestricted	(10,980,108)	2,780,373	(8,199,735)	836,910
Total net position	\$ 16,493,569	\$ 29,909,977	\$ 46,403,546	\$ 3,582,332

City of Brighton, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,031,259	\$ 440,360	\$ 10,064	\$ -
Public safety	3,396,419	152,264	-	-
Public works	4,537,834	802,264	895,032	-
Community and economic development	436,547	365,510	-	-
Interest on long-term debt	242,690	-	-	-
Total governmental activities	10,644,749	1,760,398	905,096	-
Business-type activities - Utility	3,743,950	5,304,829	232,103	435,605
Total primary government	<u>\$ 14,388,699</u>	<u>\$ 7,065,227</u>	<u>\$ 1,137,199</u>	<u>\$ 435,605</u>
Component unit - Downtown Development Authority	<u>\$ 663,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment interest				
Gain on disposal of assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,580,835)	\$ -	\$ (1,580,835)	\$ -
(3,244,155)	-	(3,244,155)	-
(2,840,538)	-	(2,840,538)	-
(71,037)	-	(71,037)	-
(242,690)	-	(242,690)	-
(7,979,255)	-	(7,979,255)	-
-	2,228,587	2,228,587	-
(7,979,255)	2,228,587	(5,750,668)	-
-	-	-	(663,004)
8,332,107	-	8,332,107	852,664
1,166,585	-	1,166,585	92,107
46,434	47,817	94,251	2,099
33,156	-	33,156	-
194,933	-	194,933	18,428
9,773,215	47,817	9,821,032	965,298
1,793,960	2,276,404	4,070,364	302,294
14,699,609	27,633,573	42,333,182	3,280,038
\$ 16,493,569	\$ 29,909,977	\$ 46,403,546	\$ 3,582,332

Governmental Funds
Balance Sheet

June 30, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Street Millage Fund	2021 Capital Improvement Bonds Construction Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 3,927,570	\$ 850,728	\$ 629,614	\$ 1,834,908	\$ -	\$ 1,091,096	\$ 8,333,916
Receivables:							
Delinquent taxes	161,488	-	-	7,503	-	1,813	170,804
Special assessments	-	25,030	-	-	-	-	25,030
Customers	64,947	-	-	-	-	-	64,947
Other receivables	193,415	-	-	-	-	-	193,415
Due from other governments	-	101,965	35,965	-	-	-	137,930
Prepays	160,002	1,026	655	-	-	6,637	168,320
Restricted cash	-	-	-	-	5,390,254	-	5,390,254
Total assets	\$ 4,507,422	\$ 978,749	\$ 666,234	\$ 1,842,411	\$ 5,390,254	\$ 1,099,546	\$ 14,484,616
Liabilities							
Accounts payable	\$ 268,648	\$ 249,389	\$ 501,890	\$ 601	\$ -	\$ 30,744	\$ 1,051,272
Unearned revenue	479,457	-	-	-	-	-	479,457
Accrued liabilities and other	80,364	-	-	3,624	-	-	83,988
Total liabilities	828,469	249,389	501,890	4,225	-	30,744	1,614,717
Deferred Inflows of Resources							
Unavailable revenue - Property taxes	159,041	-	-	7,503	-	1,813	168,357
Unavailable revenue - Special assessments	-	25,030	-	-	-	-	25,030
Total deferred inflows of resources	159,041	25,030	-	7,503	-	1,813	193,387
Total liabilities and deferred inflows of resources	987,510	274,419	501,890	11,728	-	32,557	1,808,104
Fund Balances							
Nonspendable:							
Prepays	160,002	1,026	655	-	-	6,637	168,320
Cemetery care - Permanent	327,659	-	-	-	-	-	327,659
Restricted:							
Streets	-	703,304	163,689	1,830,683	4,915,254	-	7,612,930
Federal/State drug law enforcement	-	-	-	-	-	107,326	107,326
Law enforcement/Public safety	-	-	-	-	-	205,102	205,102
Capital projects	771	-	-	-	475,000	-	475,771
Assigned:							
Retiree legacy costs	750,000	-	-	-	-	-	750,000
Capital projects/purchases	150,000	-	-	-	-	747,924	897,924
Open purchase orders at year end	26,123	-	-	-	-	-	26,123
Arts and Cultural Commission	11,456	-	-	-	-	-	11,456
Imagination Station	27,708	-	-	-	-	-	27,708
Streets	500,000	-	-	-	-	-	500,000
Unassigned	1,566,193	-	-	-	-	-	1,566,193
Total fund balances	3,519,912	704,330	164,344	1,830,683	5,390,254	1,066,989	12,676,512
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,507,422	\$ 978,749	\$ 666,234	\$ 1,842,411	\$ 5,390,254	\$ 1,099,546	\$ 14,484,616

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 12,676,512
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	30,530,923
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	193,387
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds	138,629
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(11,960,071)
Accrued interest is not due and payable in the current period and is not reported in the funds	(95,971)
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	(628,984)
Pension benefits, including deferred outflows/inflows of resources	(6,704,605)
Retiree health care benefits, including deferred outflows/inflows of resources	(7,656,251)
Net Position of Governmental Activities	<u><u>\$ 16,493,569</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Street Millage Fund	2021 Capital Improvement Bonds Construction Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 6,865,653	\$ -	\$ -	\$ 1,228,718	\$ -	\$ 186,376	\$ 8,280,747
Special assessments	-	119,994	-	-	-	-	119,994
Intergovernmental	1,104,683	660,637	234,395	62,624	-	9,342	2,071,681
Charges for services	895,969	-	-	-	-	-	895,969
Fines, forfeitures, and penalties	317,988	-	-	3,112	-	473	321,573
Licenses and permits	522,089	35,623	3,075	-	-	1,500	562,287
Unrestricted investment interest	19,679	9,811	397	4,579	10,469	1,499	46,434
Other revenue	162,066	30,711	-	-	-	-	192,777
Total revenue	9,888,127	856,776	237,867	1,299,033	10,469	199,190	12,491,462
Expenditures							
Current services:							
General government	2,146,016	-	-	-	-	-	2,146,016
Public safety	3,873,841	-	-	-	-	72,258	3,946,099
Public works	2,492,097	1,530,841	3,745,693	-	-	-	7,768,631
Community and economic development	492,380	-	-	-	-	-	492,380
Capital outlay	-	-	-	-	-	699,003	699,003
Debt service	-	398,361	654,533	-	-	731,681	1,784,575
Total expenditures	9,004,334	1,929,202	4,400,226	-	-	1,502,942	16,836,704
Excess of Revenue Over (Under) Expenditures	883,793	(1,072,426)	(4,162,359)	1,299,033	10,469	(1,303,752)	(4,345,242)
Other Financing Sources (Uses)							
Transfers in (Note 6)	25,000	795,985	4,099,161	-	-	1,851,570	6,771,716
Transfers out (Note 6)	(1,256,360)	-	-	(707,180)	(4,066,008)	(742,168)	(6,771,716)
Sale of capital assets	-	-	-	-	-	36,181	36,181
Total other financing (uses) sources	(1,231,360)	795,985	4,099,161	(707,180)	(4,066,008)	1,145,583	36,181
Net Change in Fund Balances	(347,567)	(276,441)	(63,198)	591,853	(4,055,539)	(158,169)	(4,309,061)
Fund Balances - Beginning of year	3,867,479	980,771	227,542	1,238,830	9,445,793	1,225,158	16,985,573
Fund Balances - End of year	\$ 3,519,912	\$ 704,330	\$ 164,344	\$ 1,830,683	\$ 5,390,254	\$ 1,066,989	\$ 12,676,512

Governmental Funds

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds **\$ (4,309,061)**

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	5,163,822
Depreciation expense	(1,687,622)

Net book value of assets disposed of is not reported in the fund statements	(2,369)
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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	(86,565)
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Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	1,341,325
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Interest expense is recognized in the government-wide statements as it accrues	200,560
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Certain employee costs (pension, retiree health care, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	1,173,870
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Change in Net Position of Governmental Activities	<u>\$ 1,793,960</u>
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Proprietary Fund
Statement of Net Position

June 30, 2022

	Enterprise - Utilities Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,486,566
Receivables:	
Customers	1,286,043
Current portion of leases receivable (Note 8)	20,262
Inventory	93,416
Prepays	63,564
Total current assets	6,949,851
Noncurrent assets:	
Restricted cash	3,986,398
Capital assets - Net (Note 5)	31,464,486
Leases receivable - Net of current portion (Note 8)	383,294
Total noncurrent assets	35,834,178
Total assets	42,784,029
Deferred Outflows of Resources	
Deferred charges on refunding	13,857
Deferred pension costs (Note 10)	268,101
Deferred OPEB costs (Note 11)	262,224
Total deferred outflows of resources	544,182
Liabilities	
Current liabilities:	
Accounts payable	567,238
Unearned revenue	573,507
Accrued liabilities and other	85,900
Compensated absences (Note 7)	86,014
Current portion of long-term debt (Note 7)	612,466
Total current liabilities	1,925,125
Noncurrent liabilities:	
Compensated absences (Note 7)	57,343
Net pension liability (Note 10)	1,363,623
Net OPEB liability (Note 11)	1,081,263
Long-term debt (Note 7)	7,722,671
Total noncurrent liabilities	10,224,900
Total liabilities	12,150,025
Deferred Inflows of Resources	
Deferred pension cost reductions (Note 10)	232,294
Deferred OPEB cost reductions (Note 11)	650,203
Deferred inflows from leases (Note 8)	385,712
Total deferred inflows of resources	1,268,209
Net Position	
Net investment in capital assets	27,129,604
Unrestricted	2,780,373
Total net position	\$ 29,909,977

See notes to financial statements.

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

Year Ended June 30, 2022

	<u>Enterprise - Utilities Fund</u>
Operating Revenue	
Sales	\$ 4,185,577
Tap charges and other	302,862
Penalties	<u>93,003</u>
Total operating revenue	4,581,442
Operating Expenses	
Salaries and fringe benefits	593,022
Other purchased services	303,332
Purchased property services	137,440
Professional and technical services	40,518
Supplies	237,296
Utilities	310,283
Property	81,640
Other	115,053
Depreciation	<u>1,744,534</u>
Total operating expenses	<u>3,563,118</u>
Operating Income	1,018,324
Nonoperating Revenue (Expense)	
Investment income	47,817
Interest expense	(180,832)
Debt service charge	686,749
Lease revenue	36,638
Operating grants	<u>232,103</u>
Total nonoperating revenue	<u>822,475</u>
Income - Before contributions	1,840,799
Capital Contributions	<u>435,605</u>
Change in Net Position	2,276,404
Net Position - Beginning of year	<u>27,633,573</u>
Net Position - End of year	<u><u>\$ 29,909,977</u></u>

Proprietary Fund
Statement of Cash Flows

Year Ended June 30, 2022

	Enterprise - Utilities Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 4,350,252
Payments to suppliers	(238,694)
Payments to employees and fringes	(2,096,540)
Net cash and cash equivalents provided by operating activities	2,015,018
Cash Flows Provided by Noncapital Financing Activities - State operating grants	232,103
Cash Flows from Capital and Related Financing Activities	
Lease receipts	18,794
Acquisition and construction of capital assets	(3,741,852)
Principal and interest paid on capital debt	(819,294)
Debt service charge	686,749
Net cash and cash equivalents used in capital and related financing activities	(3,855,603)
Cash Flows Provided by Investing Activities - Interest received on investments	47,817
Net Decrease in Cash and Cash Equivalents	(1,560,665)
Cash and Cash Equivalents - Beginning of year	11,033,629
Cash and Cash Equivalents - End of year	\$ 9,472,964
Classification of Cash and Cash Equivalents	
Cash and investments	\$ 5,486,566
Restricted cash	3,986,398
Total cash and cash equivalents	\$ 9,472,964
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 1,018,324
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	1,744,534
Changes in assets and liabilities:	
Receivables	(231,190)
Inventories	(20,650)
Prepaid and other assets	(44,858)
Accrued and other liabilities	(1,408,518)
Accounts payable	383,869
Unearned revenue	573,507
Total adjustments	996,694
Net cash and cash equivalents provided by operating activities	\$ 2,015,018
Significant Noncash Transactions - Contributions of capital assets	\$ 435,605

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

	Other Postemployment Benefit Trust Fund	Custodial - Tax Collection Fund
Assets		
Cash and cash equivalents	\$ -	\$ 785
Investments - Interest in pooled investments	2,408,400	-
Total assets	2,408,400	785
Liabilities - Due to other governments	-	785
Net Position - Restricted - Postemployment benefits other than pension	\$ 2,408,400	\$ -

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Other Postemployment Benefit Trust Fund	Custodial - Tax Collection Fund
Additions		
Investment loss	\$ (216,382)	\$ -
Contributions - Employer	473,750	-
Taxes collected for other governments	-	16,859,229
Tax overpayments received	-	238,890
Total additions	257,368	17,098,119
Deductions		
Benefit payments	473,750	-
Administrative fees	4,717	-
Tax disbursements to other governments	-	16,859,229
Refunds for tax overpayments	-	238,890
Total deductions	478,467	17,098,119
Net Change in Fiduciary Net Position	(221,099)	-
Net Position - Beginning of year	2,629,499	-
Net Position - End of year	\$ 2,408,400	\$ -

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 unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit - Downtown Development Authority

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and 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.

Fiduciary Component Unit - Retiree Health Care Fund/Plan

The fiduciary fund is used to account for the assets held by the City in a trustee capacity. This fund includes the MERS Retiree Health Funding Vehicle (the "Trust"). The Trust is reported within the basic financial statements, even though its resources cannot be used to fund the City's operations because of the fiduciary responsibility that the City retains relative to the operations of the retiree health care plan.

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 unit. 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 health care-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, 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, and capital project 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 is 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.
- The Local Streets Fund is used to account for the resources of state gas and weight tax revenue that is restricted for use on local streets. The funds are operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.
- The Street Millage Fund is used to account for the resources of property tax revenue that will fund projects in the Major Streets and Local Streets funds.

June 30, 2022

Note 1 - Significant Accounting Policies (Continued)

- The 2021 Capital Improvement Bonds Construction Fund is used to account for the resources of bond proceeds that will fund capital improvement projects.

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 Utilities 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.

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 Other Postemployment Benefit Trust Fund accumulates resources for future retiree health care payments to retirees.
- The Tax Collection Fund, which collects taxes on behalf of all other taxing authorities (state, county, school district, township, and the various smaller authorities)

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.

June 30, 2022

Note 1 - Significant Accounting Policies (Continued)**Restricted Assets**

Unspent bond proceeds are primarily available to provide funds for construction. These amounts have 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.

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 bond 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 other financing sources, as well as bond premiums and discounts. The Major Streets Fund, Local Streets Fund, Capital Improvement Fund, Utilities Fund, Downtown Development Authority, 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 and/or balance sheet 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.

Note 1 - Significant Accounting Policies (Continued)

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

	Inflows	Outflows
Unavailable revenue (that 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)	✓	✓
Deferred lease revenue	✓	

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 is held in trust for streets, capital projects, and law enforcement. 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.

Note 1 - Significant Accounting Policies (Continued)

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 city manager 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 exist only 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.

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. Interest and penalties are assessed on collections received after August 15. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The City's 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled \$507.7 million (a portion of which is captured by the DDA), on which taxes levied consisted of 14.7736 mills for operating purposes, 2.4199 mills for streets, 0.3674 mills for public safety, and 0.0979 mills for economic development, as allowed by PA 359 of 1925. This resulted in approximately \$7.5 million for operating purposes (a portion of which is captured by the DDA), approximately \$1.2 million for streets, approximately \$185,000 for public safety, and approximately \$49,000 for economic development. These amounts (less what is captured in the DDA) are recognized in the respective General, Public Safety/Law Enforcement, and Street Millage fund financial statements as tax revenue (net of delinquent taxes and other fees).

Pension

The City offers a defined benefit pension plan to eligible employees and retirees. 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 health care 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 has been determined on the same basis as it is 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.

June 30, 2022

Note 1 - Significant Accounting Policies (Continued)**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 earned. 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 Utilities Fund, primarily) are used to liquidate the obligations.

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 Utilities Fund is charges to customers for sales and services. The Utilities 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.

Leases

The City is a lessee for noncancellable leases of parking lots (all within the Downtown Development Authority). The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the component unit column in the government-wide financial statements. The City recognizes lease assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Note 1 - Significant Accounting Policies (Continued)

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The City is a lessor for noncancelable leases of a cellular tower. The City recognizes a lease receivable and a deferred inflow of resources in the proprietary fund financial statements.

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

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

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

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

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 87, *Leases*. As a result, the Downtown Development Authority now includes a liability for the present value of payments expected to be made and right-to-use assets. The Utilities Fund now includes receivables for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 8.

June 30, 2022

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:

Cumulative shortfall at July 1, 2021		\$	(1,467,535)
Current year permit revenue			330,220
Related expenses:			
Direct costs	\$	264,834	
Estimated indirect costs		19,863	284,697
			<u>45,523</u>
Current year surplus			<u>45,523</u>
Cumulative shortfall at June 30, 2022		\$	<u><u>(1,422,012)</u></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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 10 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 Other Postemployment Benefit Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Trust has designated one bank for deposit of its funds. The Trust's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

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 bank deposits of \$4,889,110 (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 \$18,793,687. Included in these amounts are bank deposits (certificates of deposit and checking and savings accounts) for the component unit, 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.

At year end, the Other Postemployment Benefit Trust Fund had no bank deposits (cash and money market accounts) that were uninsured and uncollateralized.

Note 4 - Fair Value Measurements

The City, including the Other Postemployment Benefit Trust Fund, 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, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where 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.

The City has the following recurring fair value measurements as of June 30, 2022:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022
Assets - Investments measured at NAV	
Michigan CLASS Investment Pool	\$ 2,794,384
Other Postemployment Benefit Trust Fund - MERS Total Market Fund	2,408,400
Total	<u>\$ 5,202,784</u>

The valuation method for investments measured at 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 where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

June 30, 2022

Note 4 - Fair Value Measurements (Continued)

As of June 30, 2022, 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	\$ 2,794,384	\$ -	N/A	None
Other Postemployment Benefit Trust Fund - MERS Total Market Fund	2,408,400	-	N/A	N/A

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.

The MERS Total Market Fund is a fully diversified portfolio combining stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages asset allocation and monitors the underlying investment managers of the MERS Total Market Fund.

Note 5 - Capital Assets

Capital asset activity of the City was as follows:

Governmental Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 13,530,821	\$ -	\$ -	\$ -	\$ 13,530,821
Construction in progress	802,666	(117,880)	3,563,950	-	4,248,736
Subtotal	14,333,487	(117,880)	3,563,950	-	17,779,557
Capital assets being depreciated:					
Roads and sidewalks	34,182,952	33,758	990,034	(48,000)	35,158,744
Buildings and improvements	7,159,869	84,122	297,636	(27,256)	7,514,371
Machinery and equipment	4,242,729	-	312,202	(411,115)	4,143,816
Subtotal	45,585,550	117,880	1,599,872	(486,371)	46,816,931
Accumulated depreciation:					
Roads and sidewalks	25,897,630	-	1,208,392	(48,000)	27,058,022
Buildings and improvements	4,078,798	-	202,206	(24,887)	4,256,117
Furniture and equipment	2,885,517	-	277,024	(411,115)	2,751,426
Subtotal	32,861,945	-	1,687,622	(484,002)	34,065,565
Net capital assets being depreciated	12,723,605	117,880	(87,750)	(2,369)	12,751,366
Net governmental activities capital assets	\$ 27,057,092	\$ -	\$ 3,476,200	\$ (2,369)	\$ 30,530,923

June 30, 2022

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 157,362	\$ -	\$ -	\$ -	\$ 157,362
Construction in progress	763,017	(21,141)	2,123,018	-	2,864,894
Subtotal	920,379	(21,141)	2,123,018	-	3,022,256
Capital assets being depreciated:					
Water and sewer lines	30,908,323	21,141	1,206,932	-	32,136,396
Stormwater drains	4,055,987	-	-	-	4,055,987
Buildings and improvements	31,135,273	-	408,063	-	31,543,336
Machinery and equipment	1,321,304	-	439,444	-	1,760,748
Subtotal	67,420,887	21,141	2,054,439	-	69,496,467
Accumulated depreciation:					
Water and sewer lines	15,917,534	-	722,618	-	16,640,152
Stormwater drains	1,789,870	-	108,079	-	1,897,949
Buildings and improvements	20,388,572	-	825,736	-	21,214,308
Machinery and equipment	1,213,727	-	88,101	-	1,301,828
Subtotal	39,309,703	-	1,744,534	-	41,054,237
Net capital assets being depreciated	28,111,184	21,141	309,905	-	28,442,230
Net business-type activities capital assets	\$ 29,031,563	\$ -	\$ 2,432,923	\$ -	\$ 31,464,486

June 30, 2022

Note 5 - Capital Assets (Continued)

Capital asset activity for the City's component unit for the year ended June 30, 2022 was as follows:

Component Unit

	Balance July 1, 2021	Reclassifications	Additions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 2,043,198	\$ -	\$ -	\$ 2,043,198
Construction in progress	147,964	-	224,696	372,660
Subtotal	2,191,162	-	224,696	2,415,858
Capital assets being depreciated:				
Buildings and improvements	6,624,743	-	-	6,624,743
Vehicles and equipment	1,665,559	-	-	1,665,559
Right-of-use asset - Parking lots	223,329	-	-	223,329
Subtotal	8,513,631	-	-	8,513,631
Accumulated depreciation:				
Buildings and improvements	4,236,017	-	239,918	4,475,935
Vehicles and equipment	1,566,218	-	37,168	1,603,386
Right-of-use asset - Parking lots	-	-	25,893	25,893
Subtotal	5,802,235	-	302,979	6,105,214
Net capital assets being depreciated	2,711,396	-	(302,979)	2,408,417
Net capital assets	\$ 4,902,558	\$ -	\$ (78,283)	\$ 4,824,275

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

Governmental activities:	
General government	\$ 23,569
Public safety	161,839
Public works	1,501,896
Community and economic development	318
Total governmental activities	\$ 1,687,622
Business-type activities - Water and sewer	\$ 1,744,534
Component unit activities - Downtown Development Authority	\$ 302,979

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
Northwest Neighborhood	\$ 5,219,555	\$ 1,583,213
Nelson Booster Station	261,094	50,017
Rickett Rd Phase 2	1,181,949	196,383
Total	\$ 6,662,598	\$ 1,829,613

June 30, 2022

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	\$ 205,977
	Street Debt Fund	334,383
	Local Streets Fund	100,000
	Capital Reserve Fund	616,000
	Total General Fund	1,256,360
Street Millage Fund	Local Streets Fund	707,180
Capital Reserve Fund	Capital Improvement Fund	491,168
	General Fund	25,000
	Major Streets Fund	226,000
	Total Capital Reserve Fund	742,168
2021 Capital Improvement Bonds Construction Fund	Major Streets Fund	569,985
	Local Streets Fund	3,291,981
	Capital Improvement Fund	204,042
	Total 2021 Capital Improvement Bonds Construction Fund	4,066,008
	Total	\$ 6,771,716

The transfers from the General Fund to the Capital Improvement Fund, Street Debt Fund, Local Streets Fund, and the Capital Reserve Fund, as well as transfers from the Street Millage Fund to the Local Streets Fund; the Capital Reserve Fund to the Capital Improvement Fund, General Fund, and Major Streets Fund; and the 2021 Capital Improvement Bonds Construction Fund to the Major Streets Fund, Local Streets Fund, and Capital Improvement Fund, represent the use of resources to finance those programs.

June 30, 2022

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements - Installment purchase agreements	\$ 112,625	\$ -	\$ (112,625)	\$ -	\$ -
Other debt:					
General obligation	11,373,450	-	(1,013,700)	10,359,750	1,044,200
Special assessment bonds	245,000	-	(215,000)	30,000	15,000
Total other debt principal outstanding	11,618,450	-	(1,228,700)	10,389,750	1,059,200
Unamortized bond premiums	1,736,757	-	(166,436)	1,570,321	166,436
Total bonds and contracts payable	13,467,832	-	(1,507,761)	11,960,071	1,225,636
Compensated absences	626,429	320,175	(317,620)	628,984	377,390
Total governmental activities long-term debt	<u>\$ 14,094,261</u>	<u>\$ 320,175</u>	<u>\$ (1,825,381)</u>	<u>\$ 12,589,055</u>	<u>\$ 1,603,026</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements:					
Drinking Water Revolving Funds	\$ 269,294	\$ -	\$ (90,000)	\$ 179,294	\$ 90,000
Installment purchase agreements	35,370	-	(35,370)	-	-
Total direct borrowings and direct placements principal outstanding	304,664	-	(125,370)	179,294	90,000
Other debt - General obligation	7,296,550	-	(381,300)	6,915,250	430,800
Unamortized bond premiums	1,332,259	-	(91,666)	1,240,593	91,666
Total bonds and contracts payable	8,933,473	-	(598,336)	8,335,137	612,466
Compensated absences	150,238	72,995	(79,876)	143,357	86,014
Total business-type activities long-term debt	<u>\$ 9,083,711</u>	<u>\$ 72,995</u>	<u>\$ (678,212)</u>	<u>\$ 8,478,494</u>	<u>\$ 698,480</u>

June 30, 2022

Note 7 - Long-term Debt (Continued)**Component Unit**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements - Land contracts	\$ 314,100	\$ -	\$ -	\$ 314,100	\$ -
Other debt - General obligation	1,810,000	-	(240,000)	1,570,000	245,000
Lease liability	223,329	-	(28,576)	194,753	29,074
Total component unit long-term debt	\$ 2,347,429	\$ -	\$ (268,576)	\$ 2,078,853	\$ 274,074

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 and are secured by the underlying capital assets. The outstanding DDA land contract is secured by the underlying land. The remaining outstanding bonded debt is subject to various payment acceleration terms in the event the City is delinquent in payments or unable to make required payments. General obligations outstanding at June 30, 2022 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Limited Tax Refunding Bonds	2013	3.00%	October 2026	\$ 1,718,900
2017 CIP and Refunding Bonds	2017	2.22%	October 2031	840,850
2021 Capital Improvement Bonds	2021	4.00%	October 2032	7,800,000
Total governmental activities				<u>\$ 10,359,750</u>
Business-type Activities				
Limited Tax Capital Improvement Bonds	2010	5.00% - 5.75%	October 2030	\$ 400,000
Limited Tax Refunding Bonds	2013	3.00%	October 2026	121,100
2004 Drinking Water Revolving Funds	2004	2.125%	October 2023	179,294
2017 Refunding Bonds	2017	2.22%	October 2031	414,150
2021 Capital Improvement Bonds	2021	4.00%	October 2035	5,980,000
Total business-type activities				<u>\$ 7,094,544</u>
Component Unit				
Downtown Development Authority Land Contract Payable	2015	6.00%	April 2025	\$ 314,100
2017 CIP Bonds	2017	2.22%	October 2027	1,570,000
Total component unit				<u>\$ 1,884,100</u>

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, Orndorf Drive Road Improvements	2009	5.50%	October 2023	\$ 30,000

Other Long-term Liabilities

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

June 30, 2022

Note 7 - Long-term Debt (Continued)**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ -	\$ -	\$ 1,059,200	\$ 365,021	\$ 1,424,221
2024	-	-	1,103,350	326,469	1,429,819
2025	-	-	1,145,050	286,555	1,431,605
2026	-	-	1,205,950	245,116	1,451,066
2027	-	-	952,250	206,346	1,158,596
2028-2032	-	-	4,273,950	529,995	4,803,945
2033-2037	-	-	650,000	13,000	663,000
Total	\$ -	\$ -	\$ 10,389,750	\$ 1,972,502	\$ 12,362,252

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ 90,000	\$ 2,854	\$ 430,800	\$ 265,717	\$ 789,371
2024	89,294	949	441,650	248,717	780,610
2025	-	-	449,950	231,263	681,213
2026	-	-	479,050	213,084	692,134
2027	-	-	477,750	194,324	672,074
2028-2032	-	-	2,586,050	668,856	3,254,906
2033-2037	-	-	2,050,000	168,600	2,218,600
Total	\$ 179,294	\$ 3,803	\$ 6,915,250	\$ 1,990,561	\$ 9,088,908

Years Ending June 30	Component Unit Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ -	\$ 18,846	\$ 245,000	\$ 32,135	\$ 295,981
2024	-	18,846	255,000	26,585	300,431
2025	314,100	15,705	260,000	20,868	610,673
2026	-	-	265,000	15,041	280,041
2027	-	-	270,000	9,102	279,102
2028-2032	-	-	275,000	3,053	278,053
2033-2037	-	-	-	-	-
Total	\$ 314,100	\$ 53,397	\$ 1,570,000	\$ 106,784	\$ 2,044,281

Note 8 - Leases

The Downtown Development Authority leases certain assets from various third parties. The assets leased include parking lots. Payments are generally fixed monthly rates with escalation in payments over the term of the lease.

June 30, 2022

Note 8 - Leases (Continued)

Lease asset activity of the City is included in Note 5.

Future principal and interest payment requirements related to the City's lease liability at June 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 29,074	\$ 3,472	\$ 32,546
2024	23,851	2,882	26,733
2025	24,638	2,400	27,038
2026	25,445	1,903	27,348
2027	26,297	1,368	27,665
2028-2032	65,448	2,425	67,873
Total	\$ 194,753	\$ 14,450	\$ 209,203

The City leases certain assets to various third parties. The assets leased include cell towers. Payments are generally fixed monthly rates with escalation over the term of the lease. At June 30, 2022, the total leases receivable outstanding was \$403,556, and deferred inflows of resources related to leases were \$385,712.

During the year ended June 30, 2022, the City recognized the following related to its lessor agreements:

Lease revenue	\$ 36,638
Interest income related to its leases	31,520

Note 9 - 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, participates in the Michigan Townships Participating Plan for claims relating to general liability and property, and participates in the Michigan Municipal League risk pool for claims relating to 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.

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

Note 10 - Pension Plans***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 eligible 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, MI 48917.

Note 10 - Pension Plans (Continued)

Employees not eligible for the MERS pension plan are enrolled in a defined contribution 401A plan through Nationwide. For all employee groups in the plan, vesting begins at 20 percent for year one, increasing by 20 percent per year until fully vested at year five. Nonunion employees hired on or after July 1, 2019 shall receive city contributions to their plan based upon their employment classification, nonsupervisory staff will receive 10 percent of their wages, supervisors will receive 12 percent of their wages, and directors will receive 14 percent of their wages. DPW Local 214 and clerical employees hired on or after July 1, 2019 shall receive city contributions to their plan equal to 10 percent of their wages.

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 eligible full-time employees at the City, which includes all police officers regardless of hire date and all other employees hired prior to July 1, 2019, with the exception of the city manager.

Retirement benefits for general nonunion administrative employees hired before July 1, 2014 reflect bridged benefits from a 2.25 percent multiplier with a frozen final average compensation to a 2.02 percent multiplier effective July 1, 2019. 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 general nonunion administrative (closed to new hires as of July 1, 2019) employees (hired after July 1, 2014) reflect bridged benefits from a 2.25 percent multiplier with a frozen final average compensation to a 2.02 percent multiplier effective July 1, 2019. 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 police/fire (closed to new hires as of November 21, 2019) employees reflect bridged benefits from a 2.50 percent multiplier with a frozen final average compensation to a 2.35 percent multiplier effective November 21, 2019. 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 10 - Pension Plans (Continued)

Retirement benefits for police/fire hired on or after November 21, 2019 employees are enrolled in a hybrid pension plan with a 1.50 percent multiplier coupled with a defined contribution of 3.5 percent of wages for the first 5 years of employment, 4.0 percent for years 6 to 10, and 5.0 percent beginning in year 11. 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.

Retirement benefits for the police chief division reflect bridged benefits from a 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.

Retirement benefits for DPW Local 214 (closed to new hires) employees are calculated as 2.00 percent of the employee's final 5-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 DPW Local 214 (closed to new hires as of July 1, 2019) employees are calculated as 2.00 percent of the employee's final 5-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 clerical union (closed to new hires as of July 1, 2019) employees are calculated as 2.00 percent of the employee's final 5-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.

Note 10 - Pension Plans (Continued)

Benefit terms provide for annual cost of living adjustments to certain current retirees of all groups except for the general nonunion group hired after July 1, 2014 and the police chief group. 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 employees benefit terms may be subject to binding arbitration in certain circumstances.

In 2020, benefit changes were introduced that reduced future earned benefits through a bridged multiplier and/or required increased employee contributions. Additionally, the pension plan was closed to all nonpolice new hires. Police hired on or after November 21, 2019 are on a new hybrid pension and defined contribution plan. These changes resulted in a significant reduction in the calculation of the total pension liability.

Employees Covered by Benefit Terms

At the December 31, 2021 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	49
Inactive plan members entitled to but not yet receiving benefits	20
Active plan members	41
	<hr/>
Total employees covered by the plan	110

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, 2022, the average active employee contribution rate was 5.0 percent of annual pay for general nonunion and police divisions and 7.5 percent of annual pay for the DPW and clerical unions. The City's average contribution rate was 26.88 percent of annual payroll for the various employee groups. The City's General Fund and Utilities 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, 2022 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, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

June 30, 2022

Note 10 - Pension Plans (Continued)

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, 2020	\$ 26,963,421	\$ 17,380,233	\$ 9,583,188
Changes for the year:			
Service cost	334,788	-	334,788
Interest	2,004,551	-	2,004,551
Changes in benefits	(5,659)	-	(5,659)
Differences between expected and actual experience	16,852	-	16,852
Changes in assumptions	1,123,080	-	1,123,080
Contributions - Employer	-	2,267,900	(2,267,900)
Contributions - Employee	-	177,337	(177,337)
Net investment income	-	2,392,002	(2,392,002)
Benefit payments, including refunds	(1,510,314)	(1,510,314)	-
Administrative expenses	-	(28,098)	28,098
Net changes	1,963,298	3,298,827	(1,335,529)
Balance at December 31, 2021	<u>\$ 28,926,719</u>	<u>\$ 20,679,060</u>	<u>\$ 8,247,659</u>

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

For the year ended June 30, 2022, the City recognized pension expense of \$1,661,104, of which \$1,387,554 is related to governmental activities and \$273,550 is related to business-type activities.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 111,314	\$ -
Changes in assumptions	1,049,068	-
Net difference between projected and actual earnings on pension plan investments	-	(1,410,577)
Employer contributions to the plan subsequent to the measurement date	465,433	-
Total	<u>\$ 1,625,815</u>	<u>\$ (1,410,577)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (recovery) 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
2023	\$ 561,508
2024	(192,101)
2025	(412,270)
2026	(207,332)

June 30, 2022

Note 10 - Pension Plans (Continued)***Actuarial Assumptions***

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.0 percent, an investment rate of return (gross of investment expenses) of 7.25 percent, and the Pub-2010 mortality tables. The assumptions were applied to all periods included in the measurement except the investment rate of return (gross of investment expenses) was 7.6 percent at the beginning of the measurement period. All assumptions used, except for the investment rate of return, are based on an experience study conducted for the period from 2014-2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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.

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, 2021 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	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private equity	20.00	7.00

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 7.25 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 (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 11,895,360	\$ 8,247,659	\$ 5,215,277

Note 10 - Pension Plans (Continued)

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.

Assumption Changes

The beginning of year total pension liability was based on a discount rate of 7.60 percent, and the end of year total pension liability was based on a discount rate of 7.25 percent.

Note 11 - Other Postemployment Benefit Plan

Plan Description

The City provides retiree health care 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 Retiree Health Funding Vehicle. MERS issues a publicly available financial report. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917. Effective July 1, 2017 (and earlier for certain divisions), the plan was closed to new hires.

Management of the plan is vested with City Council.

Benefits Provided

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	37
Active plan members	24
Total plan members	61

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 health care coverages for retirees and their spouses who are eligible for Medicare Part B coverage. The City's General Fund and Utilities Fund are used to liquidate retiree health care liabilities.

June 30, 2022

Note 11 - Other Postemployment Benefit Plan (Continued)

Retiree health care 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, 2022, the City made payments for postemployment health benefit premiums of \$516,529.

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, 2022 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, 2022 measurement date. The June 30, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021 and rolled forward to June 30, 2022.

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, 2021	\$ 11,935,995	\$ 2,629,499	\$ 9,306,496
Changes for the year:			
Service cost	114,404	-	114,404
Interest	821,445	-	821,445
Differences between expected and actual experience	(2,461,761)	-	(2,461,761)
Changes in assumptions	(769,404)	-	(769,404)
Contributions - Employer	-	516,529	(516,529)
Net investment loss	-	(216,382)	216,382
Benefit payments, including refunds	(516,529)	(516,529)	-
Administrative expenses	-	(4,717)	4,717
Net changes	(2,811,845)	(221,099)	(2,590,746)
Balance at June 30, 2022	\$ 9,124,150	\$ 2,408,400	\$ 6,715,750

The plan's fiduciary net position represents 26.4 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, 2022, the City recognized an OPEB recovery of \$1,397,098.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 231,564	\$ (3,511,435)
Changes in assumptions	1,264,890	(526,979)
Net difference between projected and actual earnings on OPEB plan investments	132,217	-
Total	\$ 1,628,671	\$ (4,038,414)

June 30, 2022

Note 11 - Other Postemployment Benefit Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (recovery) expense as follows:

Years Ending June 30	Amount
2023	\$ (2,036,758)
2024	(810,751)
2025	(18,125)
2026	241,047
2027	160,991
Thereafter	53,853
Total	<u>\$ (2,409,743)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed base wage increases (including inflation) of 3.00 percent; an investment rate of return (net of investment expenses) of 7.00 percent; a health care cost trend rate of 8.25 percent for 2021, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2036 and later years; and the Pub-2010 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 7.0 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, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation are summarized in the table below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private equity	20.00	7.00

June 30, 2022

Note 11 - Other Postemployment Benefit Plan (Continued)***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 7.0 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 Percentage Point Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB liability of the plan	\$ 8,058,811	\$ 6,715,750	\$ 5,624,570

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

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 7.0 percent, decreasing to 4.5 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.5% Decreasing to 2.5%)	Current Health Care Cost Trend Rate (7.5% Decreasing to 3.5%)	1 Percentage Point Increase (8.5% Decreasing to 4.5%)
Net OPEB liability of the plan	\$ 5,536,268	\$ 6,715,750	\$ 8,173,045

Assumption Change

There were certain changes of assumptions that affected the measurement of the total OPEB liability since the prior measurement date. The assumed health care inflation rate decreased from 8.25 percent to 7.50 percent for non-Medicare and 6.50 percent to 6.25 percent for Medicare for the year ended June 30, 2022.

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the City Council to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was an investment loss of 8.23 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

June 30, 2022

Note 12 - 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, 2022, the City abated \$29,387 of taxes under this program. The DDA abated \$21,133 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 13 - Subsequent Event

The City of Brighton, Michigan's June 30, 2022 financial statements and related disclosures include an evaluation by management of events that may require disclosure up through and including October 17, 2022, which is the date the financial statements were available to be issued. The City closed on the issuance of Downtown Development Authority bonds on September 22, 2022 in the amount of \$6,750,000 for the purpose of paying all or part of the cost to acquire, construct, and equip various improvements within the development area of the Downtown Development Authority. The financial statements presented as of June 30, 2022 are not impacted with respect to this matter.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,840,900	\$ 6,774,900	\$ 6,865,653	\$ 90,753
Intergovernmental	878,500	1,062,100	1,104,683	42,583
Charges for services	803,700	835,700	895,969	60,269
Fines, forfeitures, and penalties	290,300	290,300	317,988	27,688
Licenses and permits	361,550	481,550	522,089	40,539
Unrestricted investment interest	20,000	15,000	19,596	4,596
Other revenue	122,620	143,620	156,295	12,675
Total revenue	9,317,570	9,603,170	9,882,273	279,103
Expenditures				
Current services:				
General government:				
City Council	30,837	51,337	39,454	11,883
City manager	243,296	243,661	236,162	7,499
Communications	45,369	50,693	49,531	1,162
Information systems	127,484	151,684	133,561	18,123
Finance	848,058	950,306	940,959	9,347
City clerk	201,303	229,488	226,961	2,527
Legal services	303,133	263,133	250,384	12,749
Human resources	175,078	212,397	208,630	3,767
Postemployment benefits	68,991	62,501	60,374	2,127
Public safety	3,655,239	3,954,612	3,873,841	80,771
Public works	2,425,059	2,540,986	2,489,446	51,540
Community and economic development	501,609	523,115	488,531	34,584
Total expenditures	8,625,456	9,233,913	8,997,834	236,079
Excess of Revenue Over Expenditures	692,114	369,257	884,439	515,182
Other Financing Sources (Uses)				
Transfers in	25,000	25,000	25,000	-
Transfers out	(1,159,342)	(1,259,342)	(1,258,860)	482
Total other financing uses	(1,134,342)	(1,234,342)	(1,233,860)	482
Net Change in Fund Balance	(442,228)	(865,085)	(349,421)	515,664
Fund Balance - Beginning of year	3,826,998	3,826,998	3,826,998	-
Fund Balance - End of year	<u>\$ 3,384,770</u>	<u>\$ 2,961,913</u>	<u>\$ 3,477,577</u>	<u>\$ 515,664</u>

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

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 120,024	\$ 120,024	\$ 119,994	\$ (30)
Intergovernmental	620,000	620,000	660,637	40,637
Licenses and permits	31,400	31,400	35,623	4,223
Unrestricted investment interest	8,889	8,889	9,811	922
Other revenue	-	30,711	30,711	-
Total revenue	780,313	811,024	856,776	45,752
Expenditures - Public works and debt service	1,377,117	2,786,524	1,929,202	857,322
Excess of Expenditures Over Revenue	(596,804)	(1,975,500)	(1,072,426)	903,074
Other Financing Sources - Transfers in	663,430	1,574,335	795,985	(778,350)
Net Change in Fund Balance	66,626	(401,165)	(276,441)	124,724
Fund Balance - Beginning of year	980,771	980,771	980,771	-
Fund Balance - End of year	<u>\$ 1,047,397</u>	<u>\$ 579,606</u>	<u>\$ 704,330</u>	<u>\$ 124,724</u>

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Fund (Continued)
Local Streets Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 220,000	\$ 220,000	\$ 234,395	\$ 14,395
Licenses and permits	2,150	2,150	3,075	925
Unrestricted investment interest	150	150	397	247
Total revenue	222,300	222,300	237,867	15,567
Expenditures - Public works and debt service	3,257,635	6,539,173	4,400,226	2,138,947
Excess of Expenditures Over Revenue	(3,035,335)	(6,316,873)	(4,162,359)	2,154,514
Other Financing Sources - Transfers in	2,950,853	6,267,955	4,099,161	(2,168,794)
Net Change in Fund Balance	(84,482)	(48,918)	(63,198)	(14,280)
Fund Balance - Beginning of year	227,542	227,542	227,542	-
Fund Balance - End of year	<u>\$ 143,060</u>	<u>\$ 178,624</u>	<u>\$ 164,344</u>	<u>\$ (14,280)</u>

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Fund (Continued)
Street Millage Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,224,500	\$ 1,211,500	\$ 1,228,718	\$ 17,218
Intergovernmental	28,000	62,000	62,624	624
Fines, forfeitures, and penalties	-	-	3,112	3,112
Unrestricted investment interest	1,600	1,600	4,579	2,979
Total revenue	1,254,100	1,275,100	1,299,033	23,933
Expenditures	-	-	-	-
Excess of Revenue Over Expenditures	1,254,100	1,275,100	1,299,033	23,933
Other Financing Uses - Transfers out	(764,318)	(764,318)	(707,180)	57,138
Net Change in Fund Balance	489,782	510,782	591,853	81,071
Fund Balance - Beginning of year	1,238,830	1,238,830	1,238,830	-
Fund Balance - End of year	<u><u>\$ 1,728,612</u></u>	<u><u>\$ 1,749,612</u></u>	<u><u>\$ 1,830,683</u></u>	<u><u>\$ 81,071</u></u>

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

Last Eight Plan Years Ended December 31
(Subsequent to GASB 68 Implementation in FY 2015)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 334,788	\$ 314,040	\$ 363,886	\$ 418,509	\$ 386,140	\$ 407,326	\$ 394,320	\$ 405,232
Interest	2,004,551	1,862,129	1,813,052	1,812,477	1,731,810	1,653,911	1,535,088	1,438,814
Changes in benefit terms	(5,659)	2,301	(1,187,317)	-	-	-	(25,056)	-
Differences between expected and actual experience	16,852	300,237	279,090	160,268	(128,060)	103,238	76,212	-
Changes in assumptions	1,123,080	901,054	912,617	-	-	-	926,128	-
Benefit payments, including refunds	(1,510,314)	(1,522,029)	(1,326,117)	(1,174,972)	(1,115,268)	(950,236)	(742,672)	(600,570)
Net Change in Total Pension Liability	1,963,298	1,857,732	855,211	1,216,282	874,622	1,214,239	2,164,020	1,243,476
Total Pension Liability - Beginning of year	26,963,421	25,105,689	24,250,478	23,034,196	22,159,574	20,945,335	18,781,315	17,537,839
Total Pension Liability - End of year	<u>\$ 28,926,719</u>	<u>\$ 26,963,421</u>	<u>\$ 25,105,689</u>	<u>\$ 24,250,478</u>	<u>\$ 23,034,196</u>	<u>\$ 22,159,574</u>	<u>\$ 20,945,335</u>	<u>\$ 18,781,315</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 2,267,900	\$ 857,132	\$ 866,361	\$ 801,531	\$ 658,086	\$ 584,909	\$ 583,850	\$ 556,493
Contributions - Employee	177,337	181,711	200,241	222,588	244,263	180,773	170,541	133,499
Net investment income (loss)	2,392,002	2,198,099	1,913,406	(585,775)	1,761,885	1,390,411	(199,183)	736,585
Administrative expenses	(28,098)	(31,412)	(32,969)	(28,901)	(27,880)	(27,479)	(27,758)	(27,151)
Benefit payments, including refunds	(1,510,314)	(1,522,029)	(1,326,117)	(1,174,972)	(1,115,268)	(950,236)	(742,672)	(600,570)
Net Change in Plan Fiduciary Net Position	3,298,827	1,683,501	1,620,922	(765,529)	1,521,086	1,178,378	(215,222)	798,856
Plan Fiduciary Net Position - Beginning of year	17,380,233	15,696,732	14,075,810	14,841,339	13,320,253	12,141,875	12,357,097	11,558,241
Plan Fiduciary Net Position - End of year	<u>\$ 20,679,060</u>	<u>\$ 17,380,233</u>	<u>\$ 15,696,732</u>	<u>\$ 14,075,810</u>	<u>\$ 14,841,339</u>	<u>\$ 13,320,253</u>	<u>\$ 12,141,875</u>	<u>\$ 12,357,097</u>
City's Net Pension Liability - Ending	<u>\$ 8,247,659</u>	<u>\$ 9,583,188</u>	<u>\$ 9,408,957</u>	<u>\$ 10,174,668</u>	<u>\$ 8,192,857</u>	<u>\$ 8,839,321</u>	<u>\$ 8,803,460</u>	<u>\$ 6,424,218</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.49 %	64.46 %	62.52 %	58.04 %	64.43 %	60.11 %	57.97 %	65.79 %
Covered Payroll	\$ 3,283,961	\$ 3,288,682	\$ 3,238,963	\$ 3,777,392	\$ 3,498,942	\$ 3,510,572	\$ 3,533,771	\$ 3,572,072
City's Net Pension Liability as a Percentage of Covered Payroll	251.15 %	291.40 %	290.49 %	269.36 %	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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 930,077	\$ 807,464	\$ 895,385	\$ 846,398	\$ 743,929	\$ 576,133	\$ 606,733	\$ 731,484	\$ 664,441	\$ 634,445
Contributions in relation to the actuarially determined contribution	2,330,077	807,464	895,385	846,398	743,929	576,133	606,733	731,484	664,441	634,445
Contribution Excess	\$ 1,400,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,459,969	\$ 3,174,384	\$ 2,778,150	\$ 4,057,882	\$ 3,698,193	\$ 3,791,017	\$ 3,823,801	\$ 3,572,072	\$ 3,361,410	\$ 3,391,420
Contributions as a Percentage of Covered Payroll	67.34 %	25.44 %	32.23 %	20.86 %	20.12 %	15.20 %	15.87 %	20.48 %	19.77 %	18.71 %

Notes to Pension System Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is 18 months prior to the beginning of the fiscal year in which the contributions are required

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50 percent
Salary increase	3.00 percent average, including inflation
Investment rate of return - Net of administrative expenses	7.35 percent
Retirement age	Varies depending on plan adoption
Mortality	RP-2014 Mortality Tables
Other information	None

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

	Last Five Fiscal Years (Schedule is Built Prospectively upon Implementation of GASB 75)				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 114,404	\$ 131,240	\$ 307,327	\$ 296,248	\$ 261,510
Interest	821,445	785,743	1,174,004	1,099,010	1,089,519
Differences between expected and actual experience	(2,461,761)	115,608	(6,774,526)	(409,229)	342,988
Changes in assumptions	(769,404)	-	1,449,105	731,924	965,220
Benefit payments, including refunds	(516,529)	(511,741)	(564,677)	(462,062)	(426,732)
Net Change in Total OPEB Liability	(2,811,845)	520,850	(4,408,767)	1,255,891	2,232,505
Total OPEB Liability - Beginning of year	11,935,995	11,415,145	15,823,912	14,568,021	12,335,516
Total OPEB Liability - End of year	\$ 9,124,150	\$ 11,935,995	\$ 11,415,145	\$ 15,823,912	\$ 14,568,021
Plan Fiduciary Net Position					
Contributions - Employer	\$ 516,529	\$ 511,741	\$ 637,677	\$ 600,878	\$ 520,548
Net investment (loss) income	(216,382)	556,423	42,155	60,990	122,223
Benefit payments, including refunds	(516,529)	(511,741)	(564,677)	(462,062)	(426,732)
Administrative expenses	(4,717)	(4,281)	(3,665)	(3,744)	(3,931)
Net Change in Plan Fiduciary Net Position	(221,099)	552,142	111,490	196,062	212,108
Plan Fiduciary Net Position - Beginning of year	2,629,499	2,077,357	1,965,867	1,769,805	1,557,697
Plan Fiduciary Net Position - End of year	\$ 2,408,400	\$ 2,629,499	\$ 2,077,357	\$ 1,965,867	\$ 1,769,805
Net OPEB Liability - Ending	\$ 6,715,750	\$ 9,306,496	\$ 9,337,788	\$ 13,858,045	\$ 12,798,216
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	26.40 %	22.03 %	18.20 %	12.42 %	12.15 %
Covered-employee Payroll	\$ 2,269,754	\$ 2,529,907	\$ 2,523,452	\$ 2,026,989	\$ 2,253,116
Net OPEB Liability as a Percentage of Covered-employee Payroll	295.88 %	367.86 %	370.04 %	683.68 %	568.02 %

Required Supplemental Information
Schedule of OPEB Contributions

	Last Ten Fiscal Years Years Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 822,200	\$ 826,393	\$ 817,376	\$ 489,407	\$ 351,075	\$ 951,817	\$ 639,057	\$ 738,327	\$ 754,345	\$ 764,433
Contributions in relation to the actuarially determined contribution	516,529	511,741	637,677	600,878	520,548	423,351	420,174	421,860	368,875	341,702
Contribution (Deficiency) Excess	\$ (305,671)	\$ (314,652)	\$ (179,699)	\$ 111,471	\$ 169,473	\$ (528,466)	\$ (218,883)	\$ (316,467)	\$ (385,470)	\$ (422,731)
Covered-employee Payroll	\$ 2,269,754	\$ 2,529,907	\$ 2,523,452	\$ 2,026,989	\$ 2,253,116	\$ 2,253,116	\$ 3,897,890	\$ 3,897,890	\$ 3,821,461	\$ 3,821,461
Contributions as a Percentage of Covered-employee Payroll	22.76 %	20.23 %	25.27 %	29.64 %	23.10 %	18.79 %	10.78 %	10.82 %	9.65 %	8.94 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar (closed)
Remaining amortization period	27 years
Asset valuation method	Fair value plus receivable contributions
Inflation	2.50 percent
Health care cost trend rates	Non-Medicare (Pre-65): Initial trend of 8.25 percent, gradually decreasing to 4.50 percent in year 16; Medicare (Post-65): Initial trend of 6.50 percent, gradually decreasing to 4.50 percent in year 9
Salary increase	3.00 percent to 9.70 percent, including 3.00 percent wage inflation
Investment rate of return	7.00 percent
Retirement age	60 years
Mortality	Sex-distinct Pub-2010 General Employees & General Healthy Retiree Tables
Other information	None

Required Supplemental Information
Schedule of OPEB Investment Returns

	Last Five Fiscal Years Years Ended June 30				
	2022	2021	2020	2019	2018
Annual money-weighted rate of return - Net of investment expense	(8.23)%	28.12 %	2.21 %	3.33 %	7.85 %

This schedule is being built prospectively upon implementation of GASB 74

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 except construction 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 all fund types. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported in governmental funds as restrictions, commitments, or 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. Within the proprietary fund and component unit, the amounts are reported as unrestricted amounts. The amount of encumbrances outstanding at year end is as follows: General Fund - \$26,725, Major Streets Fund - \$71,022, Local Streets Fund - \$103,650, 2021 Capital Improvement Bonds Construction Fund - \$2,640,577, Utility Fund - \$1,468,209, Downtown Development Authority - \$110,972, and nonmajor governmental funds - \$353,730.

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 its 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 Street Millage Fund, the Capital Improvement Fund, the Principal Shopping District Fund, the Arts and Cultural Commission Fund, the Brownfield Redevelopment Authority Fund, the Street Debt Fund, the Imagination Station Maintenance Fund, the State Drug Law Enforcement Fund, the Federal Drug Law Enforcement Fund, the Capital Reserve Fund, and the Public Safety/Law Enforcement Fund.

In accordance with GASB Statement No. 54, the Imagination Station Maintenance Fund, Principal Shopping District Fund, Arts and Cultural Commission Fund, and Brownfield Redevelopment Authority 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 revenue, expenditures, and changes in fund balances is as follows:

	Total Revenue	Total Expenditures	Other Financing Uses	Change in Fund Balance
Amounts per operating statement	\$ 9,888,127	\$ 9,004,334	\$ (1,231,360)	\$ (347,567)
Imagination Station Maintenance Fund	(829)	(2,651)	(2,500)	(678)
Arts and Cultural Commission Fund	(5,025)	(3,849)	-	(1,176)
Amounts per budget statement	<u>\$ 9,882,273</u>	<u>\$ 8,997,834</u>	<u>\$ (1,233,860)</u>	<u>\$ (349,421)</u>

June 30, 2022

Pension - Changes in Assumptions and Changes in Benefit Terms

In 2022, the discount rate in the pension valuation was decreased from 7.6 percent to 7.25 percent. In 2020, the discount rate in the pension valuation was decreased from 8.0 percent to 7.6 percent. In 2016, the discount rate in the pension valuation was decreased from 8.25 percent to 8.0 percent.

In 2020, benefit changes were introduced that reduced future earned benefits through a bridged multiplier and/or required increased employee contributions. Additionally, the pension plan was closed to all nonpolice new hires. Police hired on or after November 21, 2019 will be on a new hybrid pension and defined contribution plan. These changes resulted in a significant reduction in the calculation of the total pension liability.

In 2021, mortality, retirement, and termination dates were updated as a result of the most recent experience study. In addition, mortality tables were updated from RP-2014 tables to Pub-2010 tables.

OPEB - Changes in Assumptions and Experience Differences

In 2022, there were certain changes of assumptions that affected the measurement of the total OPEB liability since the prior measurement date. The assumed health care inflation rate decreased from 8.25 percent to 7.50 percent for non-Medicare and 6.50 percent to 6.25 percent for Medicare for the year ended June 30, 2022.

In 2020, there were certain changes of assumptions that affected the measurement of the total OPEB liability. The single discount rate, base wage inflation, merit and longevity scale, and mortality tables were updated based on the data available at the June 30, 2020 measurement date.

In 2019, there were certain changes of assumptions that affected the measurement of the total OPEB liability. The estimated annual per capita claims costs, health care cost trend rate assumptions, and discount rate were updated based on the data available at the June 30, 2019 measurement date.

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

Effective January 1, 2020, all existing and future retirees, with the exception of retired police officers, were moved to a different insurance carrier, resulting in significant cost savings. Also, the federal Cadillac tax, a provision from the Affordable Care Act, was removed from the most recent valuation given recent changes in the law.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Fund	Nonmajor Capital Project Funds		Total Nonmajor Governmental Funds
	State Drug Law Enforcement Fund	Public Safety/Law Enforcement Fund	Federal Drug Law Enforcement Fund	Street Debt Fund	Capital Improvement Fund	Capital Reserve Fund	
Assets							
Cash and investments	\$ 6,054	\$ 213,532	\$ 102,626	\$ -	\$ 20,960	\$ 747,924	\$ 1,091,096
Receivables - Delinquent taxes	-	1,813	-	-	-	-	1,813
Prepays	-	1,194	-	-	5,443	-	6,637
Total assets	\$ 6,054	\$ 216,539	\$ 102,626	\$ -	\$ 26,403	\$ 747,924	\$ 1,099,546
Liabilities - Accounts payable	\$ 1,354	\$ 8,430	\$ -	\$ -	\$ 20,960	\$ -	\$ 30,744
Deferred Inflows of Resources -							
Unavailable revenue - Property taxes	-	1,813	-	-	-	-	1,813
Fund Balances							
Nonspendable - Prepays	-	1,194	-	-	5,443	-	6,637
Restricted:							
Federal/State drug law enforcement	4,700	-	102,626	-	-	-	107,326
Law enforcement/Public safety	-	205,102	-	-	-	-	205,102
Assigned - Capital projects/purchases	-	-	-	-	-	747,924	747,924
Total fund balances	4,700	206,296	102,626	-	5,443	747,924	1,066,989
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,054	\$ 216,539	\$ 102,626	\$ -	\$ 26,403	\$ 747,924	\$ 1,099,546

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2022

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Fund	Nonmajor Capital Project Funds		Total Nonmajor Governmental Funds
	State Drug Law Enforcement Fund	Public Safety/Law Enforcement Fund	Federal Drug Law Enforcement Fund	Street Debt Fund	Capital Improvement Fund	Capital Reserve Fund	
Revenue							
Property taxes	\$ -	\$ 186,376	\$ -	\$ -	\$ -	\$ -	\$ 186,376
Intergovernmental	-	9,342	-	-	-	-	9,342
Fines, forfeitures, and penalties	-	473	-	-	-	-	473
Licenses and permits	-	-	-	-	1,500	-	1,500
Unrestricted investment interest	9	399	137	-	-	954	1,499
Total revenue	9	196,590	137	-	1,500	954	199,190
Expenditures							
Current services - Public safety	1,355	64,036	6,867	-	-	-	72,258
Capital outlay	-	185,340	2,878	-	510,785	-	699,003
Debt service	-	-	-	334,383	397,298	-	731,681
Total expenditures	1,355	249,376	9,745	334,383	908,083	-	1,502,942
Excess of Revenue (Under) Over Expenditures	(1,346)	(52,786)	(9,608)	(334,383)	(906,583)	954	(1,303,752)
Other Financing Sources (Uses)							
Transfers in	-	-	-	334,383	901,187	616,000	1,851,570
Transfers out	-	-	-	-	-	(742,168)	(742,168)
Sale of capital assets	-	26,500	-	-	9,681	-	36,181
Total other financing sources (uses)	-	26,500	-	334,383	910,868	(126,168)	1,145,583
Net Change in Fund Balances	(1,346)	(26,286)	(9,608)	-	4,285	(125,214)	(158,169)
Fund Balances - Beginning of year	6,046	232,582	112,234	-	1,158	873,138	1,225,158
Fund Balances - End of year	<u>\$ 4,700</u>	<u>\$ 206,296</u>	<u>\$ 102,626</u>	<u>\$ -</u>	<u>\$ 5,443</u>	<u>\$ 747,924</u>	<u>\$ 1,066,989</u>

City of Brighton, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Unrestricted investment interest	\$ -	\$ -	\$ 9	\$ 9
Expenditures - Current services - Public safety	-	1,500	1,355	145
Net Change in Fund Balance	-	(1,500)	(1,346)	154
Fund Balance - Beginning of year	6,046	6,046	6,046	-
Fund Balance - End of year	<u>\$ 6,046</u>	<u>\$ 4,546</u>	<u>\$ 4,700</u>	<u>\$ 154</u>

City of Brighton, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 185,910	\$ 182,510	\$ 186,376	\$ 3,866
Intergovernmental	4,200	9,300	9,342	42
Fines, forfeitures, and penalties	-	-	473	473
Unrestricted investment interest	450	450	399	(51)
Total revenue	190,560	192,260	196,590	4,330
Expenditures				
Current services - Public safety	51,360	62,771	64,036	(1,265)
Capital outlay	282,200	306,778	185,340	121,438
Total expenditures	333,560	369,549	249,376	120,173
Excess of Expenditures Over Revenue	(143,000)	(177,289)	(52,786)	124,503
Other Financing Sources - Sale of capital assets	-	26,500	26,500	-
Net Change in Fund Balance	(143,000)	(150,789)	(26,286)	124,503
Fund Balance - Beginning of year	232,582	232,582	232,582	-
Fund Balance - End of year	<u>\$ 89,582</u>	<u>\$ 81,793</u>	<u>\$ 206,296</u>	<u>\$ 124,503</u>

City of Brighton, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Unrestricted investment interest	\$ -	\$ -	\$ 137	\$ 137
Expenditures				
Current services - Public safety	15,705	20,705	6,867	13,838
Capital outlay	12,000	12,000	2,878	9,122
Total expenditures	27,705	32,705	9,745	22,960
Net Change in Fund Balance	(27,705)	(32,705)	(9,608)	23,097
Fund Balance - Beginning of year	112,234	112,234	112,234	-
Fund Balance - End of year	<u><u>\$ 84,529</u></u>	<u><u>\$ 79,529</u></u>	<u><u>\$ 102,626</u></u>	<u><u>\$ 23,097</u></u>

City of Brighton, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures - Debt service	334,862	334,862	334,383	479
Excess of Expenditures Over Revenue	(334,862)	(334,862)	(334,383)	479
Other Financing Sources - Transfers in	334,862	334,862	334,383	(479)
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, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Licenses and permits	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Expenditures				
Capital outlay	948,100	1,186,050	510,785	675,265
Debt service	397,316	397,316	397,298	18
Total expenditures	1,345,416	1,583,366	908,083	675,283
Excess of Expenditures Over Revenue	(1,343,916)	(1,581,866)	(906,583)	675,283
Other Financing Sources				
Transfers in	1,345,416	1,583,366	901,187	(682,179)
Sale of capital assets	-	-	9,681	9,681
Total other financing sources	1,345,416	1,583,366	910,868	(672,498)
Net Change in Fund Balance	1,500	1,500	4,285	2,785
Fund Balance - Beginning of year	1,158	1,158	1,158	-
Fund Balance - End of year	<u>\$ 2,658</u>	<u>\$ 2,658</u>	<u>\$ 5,443</u>	<u>\$ 2,785</u>

City of Brighton, Michigan

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

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Unrestricted investment interest	\$ 500	\$ 500	\$ 954	\$ 454
Expenditures - Current services	-	-	-	-
Excess of Revenue Over Expenditures	500	500	954	454
Other Financing Sources (Uses)				
Transfers in	616,000	616,000	616,000	-
Transfers out	(965,436)	(1,181,800)	(742,168)	439,632
Total other financing uses	(349,436)	(565,800)	(126,168)	439,632
Net Change in Fund Balance	(348,936)	(565,300)	(125,214)	440,086
Fund Balance - Beginning of year	873,138	873,138	873,138	-
Fund Balance - End of year	<u>\$ 524,202</u>	<u>\$ 307,838</u>	<u>\$ 747,924</u>	<u>\$ 440,086</u>

City of Brighton, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Arts and Cultural Commission Fund

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Unrestricted investment interest	25	25	25	-
Other revenue	5,000	5,000	5,000	-
Total revenue	6,025	6,025	5,025	(1,000)
Expenditures - Current services	8,350	8,350	3,849	4,501
Net Change in Fund Balance	(2,325)	(2,325)	1,176	3,501
Fund Balance - Beginning of year	12,680	12,680	12,680	-
Fund Balance - End of year	<u><u>\$ 10,355</u></u>	<u><u>\$ 10,355</u></u>	<u><u>\$ 13,856</u></u>	<u><u>\$ 3,501</u></u>

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Imagination Station Maintenance Fund

Year Ended June 30, 2022

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Unrestricted investment interest	\$ 50	\$ 50	\$ 58	\$ 8
Other revenue	-	-	771	771
Total revenue	50	50	829	779
Expenditures - Current services	5,250	5,250	2,651	2,599
Excess of Expenditures Over Revenue	(5,200)	(5,200)	(1,822)	3,378
Other Financing Sources - Transfers in	2,500	2,500	2,500	-
Net Change in Fund Balance	(2,700)	(2,700)	678	3,378
Fund Balance - Beginning of year	27,801	27,801	27,801	-
Fund Balance - End of year	<u><u>\$ 25,101</u></u>	<u><u>\$ 25,101</u></u>	<u><u>\$ 28,479</u></u>	<u><u>\$ 3,378</u></u>

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

June 30, 2022

	Balance Sheet	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 863,760	\$ -	\$ 863,760
Receivables	22,856	-	22,856
Prepays	7,726	-	7,726
Capital assets - Net	-	4,824,275	4,824,275
Total assets	<u>\$ 894,342</u>	4,824,275	5,718,617
Liabilities			
Accounts payable	\$ 48,718	-	48,718
Accrued liabilities and other	8,714	-	8,714
Long-term debt	-	2,078,853	2,078,853
Total liabilities	57,432	2,078,853	2,136,285
Equity			
Fund balance:			
Nonspendable - Prepays	7,726	(7,726)	-
Restricted	11,000	(11,000)	-
Unassigned	818,184	(818,184)	-
Total fund balance	836,910	(836,910)	-
Total liabilities and fund balance	<u>\$ 894,342</u>		
Net Position			
Net investment in capital assets		2,745,422	2,745,422
Unrestricted		836,910	836,910
Total net position		<u>\$ 3,582,332</u>	<u>\$ 3,582,332</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, 2022

	Statement of Revenue, Expenditures, and Changes in Fund Balance	Adjustments	Statement of Activities
Revenue			
Property taxes	\$ 852,664	\$ -	\$ 852,664
Intergovernmental	92,107	-	92,107
Unrestricted investment interest	2,099	-	2,099
Other revenue	18,428	-	18,428
Total revenue	965,298	-	965,298
Expenditures			
Community development	333,569	270,921	604,490
Capital outlay	224,696	(224,696)	-
Debt service:			
Principal	240,000	(240,000)	-
Interest and fiscal charges	55,032	3,482	58,514
Total expenditures	853,297	(190,293)	663,004
Net Change in Fund Balance/Net Position	112,001	190,293	302,294
Fund Balance/Net Position - Beginning of year	724,909	2,555,129	3,280,038
Fund Balance/Net Position - End of year	\$ 836,910	\$ 2,745,422	\$ 3,582,332

Statistical Section

This part of the City of Brighton's Annual Comprehensive 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
- Revenue capacity
- Debt capacity
- Demographics and economic information
- Operating information

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.

City of Brighton, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities:				
Net investment in capital assets	\$ 19,941,607	\$ 18,878,877	\$ 18,687,470	\$ 19,363,331
Restricted	2,100,973	1,899,223	1,692,565	1,460,894
Unrestricted	(1,215,537)	(6,183,721)	(6,611,195)	(7,210,082)
Total net position	<u>\$ 20,827,043</u>	<u>\$ 14,594,379</u>	<u>\$ 13,768,840</u>	<u>\$ 13,614,143</u>
Business Type Activities:				
Net investment in capital assets	\$ 24,760,603	\$ 24,206,346	\$ 23,922,458	\$ 24,109,024
Restricted	-	-	-	-
Unrestricted	1,844,621	691,925	969,664	943,480
Total net position	<u>\$ 26,605,224</u>	<u>\$ 24,898,271</u>	<u>\$ 24,892,122</u>	<u>\$ 25,052,504</u>
Primary government in total:				
Net investment in capital assets	44,702,210	43,085,223	42,609,928	43,472,355
Restricted	2,100,973	1,899,223	1,692,565	1,460,894
Unrestricted	629,084	(5,491,796)	(5,641,531)	(6,266,602)
Total net position	<u>\$ 47,432,267</u>	<u>\$ 39,492,650</u>	<u>\$ 38,660,962</u>	<u>\$ 38,666,647</u>

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

Net Position by Component

Last Ten Fiscal Years

June 30, 2022

As of June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 20,092,730	\$ 19,816,360	\$ 22,365,142	\$ 23,535,409	\$ 23,201,408	\$ 24,099,735
1,354,762	650,454	1,380,941	1,670,347	3,275,904	3,373,942
(8,186,118)	(13,347,865)	(14,102,559)	(13,346,641)	(11,777,703)	(10,980,108)
<u>\$ 13,261,374</u>	<u>\$ 7,118,949</u>	<u>\$ 9,643,524</u>	<u>\$ 11,859,115</u>	<u>\$ 14,699,609</u>	<u>\$ 16,493,569</u>
\$ 24,310,660	\$ 24,417,707	\$ 26,396,276	\$ 26,921,552	\$ 27,036,903	\$ 27,129,604
-	-	-	-	-	-
2,637,611	2,349,241	(529,869)	(779,538)	596,670	2,780,373
<u>\$ 26,948,271</u>	<u>\$ 26,766,948</u>	<u>\$ 25,866,407</u>	<u>\$ 26,142,014</u>	<u>\$ 27,633,573</u>	<u>\$ 29,909,977</u>
44,403,390	44,234,067	48,761,418	50,456,961	50,238,311	51,229,339
1,354,762	650,454	1,380,941	1,670,347	3,275,904	3,373,942
(5,548,507)	(10,998,624)	(14,632,428)	(14,126,179)	(11,181,033)	(8,199,735)
<u>\$ 40,209,645</u>	<u>\$ 33,885,897</u>	<u>\$ 35,509,931</u>	<u>\$ 38,001,129</u>	<u>\$ 42,333,182</u>	<u>\$ 46,403,546</u>

City of Brighton, Michigan

	Fiscal Years Ended June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses				
Governmental Activities:				
General government	\$ 1,840,373	\$ 1,802,904	\$ 1,686,985	\$ 1,861,586
Public safety	2,741,069	2,818,030	3,064,464	3,160,650
Public works	3,695,213	3,857,556	3,990,950	3,606,873
Community and economic development	578,601	662,880	765,784	743,270
Interest on long-term debt	459,104	323,283	280,040	253,091
Total governmental activities expenses	9,314,360	9,464,653	9,788,223	9,625,470
Business-type activities - Water and Sewer	4,147,395	4,316,231	4,209,829	4,346,161
Total primary government expenses	<u>13,461,755</u>	<u>13,780,884</u>	<u>13,998,052</u>	<u>13,971,631</u>
Program revenue				
Governmental Activities:				
Charges for services - General government	523,116	446,057	784,438	394,462
Charges for services - Public safety	300,142	297,201	257,625	173,911
Charges for services - Public works	545,503	552,101	785,228	598,394
Charges for services - Community development	-	-	-	275,466
Operating grants and contributions	457,293	475,005	494,412	518,838
Capital grants and contributions	1,685	28,059	79,401	660,611
Total governmental activities program revenue	1,827,739	1,798,423	2,401,104	2,621,682
Business-type activities:				
Charges for services	3,509,474	3,401,513	3,309,023	3,443,717
Operating grants and contributions	-	-	-	160,501
Capital grants and contributions	384,097	242,288	887,609	889,892
Total business-type activities program revenue	3,893,571	3,643,801	4,196,632	4,494,110
Total primary government program revenue	<u>5,721,310</u>	<u>5,442,224</u>	<u>6,597,736</u>	<u>7,115,792</u>
Net (Expenses) Revenue				
Governmental activities	(7,486,621)	(7,666,230)	(7,387,119)	(7,003,788)
Business-type activities	(253,824)	(672,430)	(13,197)	147,949
Total primary government net expense	<u>(7,740,445)</u>	<u>(8,338,660)</u>	<u>(7,400,316)</u>	<u>(6,855,839)</u>
General Revenues				
Governmental activities				
Property taxes	5,458,202	5,053,574	5,452,696	5,735,336
Special assessments	-	-	76,007	-
State-shared revenue	613,218	637,657	681,895	761,152
Investment earnings	128,178	112,530	108,836	111,027
Gain/Loss on disposal of asset	4,500	-	-	-
Other	212,427	301,429	242,146	241,576
Total governmental activities revenue	6,416,525	6,105,190	6,561,580	6,849,091
Business-type activities - Investment and other income	3,833	4,884	7,048	12,433
Total primary government	<u>6,420,358</u>	<u>6,110,074</u>	<u>6,568,628</u>	<u>6,861,524</u>
Impact of GASB Statement No. 68	-	(5,711,031)	-	-
Impact of GASB Statement No. 75	-	-	-	-
Changes in Net Position	<u>\$ (1,320,087)</u>	<u>\$ (7,939,617)</u>	<u>\$ (831,688)</u>	<u>\$ 5,685</u>

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

Changes in Governmental Net Position

Last Ten Fiscal Years

June 30, 2022

Fiscal Years Ended June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 1,544,770	\$ 1,538,298	\$ 1,615,669	\$ 1,417,681	\$ 1,634,559	\$ 2,031,259
3,584,155	3,664,694	3,391,391	2,821,394	2,835,358	3,396,419
3,908,915	4,148,675	3,365,745	4,322,832	4,367,392	4,537,834
787,550	526,269	599,107	365,224	408,674	436,547
<u>227,747</u>	<u>214,003</u>	<u>161,714</u>	<u>135,416</u>	<u>305,900</u>	<u>242,690</u>
10,053,137	10,091,939	9,133,626	9,062,547	9,551,883	10,644,749
 4,234,750	 4,453,286	 5,339,867	 4,411,979	 4,707,792	 3,743,950
<u>14,287,887</u>	<u>14,545,225</u>	<u>14,473,493</u>	<u>13,474,526</u>	<u>14,259,675</u>	<u>14,388,699</u>
 400,802	 399,916	 415,549	 412,331	 431,611	 440,360
162,053	158,550	190,191	159,007	137,619	152,264
627,675	639,760	671,022	673,930	795,072	802,264
269,551	422,538	249,641	211,005	258,217	365,510
474,025	759,346	866,819	768,781	1,558,554	905,096
961,893	-	1,652,096	-	-	-
2,895,999	2,380,110	4,045,318	2,225,054	3,181,073	2,665,494
 3,662,162	 3,682,830	 3,806,356	 3,996,601	 5,660,613	 5,304,829
108,183	173,687	63,987	-	-	232,103
2,340,484	1,634,200	170,698	671,003	530,600	435,605
6,110,829	5,490,717	4,041,041	4,667,604	6,191,213	5,972,537
<u>9,006,828</u>	<u>7,870,827</u>	<u>8,086,359</u>	<u>6,892,658</u>	<u>9,372,286</u>	<u>8,638,031</u>
 (7,157,138)	 (7,711,829)	 (5,088,308)	 (6,837,493)	 (6,370,810)	 (7,979,255)
1,876,079	1,037,431	(1,298,826)	255,625	1,483,421	2,228,587
<u>(5,281,059)</u>	<u>(6,674,398)</u>	<u>(6,387,134)</u>	<u>(6,581,868)</u>	<u>(4,887,389)</u>	<u>(5,750,668)</u>
 5,901,323	 6,012,882	 6,245,376	 7,824,077	 7,920,150	 8,332,107
-	-	-	-	-	-
666,436	923,521	857,903	870,140	1,056,522	1,166,585
88,244	103,630	189,234	148,345	46,555	46,434
-	-	65,845	20,068	15,202	33,156
148,366	220,828	254,525	190,454	172,875	194,933
6,804,369	7,260,861	7,612,883	9,053,084	9,211,304	9,773,215
 19,688	 36,203	 398,285	 19,982	 8,138	 47,817
<u>6,824,057</u>	<u>7,297,064</u>	<u>8,011,168</u>	<u>9,073,066</u>	<u>9,219,442</u>	<u>9,821,032</u>
 -	 -	 -	 -	 -	 -
-	(6,946,414)	-	-	-	-
<u>\$ 1,542,998</u>	<u>\$ (6,323,748)</u>	<u>\$ 1,624,034</u>	<u>\$ 2,491,198</u>	<u>\$ 4,332,053</u>	<u>\$ 4,070,364</u>

City of Brighton, Michigan

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:				
Nonspendable	\$ 336,244	\$ 364,783	\$ 347,401	\$ 450,008
Restricted	2,138	2,138	-	-
Committed	77,139	77,139	108,089	108,089
Assigned	42,133	47,582	48,773	79,973
Unassigned	<u>1,477,407</u>	<u>1,171,908</u>	<u>1,061,125</u>	<u>1,211,115</u>
Total general fund	1,935,061	1,663,550	1,565,388	1,849,185
All other governmental funds:				
Nonspendable	-	-	-	-
Restricted/Assigned - Reported in:				
Special revenue funds	246,848	212,369	174,523	126,551
Capital projects funds	3	-	-	-
Debt service funds	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,310)</u>
Total all other governmental funds	<u>246,851</u>	<u>212,369</u>	<u>174,523</u>	<u>109,241</u>
Total of all governmental funds	<u>\$ 2,181,912</u>	<u>\$ 1,875,919</u>	<u>\$ 1,739,911</u>	<u>\$ 1,958,426</u>

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

Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2022

As of June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 506,096	\$ 474,000	\$ 454,053	\$ 421,603	\$ 385,702	\$ 487,661
50	1,148	1,148	1,600	-	771
108,089	108,089	108,089	-	-	-
451,415	1,391,579	1,855,776	711,394	1,695,797	1,465,287
<u>1,021,687</u>	<u>1,378,621</u>	<u>1,202,231</u>	<u>1,874,962</u>	<u>1,785,980</u>	<u>1,566,193</u>
2,087,337	3,353,437	3,621,297	3,009,559	3,867,479	3,519,912
2,202	2,198	2,798	2,818	2,803	8,318
366,895	319,449	653,103	1,072,644	12,240,995	8,400,358
744	-	2,000	497,590	874,296	747,924
-	-	-	-	-	-
-	-	-	-	-	-
<u>369,841</u>	<u>321,647</u>	<u>657,901</u>	<u>1,573,052</u>	<u>13,118,094</u>	<u>9,156,600</u>
<u>\$ 2,457,178</u>	<u>\$ 3,675,084</u>	<u>\$ 4,279,198</u>	<u>\$ 4,582,611</u>	<u>\$ 16,985,573</u>	<u>\$ 12,676,512</u>

City of Brighton, Michigan

	Fiscal Year Ended June 30,			
	2013	2014	2015	2016
Revenue				
Property taxes	\$ 5,449,204	\$ 5,063,849	\$ 5,431,020	\$ 5,708,220
Special assessment	167,182	167,271	242,952	237,200
State-shared	1,062,821	1,116,018	1,158,474	1,338,611
Federal grants	7,690	10,240	11,258	1,824
Charges for services	582,888	583,690	668,770	603,077
Fines and penalties	300,142	297,201	277,242	298,127
Licenses and permits	404,228	331,631	610,114	460,886
Interest	128,178	112,530	108,836	111,027
Other	297,104	398,729	334,470	330,469
Total revenue	8,399,437	8,081,159	8,843,136	9,089,441
Expenditures				
Current:				
General government	1,729,028	1,754,250	1,773,228	1,713,256
Public safety	2,453,804	2,481,155	2,618,172	2,765,402
Public works - Operating	2,282,250	2,444,233	2,625,647	2,678,217
Community development	540,049	634,650	737,652	564,041
Capital outlay	77,302	91,184	207,035	128,998
Debt service - Principal	962,861	749,111	736,176	766,106
Debt service - Interest	457,859	310,384	282,969	254,906
Total expenditures	8,503,153	8,464,967	8,980,879	8,870,926
Excess of Revenue (Under) Over Expenditures	(103,716)	(383,808)	(137,743)	218,515
Other Financing Sources (Uses)				
Sale of capital assets	4,500	61,000	1,735	-
Transfers in	1,519,072	1,322,308	1,440,901	941,921
Transfers out	(1,547,922)	(1,322,308)	(1,440,901)	(941,921)
Issuance of debt - Net	60,861	16,815	-	-
Total other financing sources	36,511	77,815	1,735	-
Net change in fund balances	(67,205)	(305,993)	(136,008)	218,515
Fund Balances - Beginning of year	2,249,117	2,181,912	1,875,919	1,739,911
Fund Balances - End of year	\$ 2,181,912	\$ 1,875,919	\$ 1,739,911	\$ 1,958,426
Debt service as a percentage of noncapital expenditures	16.86%	12.65%	11.62%	11.68%

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

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2022

Fiscal Year Ended June 30,					
2017	2018	2019	2020	2021	2022
\$ 5,880,599	\$ 5,994,111	\$ 6,225,730	\$ 7,791,387	\$ 7,874,885	\$ 8,280,747
196,684	192,184	133,821	130,401	121,411	119,994
1,245,784	1,634,325	1,682,419	1,637,474	2,274,497	2,070,181
15,181	13,762	4,703	1,447	265,298	1,500
708,955	732,104	763,532	743,489	875,370	895,969
393,052	306,733	349,904	303,013	382,685	321,573
488,241	629,288	463,223	440,163	456,798	562,287
88,244	103,630	189,234	148,345	46,555	46,434
120,728	193,371	205,138	200,801	174,694	192,777
9,137,468	9,799,508	10,017,704	11,396,520	12,472,193	12,491,462
1,380,618	1,472,571	1,479,937	1,500,783	1,673,423	2,146,016
2,813,901	2,866,191	2,993,627	3,173,318	3,076,333	3,946,099
2,799,577	2,784,121	2,932,396	4,664,279	2,937,268	7,768,631
523,201	162,013	508,400	395,231	428,929	492,380
276,291	879,629	650,970	472,548	994,288	699,003
651,643	740,151	737,050	782,542	756,149	1,341,325
228,950	224,732	257,045	136,515	220,860	443,250
8,674,181	9,129,408	9,559,425	11,125,216	10,087,250	16,836,704
463,287	670,100	458,279	271,304	2,384,943	(4,345,242)
35,465	48,706	145,835	32,109	20,244	36,181
1,139,601	951,238	1,514,031	4,860,276	2,428,455	6,771,716
(1,139,601)	(951,238)	(1,514,031)	(4,860,276)	(2,428,455)	(6,771,716)
-	499,100	-	-	9,997,775	-
35,465	547,806	145,835	32,109	10,018,019	36,181
498,752	1,217,906	604,114	303,413	12,402,962	(4,309,061)
1,958,426	2,457,178	3,675,084	4,279,198	4,582,611	16,985,573
\$ 2,457,178	\$ 3,675,084	\$ 4,279,198	\$ 4,582,611	\$ 16,985,573	\$ 12,676,512
10.49%	11.70%	11.16%	8.63%	10.90%	15.29%

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

City of Brighton, Michigan

Taxable Value by Property Type:							
Real Property							
Tax Year	Fiscal Year	Residential	Commercial	Industrial	Personal Property	IFT Real & Personal	Total Taxable Value
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
2018	2019	236,682,914	150,296,298	21,050,628	30,091,800	6,952,600	445,074,240
2019	2020	250,730,400	160,541,471	23,195,947	30,464,300	6,474,000	471,406,118
2020	2021	262,416,073	167,720,456	24,206,155	30,474,700	6,330,100	491,147,484
2021	2022	276,632,833	170,825,039	24,659,442	30,164,200	5,721,700	508,003,214

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

Taxable Value by Property Type and Actual Value

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
16.05	420,390,356	840,780,712	95	48%	6,362,497
15.27	411,932,182	823,864,364	96	48%	5,939,271
15.65	433,968,889	867,937,778	92	46%	6,194,710
15.65	466,376,806	932,753,612	90	45%	6,492,356
15.77	514,295,757	1,028,591,514	83	41%	6,615,187
15.77	516,852,068	1,033,704,136	83	41%	6,673,001
15.77	541,731,305	1,083,462,610	82	41%	6,962,454
18.25	589,320,670	1,178,641,340	80	40%	8,543,571
17.94	626,613,611	1,253,227,222	78	39%	8,755,771
17.66	661,298,509	1,322,597,018	77	38%	8,920,208

City of Brighton, Michigan

Millage Rates - Direct City Taxes							Overlapping taxes		
Tax Year	Fiscal Year	City Operating	City Debt	City Law Enforcement / Public Safety	City - Economic Development PA 359 of 1925	City of Brighton / Streets	Total Direct City Tax Rates	Livingston County	Brighton District Library
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
2018	2019	15.2734	-	0.3800	0.1131	-	15.7665	3.9483	0.8783
2019	2020	15.2627	-	0.3797	0.1065	2.5000	18.2489	3.9242	0.8702
2020	2021	15.0093	-	0.3733	0.1017	2.4585	17.9428	3.8893	0.8621
2021	2022	14.7736	-	0.3674	0.0979	2.4199	17.6588	3.8470	0.8528

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

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Overlapping 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	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
1.4869	6.0000	3.3143	7.1900	18.0000	38.5843	56.5843
2.3733	6.0000	3.2988	7.1900	18.0000	41.9054	59.9054
2.3528	6.0000	3.2687	7.1900	18.0000	41.5057	59.5057
2.3733	6.0000	3.2315	7.1900	18.0000	41.1534	59.1534

Principal Property Taxpayers
Current and Nine Years Ago

	Taxpayer	2022 Taxable Value	Percentage of Total	2013 Taxable Value	Percentage of Total	2013 Rank
1	Brighton Mall Associates LTD	\$ 11,141,340	2.19%	\$ 9,422,910	2.35%	2
2	Brighton Propco LLC	10,299,502	2.03%	*	*	*
3	Brighton Holdings LLC	9,896,835	1.95%	13,311,040	3.32%	1
4	Eberspaecher North America**	10,489,999	2.06%	12,353,330	3.08%	3
5	Aberdeen Apartments LLC	7,244,600	1.43%	5,787,750	1.44%	7
6	BMH Realty LLC	6,675,565	1.31%	7,307,540	1.82%	4
7	Brighton Hotel Suites INC	5,879,615	1.16%	2,668,022	0.66%	14
8	MJR Group LLC	5,843,539	1.15%	5,312,010	1.32%	8
9	Symphony of Brighton LLC	5,750,000	1.13%	*	*	*
10	Brookdale Senior Living INC	4,846,172	0.95%	*	*	*
Total		<u>\$ 508,003,214</u>		<u>\$ 401,230,887</u>		

* Not available

** Eberspaecher North America has a tax abatement and pays a reduced millage rate. Therefore, their ranking doesn't follow the taxable value.

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

Property Tax Levies and Collections

Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent Collected
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%
2018	2019	6,962,454	6,897,171	99.06%	57,373	6,954,544	99.89%
2019	2020	8,543,571	8,466,632	99.10%	68,016	8,534,648	99.90%
2020	2021	8,755,771	8,672,798	99.05%	64,706	8,737,504	99.79%
2021	2022	8,920,208	8,820,008	98.88%	76,538	8,896,546	99.73%

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

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.

City of Brighton, Michigan

	As of June 30,			
	2013	2014	2015	2016
Governmental Activities:				
General obligation bonds	\$ 6,766,500	\$ 6,661,279	\$ 6,131,669	\$ 5,572,359
Installment purchase agreements	69,932	45,936	26,560	6,954
Special assessment bonds	1,945,000	1,735,000	1,525,000	1,315,000
Total	8,781,432	8,442,215	7,683,229	6,894,313
Business Type Activities:				
General obligation bonds	2,643,846	2,445,109	2,182,226	1,921,200
Installment purchase agreements	-	-	247,586	212,217
Special assessment bonds	-	-	-	-
Revenue bonds	6,257,974	5,582,514	4,873,133	4,166,595
Total	8,901,820	8,027,623	7,302,945	6,300,012
Total debt of the primary government	\$ 17,683,252	\$ 16,469,838	\$ 14,986,174	\$ 13,194,325
Total taxable value	401,230,887	394,486,952	401,134,983	417,866,646
Ratio of total debt to Taxable Value	4.41%	4.18%	3.74%	3.16%
Total Population	7,613	7,807	7,684	7,659
Total debt per capita	2,323	2,110	1,950	1,723
Debt as a Percentage of Personal Income	4.32%	3.92%	3.62%	3.20%

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

Ratios of Outstanding Debt

Last Ten Fiscal Years

As of June 30,					
2017	2018	2019	2020	2021	2022
\$ 5,111,249	\$ 4,664,039	\$ 4,119,179	\$ 3,624,319	\$ 13,110,207	\$ 11,930,071
3,611	401,960	308,066	212,574	112,625	-
1,105,000	890,000	675,000	460,000	245,000	30,000
6,219,860	5,955,999	5,102,245	4,296,893	13,467,832	11,960,071
1,731,850	1,586,250	1,393,300	1,205,350	8,628,809	8,155,843
176,848	141,479	106,109	70,740	35,370	-
-	-	-	-	-	-
3,485,179	2,703,315	1,926,450	1,119,585	269,294	179,294
5,393,877	4,431,044	3,425,859	2,395,675	8,933,473	8,335,137
\$ 11,613,737	\$ 10,387,043	\$ 8,528,104	\$ 6,692,568	\$ 22,401,305	\$ 20,295,208
426,447,202	426,892,041	445,074,240	471,406,118	491,147,484	508,003,214
2.72%	2.43%	1.92%	1.42%	4.56%	4.00%
7,899	7,626	7,895	7,895	7,446	7,461
1,470	1,362	1,080	848	3,009	2,720
2.73%	2.35%	1.86%	1.46%	4.77%	4.31%

Ratios of General Bonded Debt Outstanding

										Last Ten Fiscal Years	
Fiscal Year	Governmental Activities		Business-type Activities				Debt as a Percentage of Taxable Value		Debt per Capita	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	Value	Population		(in Thousands) (1)	
2013	6,766,500	-	6,766,500	2,643,846	9,410,346	401,230,887	2.35%	7,613	1,236	53,814	2.30%
2014	6,661,279	-	6,661,279	2,445,109	9,106,388	394,486,952	2.31%	7,807	1,166	53,814	2.17%
2015	6,131,669	-	6,131,669	2,182,226	8,313,895	401,134,983	2.07%	7,684	1,082	53,814	2.01%
2016	5,572,359	-	5,572,359	1,921,200	7,493,559	417,866,646	1.79%	7,659	978	53,814	1.82%
2017	5,111,249	-	5,111,249	1,731,850	6,843,099	426,447,202	1.60%	7,899	866	53,814	1.61%
2018	4,664,039	-	4,664,039	1,586,250	6,250,289	426,892,041	1.46%	7,626	820	58,041	1.41%
2019	4,119,179	-	4,119,179	1,393,300	5,512,479	445,074,240	1.24%	7,895	698	58,041	1.20%
2020	3,624,319	-	3,624,319	1,205,350	4,829,669	471,406,118	1.02%	7,895	612	58,041	1.05%
2021	13,110,207	-	13,110,207	8,628,809	21,739,016	491,147,484	4.43%	7,446	2,920	63,136	4.62%
2022	11,960,071	-	11,960,071	8,155,843	20,115,914	508,003,214	3.96%	7,461	2,696	60,015	4.49%

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

City of Brighton, Michigan**Direct and Overlapping Governmental Activities Debt****June 30, 2022**

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Direct and Estimated Overlapping Debt
Brighton Area School District	\$ 117,486,029	19.02%	\$ 22,345,843
Livingston County	20,615,000	4.95%	1,020,443
Livingston Educational Service Agency	1,330,000	5.61%	74,613
Total overlapping debt	139,431,029		23,440,899
Direct net city debt *	11,960,071	100.00%	11,960,071
Total direct and overlapping debt	\$ 151,391,100		\$ 35,400,970

The percentage of overlapping debt applicable to each government unit is estimated using the taxable valuation of assessed property. Applicable percentages were estimated by determining the portion of each governmental unit's taxable property located within the boundaries of the City of Brighton and dividing it by that governmental unit's total taxable value.

* 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

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Calculation of debt limit				
State Equalized Valuation:				
Ad Valorem	\$ 410,827,356	\$ 400,685,712	\$ 423,157,079	\$ 460,157,306
IFT	<u>9,563,000</u>	<u>11,246,470</u>	<u>10,811,810</u>	<u>6,219,500</u>
Total valuation	420,390,356	411,932,182	433,968,889	466,376,806
Debt Limit (10 percent of taxable value)	42,039,036	41,193,218	43,396,889	46,637,681
Calculation of debt subject to limit				
Total debt*	19,417,423	17,697,420	15,694,135	13,926,702
Less debt not subject to limit:				
Special assessment bonds	1,945,000	1,735,000	1,525,000	1,315,000
MTF bonds	40,000	-	-	-
Revenue bonds	5,368,680	4,763,220	4,123,839	3,492,301
Share of County-issued bonds	<u>889,294</u>	<u>819,294</u>	<u>749,294</u>	<u>674,294</u>
Net debt subject to limit	11,174,449	10,379,906	9,296,002	8,445,107
Legal debt margin	<u>\$ 30,864,587</u>	<u>\$ 30,813,312</u>	<u>\$ 34,100,887</u>	<u>\$ 38,192,574</u>
Net debt subject to limit as a percentage of debt limit	26.58%	25.20%	21.42%	18.11%

* Does not include installment loans

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

Legal Debt Margin

Last Ten Fiscal Years

As of June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 500,343,857	\$ 509,331,768	\$ 534,778,705	\$ 582,846,670	\$ 620,283,511	\$ 655,576,809
13,951,911	7,520,300	6,952,600	6,474,000	6,330,100	5,721,700
514,295,768	516,852,068	541,731,305	589,320,670	626,613,611	661,298,509
51,429,577	51,685,207	54,173,131	58,932,067	62,661,361	66,129,851
12,274,242	12,251,866	10,703,029	8,768,354	24,377,410	22,179,307
1,105,000	890,000	675,000	460,000	245,000	30,000
-	-	-	-	-	-
2,864,020	2,179,021	1,487,156	765,291	-	-
599,294	524,294	439,294	354,294	269,294	179,294
7,705,928	8,658,551	8,101,579	7,188,769	23,863,116	21,970,013
<u>\$ 43,723,649</u>	<u>\$ 43,026,656</u>	<u>\$ 46,071,552</u>	<u>\$ 51,743,298</u>	<u>\$ 38,798,245</u>	<u>\$ 44,159,838</u>
14.98%	16.75%	14.95%	12.20%	38.08%	33.22%

City of Brighton, Michigan

Water and Sewer Revenue Bonds						
Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service		Coverage*
				Principal	Interest	
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
2019	4,007,332	3,605,819	401,513	755,000	63,338	(416,825)
2020	4,685,567	2,702,831	1,982,736	785,000	40,982	1,156,754
2021	6,199,351	2,951,197	3,248,154	820,000	17,651	2,410,503
2022	6,020,354	1,818,584	4,201,770	90,000	4,766	4,107,004

* 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

Pledged Revenue Coverage

Last Ten Fiscal Years

Special Assessment Bonds

Debt Service

Special Assessment Collections	Principal	Interest	Coverage
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)
164,593	215,000	38,725	(89,132)
153,430	215,000	28,299	(89,869)
136,920	215,000	17,763	(95,843)
128,465	215,000	7,063	(93,598)

Demographics 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.

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2013	7,613	53,814	35,016	*
2014	7,807	53,814	35,016	*
2015	7,684	53,814	35,016	*
2016	7,659	53,814	35,016	*
2017	7,899	53,814	35,016	*
2018	7,626	58,041	39,694	*
2019	7,649	63,136	40,123	*
2020	7,446	63,136	40,123	*
2021	7,446	63,136	40,123	*
2022	7,461	60,015	39,857	*

* Not available/no longer available

Note: Personal Income is equal to the median household income, updated every 5 years beginning in 2010

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

City of Brighton, Michigan

Principal Employers

Current and Nine Years Ago

		2022	Percentage	2013	Percentage	
	Taxpayer	Employees	of Total	Employees	of Total	2013 Rank
1	Brighton Area Schools	800	8.99%	663	9.15%	1
2	Eberspaecher	600	6.74%	180	2.49%	4
3	Michigan Medicine	500	5.62%	*	- %	-
4	Work Skills Corporation	450	5.06%	107	1.48%	8
5	Corrigan Oil	368	4.13%	*	- %	-
6	TG Fluid Systems	298	3.35%	293	4.05%	3
7	Meijer	220	2.47%	305	4.21%	2
8	Target	200	2.25%	150	2.07%	6
9	Home Depot	146	1.64%	179	2.47%	7
10	Dunnage	94	1.06%	*	- %	-
	Total	3,676	41.30%	1,877	25.92%	

Estimated total city employment 8,900 7,242

* 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:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government:				
City manager	1.00	1.00	1.00	1.00
Clerk/Human resources	2.50	2.50	2.50	2.50
Finance	7.63	7.63	7.63	7.63
Total general government	11.13	11.13	11.13	11.13
Community development	4.00	4.00	4.00	4.00
Public safety - Police	19.00	19.00	19.00	19.60
Public services:				
Cemetery	2.00	1.00	1.00	1.00
Facilities and grounds	3.00	3.00	4.00	4.00
Streets	7.00	6.00	5.00	6.00
Utilities	7.00	7.00	8.00	8.00
Total public services	19.00	17.00	18.00	19.00
Total	53.13	51.13	52.13	53.73

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

Full-Time Equivalent Government Employees

Last Ten Fiscal Years

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1.84	2.00	2.00	2.00	2.75	2.00
2.66	2.25	2.50	2.00	2.00	2.00
7.00	7.00	7.00	7.00	7.00	7.00
11.50	11.25	11.50	11.00	11.75	11.00
3.00	2.00	3.70	3.70	3.70	3.70
19.60	19.00	19.60	18.60	18.60	20.00
1.00	1.00	1.00	1.00	1.00	1.00
4.00	4.75	4.75	3.75	3.75	4.25
6.00	4.50	5.75	5.75	5.75	5.25
8.00	11.50	11.00	10.50	11.50	13.50
19.00	21.75	22.50	21.00	22.00	24.00
53.10	54.00	57.30	54.30	56.05	58.70

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

Function/Program	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Election data:				
Registered voters	5,927	5,889	5,671	5,686
Voters (at polls or absentee)	3,975	1,279	1,979	2,625
Percent voting	67.07%	21.72%	34.90%	46.17%
Human resource data - Number of recruitments	9	12	12	14
Finance data:				
Number of A/P disbursements	2,458	2,355	2,399	2,346
Number of property tax parcels	4,296	4,298	4,294	4,424
Number of utility bill customers	3,646	3,481	3,508	3,536
Police:				
Physical arrests	421	354	340	484
Traffic violations	2,273	1,819	1,523	1,541
Incidence Reports	16,929	19,330	22,350	29,112
Community development data:				
Number of building permits	332	253	331	348
Value of building permits	\$ 9,143,156	\$ 7,494,230	\$ 26,600,740	\$ 11,824,906
Number of building inspections	693	530	709	797
Public works data:				
Miles of street constructed, reconstructed, and resurfaced	-	-	-	-
Road salt used (tons)	1,030	2,364	1,675	1,428
R.O.W. tree plantings	4	2	-	-
Grave openings	64	50	51	59
Water data:				
Total billed consumption (000s)	450,317	400,702	385,893	398,439
Avg. billed consumption/user (000s)	124	115	110	113
Number of water main breaks	3	7	6	2
Sewer data - Avg. daily treatment (MGD)	1.110	1.190	1.060	1.070

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

Operating Indicators

Last Ten Fiscal Years

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
5,986	5,838	6,020	6,199	6,355	6,386
4,327	1,070	4,101	1,816	4,992	1,497
72.29%	18.33%	68.12%	29.30%	78.55%	23.44%
18	14	14	8	7	9
2,164	1,962	2,131	2,038	2,045	2,066
4,505	4,463	4,459	4,463	4,576	4,711
3,551	3,575	3,585	3,591	3,978	4,021
428	377	321	246	227	294
1,698	1,968	2,475	1,324	1,031	864
23,913	26,410	30,380	23,146	25,606	26,108
334	315	359	324	379	429
\$ 12,993,840	\$ 28,416,112	\$ 9,696,272	\$ 10,250,421	\$ 16,492,672	\$ 21,332,262
653	693	525	475	774	1,109
0.94	-	0.90	1.86	1.61	1.73
1,423	1,800	1,347	1,100	1,253	1,272
29	4	11	4	13	17
48	55	60	57	81	81
431,485	426,575	411,973	398,112	415,879	408,754
122	119	115	111	105	102
4	1	1	3	4	3
1.180	1.400	1.215	1.268	1.023	1.175

City of Brighton, Michigan

<u>Function/ program</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police - Patrol units	8	8	9	8
Public works:				
Streets (miles):				
Major streets	11.32	11.32	11.32	11.32
Local streets	18.12	18.12	18.12	18.37
Sidewalks	80	80	80	80
Traffic signals	9	9	9	9
Water:				
Mains (miles)	52	52	59	60
Fire hydrants	638	648	655	673
Storage capacity	1,620,000	1,620,000	1,620,000	1,620,000
Sewer:				
Miles of sanitary sewers	45	45	48	58
Miles of storm sewers	27	27	27	27
Treatment capacity	2,250,000	2,250,000	2,250,000	2,250,000

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

Capital Asset Information

Last Ten Fiscal Years

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
8	8	9	8	8	8
11.32	11.32	11.32	11.32	11.32	11.32
18.37	18.66	18.66	18.66	18.66	18.66
80	80	80	80	80	80
9	9	9	9	9	9
60	65	65	65	66	66
673	673	673	678	684	779
1,620,000	1,620,000	1,620,000	1,620,000	1,620,000	1,620,000
58	58	58	54	55	55
27	27	27	27	27	27
2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000