

CITY OF BRIGHTON, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2019



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October 8, 2019

Honorable Mayor and City Council
City of Brighton

The Comprehensive Annual Financial Report of the City of Brighton, Michigan for the fiscal year ended June 30, 2019 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 32 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.

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

The Reporting Entity and Services Provided

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

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

Governmental Structure and Local Economy

The City of Brighton is located approximately forty-five miles northwest of Downtown Detroit. It was incorporated as a village in 1867 and became a Home Rule City in 1928. Brighton encompasses an area of approximately 3.65 square miles, has an estimated household population of approximately 7,900, and is the central business hub for all of Livingston County. The City's estimated 3,850 households reflect an approximate average of 2 persons per household, which is the lowest in Livingston County. Although the unemployment rate for the City of Brighton is not specifically tracked, the unemployment rate for Livingston County has increased from 2.9% to 3.4% over the last year. In addition, the Consumer Price Index (CPI) for our region increased by 1.4% from last year.

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

There are indications that the local economic downturn is continuing to improve. Housing sale prices are continuing to increase and there are fewer homes on the market. Those put to market are sold quickly. Interest rates have been slightly declining after a lengthy period of gradually increasing rates and are expected to have little movement over the next year. The number of foreclosures in the City of Brighton has continued to be relatively low, with fewer than 5 in the past year. Over the last 5 to 10 years, the City has realized reduced residential, industrial and commercial values. Beginning in FY16/17 and continuing in the recent budget process for FY19/20 we have seen values for residential and commercial improving. The property tax values for residential and commercial, and personal property all increased by 4.4% over the prior year. The industrial taxable values have seen an increase of 6.1% over the prior year, whereas the IFT property realized a decrease of 7.55% 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 10.1% and 16.2% the year before 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; and the ever growing OPEB and Pension Liabilities, the City will be continually looking at ways to maintain services within the existing revenues.

The City's Master Plan includes the goals to provide for capital improvements that are needed to sustain a quality life for its residents; and to explore methods of generating additional revenue to fund operational and capital projects, including alternative funding options such as grant funding. Annually City staff prepares a 6-year Capital Improvement Plan (CIP), which is reviewed by the City Planning Commission and Adopted by the City Council. The first year of the adopted CIP is incorporated into the City Manager's Proposed Budget, if funding is available. There has been increased funding for capital projects over the last two years, after a long period of restricted capital spending. This funding has been primarily in the Public Works and Utilities divisions. The FY19/20 Adopted budget includes continued investment in Capital along with the creation of new Capital Reserve fund to help save for future capital needs. 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 City's LDFA paid off all outstanding bonds and was dissolved during the current year.

City residents approved a Law Enforcement/Public Safety Millage during the November, 2013 election. This millage will be 0.38 mills for 10 years, subject to Headlee Rollbacks. Effective FY 2019/20 the rolled back millage is 0.3797. The millage is currently providing approximately \$175,000 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. The millage will provide approximately \$1.1 million in revenue beginning in FY 2019/20.

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, 2019 was \$1,202,231 or 15.5% of the operating expenditures budgeted for FY19/20. 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 3.1 on June 30, 2019, which is above the target of 2:1. Working capital, a key benchmark of the Utilities Fund, decreased by \$1,954,501 to \$2,559,161 at June 30, 2019. The working capital less the capital reserve fund, covered 47% of the Utilities Fund Expenses, including depreciation. Exclusive of depreciation, the coverage was 68% of expenses. This decrease was a part of the FY 2018/19 budget. Significant capital expenditures were necessary, and rather than spiking utility rates in the current year, the City Council opted to smooth in the rate increases over the next five 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 and certificate of deposits. Interest earned for the current fiscal year amounted to \$195,485, an increase of \$81,009 or 70.8% from the preceding year, which was primarily caused by unspent bond proceeds coupled with higher yields on money market accounts and certificate of deposits. The City continues its efforts to diversify its investment portfolio to increase its insured deposits. The City's investment policy was last updated during FY11/12.

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

Major Initiatives and Financial Accomplishments in 2018-19

- The City added approximately \$6,386,000 of new capital assets including: road and utility work on 2nd Street and Rickett Road, four new DPW trucks, an aerial lift, snow plow, mower, mini excavator, gator rehabbed street sweeper, three police vehicles, remodeled bathroom/shower at the police department, a new roof on the salt barn, completed rebuilds/repairs to the Orndorf lift station, relocated the Challis Road water main, replaced filter media in four water storage tanks, began engineering on the Northwest Neighborhoods street project, one new utility truck and trailer, took ownership of water mains and sewer lines from developers, began the Downtown Streetscape design and completed the new Millpond Amphitheater.
- The City received its tenth consecutive GFOA Certificate of Achievement for Excellence in Financial Reporting Award for its FY 2017-18 Comprehensive Annual Financial Report (CAFR).
- The City prepared a re-vamped six-year Capital Improvement Program
- The City's voters approved a Headlee override for streets at 2.5 mills for 7 years.
- The City began a parking study to analyze the need for and feasibility of paid parking.
- The City paid of a DDA land contract and the LDFA bonds early. The LDFA was dissolved subsequent to the bonds being paid off.

Accounting System and Budgetary Control

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

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

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Brighton, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

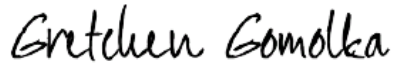
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable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

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

ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in black ink that reads "Gretchen Gomolka". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Gretchen M. Gomolka
Finance Director



Government Finance Officers Association

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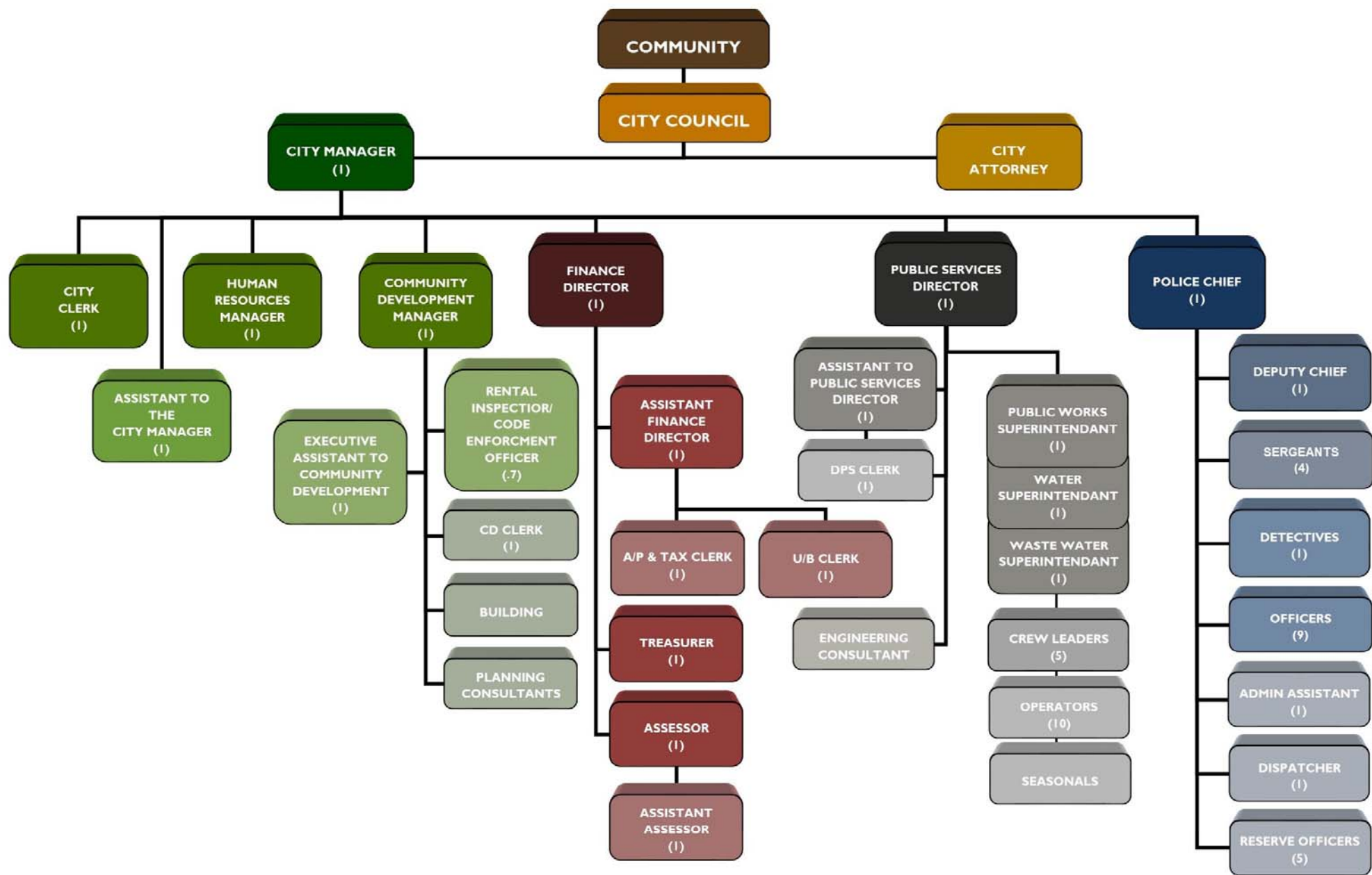
**City of Brighton
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



CITY OF BRIGHTON, MICHIGAN
List of Elected and Appointed Officials
For the Fiscal Year Ended June 30, 2019

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

Nate Geinzer	City Manager
Paul Burns	City Attorney
Gretchen Gomolka	Finance Director
Tara Brown	City Clerk
Michelle Miller	Organizational Relations Manager
Robert Bradford	Police Chief
Marcel Goch	Public Services Director
Michael Caruso	Community Development Manager

Independent Auditor's Report

To the City Council
City of Brighton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brighton, Michigan (the "City") as of and for the ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Brighton, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brighton, Michigan as of June 30, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Brighton, Michigan

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Brighton, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

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

Plante & Moreau, PLLC

October 8, 2019

The City of Brighton, Michigan's (the "City") Comprehensive Annual Financial Report (CAFR) is presented in the format required by Governmental Accounting Standards Board (GASB) Statement No. 34. The June 30, 2019 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 of the primary government and component units of the City exceeded its liabilities at the close of the most recent fiscal year by \$38.3 million (net position). Included in this amount is a negative \$14.4 million of unrestricted net position.
- The City's total primary government net position increased by \$1.6 million. This increase is the result of an increase in governmental net position of \$2.5 million and a decrease of \$900.5 thousand in business-type net position.
- The \$2.5 million increase in the net position of the governmental activities is primarily the result of net capital asset additions in the current year of \$1.7 million. Additionally, increases in deferred outflows of resources related to the OPEB and pension plans partially offset by increases in the net pension and OPEB liabilities account for \$846 thousand of the increase.
- The \$900.5 thousand decrease in the net position of the business-type activities is primarily the result of increases in deferred outflows of resources related to the OPEB and pension plans partially offset by increases in the net pension and OPEB liabilities, accounting for approximately \$940 thousand.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4.3 million, an increase of \$604 thousand in comparison with the prior year. A total of \$3.8 million, or approximately 88 percent of the fund balance, is available for spending at the City Council's discretion. Of that amount, \$108.1 thousand is committed for capital improvement and equipment replacement; \$416.1 thousand is restricted for spending on streets in the Major and Local Street funds; \$103.6 thousand is restricted for police expenditures related to forfeiture; \$134.5 thousand is restricted for law enforcement/public safety expenditures related to the police millage; \$3.2 thousand is assigned to the Principal Shopping District Fund; \$11.2 thousand is assigned to the Arts and Cultural Commission Fund; \$31.1 thousand is assigned to the Imagination Station Maintenance Fund; and \$1.8 million is assigned for retiree legacy costs, capital projects/purchases, streets, and carryover budget items that were not completed in FY 2018/2019 in the General Fund. The remaining \$1.2 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 \$1.2 million, or 17 percent of total current General Fund budgeted operating expenditures, for the year ended June 30, 2019.

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 and liabilities, with the difference between the two 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 are 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).

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

The City of Brighton, Michigan maintains one type of propriety fund, which is an enterprise fund, used to report and account for its utilities (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 19-21 of this report.

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-50 of this report.

Other Information

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position and performance. As shown below, for the year ended June 30, 2019, assets exceeded liabilities by \$35.5 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 6,037,936	\$ 5,826,584	\$ 3,806,419	\$ 5,924,239	\$ 9,844,355	\$ 11,750,823
Capital assets	27,245,580	25,522,826	29,799,965	28,823,810	57,045,545	54,346,636
Total assets	33,283,516	31,349,410	33,606,384	34,748,049	66,889,900	66,097,459
Deferred Outflows of Resources	3,112,782	1,945,361	736,399	351,257	3,849,181	2,296,618
Liabilities						
Current liabilities	1,296,319	1,570,103	176,941	300,544	1,473,260	1,870,647
Noncurrent liabilities:						
Due within one year	1,163,045	1,126,040	1,070,317	1,110,063	2,233,362	2,236,103
Due in more than one year	23,931,683	23,139,273	7,146,453	6,842,403	31,078,136	29,981,676
Total liabilities	26,391,047	25,835,416	8,393,711	8,253,010	34,784,758	34,088,426
Deferred Inflows of Resources	361,727	340,406	82,665	79,348	444,392	419,754
Net Position						
Net investment in capital assets	22,365,142	19,816,360	26,396,276	24,417,707	48,761,418	44,234,067
Restricted	1,380,941	650,454	-	-	1,380,941	650,454
Unrestricted	(14,102,559)	(13,347,865)	(529,869)	2,349,241	(14,632,428)	(10,998,624)
Total net position	<u>\$ 9,643,524</u>	<u>\$ 7,118,949</u>	<u>\$ 25,866,407</u>	<u>\$ 26,766,948</u>	<u>\$ 35,509,931</u>	<u>\$ 33,885,897</u>

An additional portion of the City of Brighton, Michigan's net position (3.9 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, Michigan's net position by \$2.5 million. Last fiscal year, the net position of the governmental activities decreased by \$450.1 thousand. The year-over-year change is primarily the result of an increase in revenue of \$2.0 million and a decrease in program expenses of \$958.3 thousand. The increase in revenue is primarily related to one-time grant funding of \$1.7 million in the current year related to an MDOT street project. This increase was supplemented by increases in operating grants, property tax revenue, investment earnings, and other revenue, which were partially offset by decreases in charges for services and state-shared revenue. The decrease in expenditures is due to reduced expenditures in the public safety and community development department related to reduced pension and OPEB expenditures and a combination of temporary and permanent changes in staffing levels, partially offset by economic inflation increases.

Business-type Activities

Business-type activities decreased the City of Brighton, Michigan's net position by \$900.5 thousand in the current fiscal year. Last fiscal year, the net position of the business-type activities increased by \$1.1 million. The decrease in the current year net position is due to increases in pension in OPEB expense. The increase to net position in the prior year is related to payments from developers to tap into the water and sewer system for new developments in the City. This money is used for improvements, access, and capacity of the water and wastewater systems.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 1,526,403	\$ 1,620,764	\$ 3,806,356	\$ 3,682,830	\$ 5,332,759	\$ 5,303,594
Operating grants	866,819	759,346	63,987	173,687	930,806	933,033
Capital grants	1,652,096	-	170,698	1,634,200	1,822,794	1,634,200
General revenue:						
Property taxes	6,245,376	6,012,882	-	-	6,245,376	6,012,882
State-shared revenue and grants	857,903	923,521	-	-	857,903	923,521
Investment earnings	189,234	103,630	30,278	36,203	219,512	139,833
Other revenue	320,370	220,828	368,007	-	688,377	220,828
Total revenue	11,658,201	9,640,971	4,439,326	5,526,920	16,097,527	15,167,891
Expenses						
General government	1,615,669	1,538,298	-	-	1,615,669	1,538,298
Public safety	3,391,391	3,664,694	-	-	3,391,391	3,664,694
Public works	3,365,745	4,148,675	-	-	3,365,745	4,148,675
Community and economic development	599,107	526,269	-	-	599,107	526,269
Debt service	161,714	214,003	-	-	161,714	214,003
Water and sewer	-	-	5,339,867	4,453,286	5,339,867	4,453,286
Total expenses	9,133,626	10,091,939	5,339,867	4,453,286	14,473,493	14,545,225
Change in Net Position	2,524,575	(450,968)	(900,541)	1,073,634	1,624,034	622,666
Net Position - Beginning of year	7,118,949	7,569,917	26,766,948	25,693,314	33,885,897	33,263,231
Net Position - End of year	<u><u>\$ 9,643,524</u></u>	<u><u>\$ 7,118,949</u></u>	<u><u>\$ 25,866,407</u></u>	<u><u>\$ 26,766,948</u></u>	<u><u>\$ 35,509,931</u></u>	<u><u>\$ 33,885,897</u></u>

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 \$4.28 million, an increase of \$604 thousand in comparison with the prior year. Approximately 28 percent of this total amount (\$1.2 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, and law enforcement/public safety), committed (future capital improvement and equipment replacement) or assigned (to liquidate contracts and purchase orders of the prior period or for subsequent year expenditures, and assigned for purposes such as the Arts and Cultural Commission, Imagination Station Maintenance, and Principal Shopping District funds and 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 \$1.2 million. The FY 2019-2020 budget is balanced with a budgeted use of fund balance totaling \$940 thousand; however, approximately \$1.7 million of the assigned fund balance is designated for capital projects/purchases and streets. This amount is included in the 2019-2020 budget as a transfer out to a new Capital Reserve Fund. 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 15.5 percent of total General Fund budgeted operating expenditures for the year ending June 30, 2020. 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 \$176.4 thousand during the current fiscal year. The primary reason for the decrease is increased fund balance assignments of \$464.2 thousand, particularly for streets and capital projects/purchases, that will be transferred to a new capital reserve fund in 2019-2020. This was partially offset by favorable revenue and expenditures compared to budget, which is due to higher than anticipated state-shared revenue, charges for services, fines and forfeitures, and investment income and lower than anticipated expenditures primarily arising from temporary and permanent staffing levels.

At the end of the current fiscal year, total fund balance of the Major Streets Fund was \$345.6 thousand. This is an increase of \$244.1 thousand from the prior year. The increase is primarily due to increased state revenue and a small decrease in expenditures primarily related debt service and streetlight maintenance.

The Local Streets Fund had an ending fund balance of \$72.2 thousand. This increase of \$63.7 thousand over the prior year results from strategic budgeting of higher revenue than expenditures to increase fund balance, coupled with small favorable budget variances in both revenue and expenditures.

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

The Federal and State Drug Law Enforcement funds had a combined ending fund balance of \$103.6 thousand. All of the revenue in these funds is from police seizures. During the fiscal year, the police department purchased K-9 dog supplies and a policy utility vehicle and paid for K-9 dog surgery and police training.

The Public Safety/Law Enforcement Fund had an ending fund balance of \$134.5 thousand, which is funded primarily through a voter-approved millage for law enforcement/public safety equipment and will be used for future law enforcement equipment. The approximately \$176 thousand in revenue assisted the police department with remodeling the bathroom and showers and replacing a vehicle and police department equipment, including targets, tasers, a shield, weapons, office furniture, and cameras.

Proprietary Funds

The City of Brighton, Michigan's Utilities enterprise 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 a deficit of \$529.9 thousand, down \$2.9 million from the prior year. The Utilities Fund had a \$2.1 million operating loss partially due to the fact that the operating revenue does not cover all the depreciation expense and increase in the pension and OPEB liabilities. This fund had a net loss of \$900.5 thousand. This decrease is primarily the result of increased pension and OPEB expense.

General Fund Budgetary Highlights

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

The \$246.3 thousand or 2.9 percent increase in revenue amendments from the original budget reflected increases related to higher than anticipated state-shared revenue, service charges, and ordinance fines, partially offset by lower than anticipated permit fees.

The \$138.3 thousand or 1.8 percent decrease in total expenditure amendments from the original budget reflected lower than anticipated expenditures in the general government, public safety, and public works activity budgets, partially offset by reduced expenditures in the community development and transfers out activity budgets. The budgeted expenditure decreases are attributed to several small adjustments, including grounds and equipment repairs and maintenance, and employee wages and benefits due to vacancies and position eliminations that occurred throughout the year. Actual year-end expenditures came in below the original budget primarily due to savings in the public works division resulting from permanent and temporary employee vacancies, lower than anticipated repairs and maintenance, and the postponement of engineering for upcoming projects.

Capital Assets and Debt Administration

Capital Assets

As shown below, the City of Brighton, Michigan's investment in capital assets for its primary government (governmental and business-type activities) as of June 30, 2019 amounts to \$57.0 million (net of accumulated depreciation). This investment in capital assets includes land (including rights-of-way), buildings and building improvements, machinery and equipment, park facilities, streets, and bridges. The City of Brighton, Michigan's investment in capital assets for its component units (DDA) as of June 30, 2019 amounts to \$5.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and improvements. The total increase in the City of Brighton, Michigan's investment in capital assets for the current year was 5.1 percent (a 6.7 percent increase for governmental activities, a 3.4 percent increase for business-type activities, and a 6.8 percent increase for the component units).

	Governmental Activities		Business-type Activities		Component Units		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
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	88,399	218,817	315,170	329,845	23,138	217,296	426,707	765,958
Infrastructure	9,019,951	7,338,747	16,910,696	15,378,650	-	-	25,930,647	22,717,397
Building and building improvements	3,300,437	3,422,327	12,267,146	12,795,652	2,890,952	2,331,716	18,458,535	18,549,695
Machinery and equipment	1,305,972	1,012,114	149,591	162,301	173,679	211,209	1,629,242	1,385,624
Total	\$ 27,245,580	\$ 25,522,826	\$ 29,799,965	\$ 28,823,810	\$ 5,130,967	\$ 4,803,419	\$ 62,176,512	\$ 59,150,055

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

- Governmental activities - Two pickup trucks (one with an aerial lift and one with a snow plow), two dump trucks, three police vehicles, a mower, a mini excavator, a gator, street sweeper major repair, bathroom/shower remodel at police department, a new roof for the salt barn, and street infrastructure
- Business-type activities - Completed the rebuilds/repairs of the Orndorf lift station and relocation of the Challis Road water main. Completed the North 2nd Street utility improvements and continued engineering on the Northwest neighborhoods and Rickett Road. utility projects. Replaced the filter media on four water tanks. Purchased a pickup truck and trailer and took ownership of contributed water mains and sewer lines from developers.
- Component units - Began work on the downtown streetscape and completed work on the new Millpond Band Shell and Amphitheater.

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

Long-term Debt

As shown below, at the end of the current fiscal year, the City of Brighton, Michigan had total debt outstanding of \$10.9 million. Of this total, \$8.8 million or nearly 81 percent comprises debt backed by the full faith and credit of the City, including \$439.3 thousand of revenue bonds; \$675 thousand or 6.2 percent is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment; and \$1.4 million or approximately 13 percent comprises revenue bonds backed by the revenue of the City's Utilities Fund. A total of \$4.9 million or 45 percent of the total debt is governmental activities debt, \$3.4 million or 31 percent is business-type activities debt, and the remaining \$2.6 million or 24 percent is component unit debt (DDA bonds).

	Governmental Activities		Business-type Activities		Component Units		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Direct borrowings/placements	\$ 308,066	\$ 401,960	\$ 545,403	\$ 665,773	\$ 314,100	\$ 558,261	\$ 1,167,569	\$ 1,625,994
General obligation bonds/notes	3,936,700	4,458,750	2,828,300	3,691,250	2,275,000	2,740,000	9,040,000	10,890,000
Special assessment bonds	675,000	890,000	-	-	-	-	675,000	890,000
Total	<u>\$ 4,919,766</u>	<u>\$ 5,750,710</u>	<u>\$ 3,373,703</u>	<u>\$ 4,357,023</u>	<u>\$ 2,589,100</u>	<u>\$ 3,298,261</u>	<u>\$ 10,882,569</u>	<u>\$ 13,405,994</u>

The City of Brighton, Michigan's total debt, excluding compensated absences and unamortized bond premiums, decreased by \$2.5 million (18.8 percent) during the current fiscal year. This decrease was the result of scheduled principal payments on existing debt plus the early pay off of \$236 thousand on a DDA land contract and \$205 thousand on the LDFA bonds.

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

State statutes limit the amount of general obligation debt a City may issue up to 10 percent of its total assessed valuation. The current debt limitation for the City of Brighton, Michigan is \$54.2 million, which is significantly in excess of the City's total net debt (total debt less special assessment, revenue, MTF, and county-shared debt) of \$8.1 million. Therefore, the legal debt margin, or what the City could legally add to its outstanding debt at June 30, 2019, was \$46.1 million.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Brighton, Michigan has not been tracked since December 31, 2004. At April 30, 2019, the average unemployment rate for Livingston County, Michigan was 3.4 percent, which is an increase from 2.9 percent a year ago; for the State of Michigan, it was 4.2 percent; and for the United States, it was 3.7 percent.
- The Consumer Price Index (CPI) has realigned the regions from a year ago. The new region is Detroit/Wayne/Dearborn. For the year ended June 30, 2019, the CPI for this new region increased by 1.4 percent from a year ago, the Midwest region average CPI rate increased by 1.2 percent from a year ago, and the national CPI rate increased by 1.6 percent from a year ago.

The trends in these economic factors will be considered in preparing the City of Brighton, Michigan's FY 2020-2021 budget.

During the current fiscal year, assigned fund balance includes \$1.7 million for capital projects/purchases and streets. This represents a budgeted transfer out of the General Fund into a capital reserve fund in the 2019-2020 budget. The FY 2019-2020 budget was balanced with a budgeted use of fund balance totaling \$939.5 thousand. The budgeted \$1.7 million transfer is included in the budgeted use of fund balance. The remaining unassigned fund balance represents 15.5 percent of the total current General Fund budgeted operating expenditures at June 30, 2020.

The City's utility user fees increased an average of 8.1 percent for the fiscal year 2019-2020 budget year. The City is beginning to see increased connection fee sales as the new developers are proposing redevelopment of existing parcels. The City is almost entirely built-out, and new developments are primarily on existing built parcels. The City had been setting aside reserve funds for capital replacements. In the current year, the City had \$2.6 million in utility capital asset additions, which represents use of these reserves. User fees are evaluated annually and are adjusted to cover needed improvements to the utility systems, 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, finance director, City of Brighton, 200 N. First Street, Brighton, MI 48116.

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,003,505	\$ 2,562,878	\$ 7,566,383	\$ 293,302
Receivables:				
Delinquent taxes	101,867	-	101,867	15,584
Special assessments	396,837	-	396,837	-
Customer	56,814	771,429	828,243	-
Other receivables	221,885	-	221,885	-
Due from other governments	127,836	299,335	427,171	-
Inventory	-	119,756	119,756	-
Prepays	129,192	53,021	182,213	7,218
Capital assets:				
Assets not subject to depreciation (Note 5)	13,619,220	472,532	14,091,752	2,066,336
Assets subject to depreciation - Net (Note 5)	13,626,360	29,327,433	42,953,793	3,064,631
Total assets	33,283,516	33,606,384	66,889,900	5,447,071
Deferred Outflows of Resources				
Deferred charges on refunding	221,807	22,170	243,977	-
Deferred pension costs (Note 9)	1,439,619	395,962	1,835,581	-
Deferred OPEB costs (Note 10)	1,451,356	318,267	1,769,623	-
Total deferred outflows of resources	3,112,782	736,399	3,849,181	-
Liabilities				
Accounts payable	319,171	113,779	432,950	23,072
Deposits	791,362	-	791,362	-
Accrued liabilities and other	185,786	63,162	248,948	12,626
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	357,693	40,132	397,825	-
Current portion of long-term debt (Note 7)	805,352	1,030,185	1,835,537	230,000
Due in more than one year:				
Compensated absences (Note 7)	292,658	60,198	352,856	-
Net pension liability (Note 9)	7,976,453	2,198,215	10,174,668	-
Net OPEB liability (Note 10)	11,365,679	2,492,366	13,858,045	-
Long-term debt (Note 7)	4,296,893	2,395,674	6,692,567	2,359,100
Total liabilities	26,391,047	8,393,711	34,784,758	2,624,798
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	60,276	16,560	76,836	-
Deferred OPEB cost reductions (Note 10)	301,451	66,105	367,556	-
Total deferred inflows of resources	361,727	82,665	444,392	-
Net Position				
Net investment in capital assets	22,365,142	26,396,276	48,761,418	2,541,867
Restricted:				
Streets	814,653	-	814,653	-
Cemetery care	327,659	-	327,659	-
Federal/State drug law enforcement	103,575	-	103,575	-
Law enforcement/Public safety	135,054	-	135,054	-
Unrestricted	(14,102,559)	(529,869)	(14,632,428)	280,406
Total net position	\$ 9,643,524	\$ 25,866,407	\$ 35,509,931	\$ 2,822,273

City of Brighton, Michigan

		Program Revenue		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
Expenses			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$	1,615,669	\$	415,549
Public safety		3,391,391		190,191
Public works		3,365,745		42,303
Community development		599,107		823,516
Interest on long-term debt		161,714		1,652,096

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,200,120)	\$ -	\$ (1,200,120)	\$ -
(3,158,897)	-	(3,158,897)	-
(219,111)	-	(219,111)	-
(348,466)	-	(348,466)	-
(161,714)	-	(161,714)	-
(5,088,308)	-	(5,088,308)	-
-	(1,298,826)	(1,298,826)	-
(5,088,308)	(1,298,826)	(6,387,134)	-
-	-	-	(2,109,774)
-	-	-	(35,125)
-	-	-	(2,144,899)
6,245,376	-	6,245,376	883,724
857,903	-	857,903	100,657
189,234	30,278	219,512	15,333
65,845	15,153	80,998	-
254,525	352,854	607,379	93,865
7,612,883	398,285	8,011,168	1,093,579
2,524,575	(900,541)	1,624,034	(1,051,320)
7,118,949	26,766,948	33,885,897	3,873,593
\$ 9,643,524	\$ 25,866,407	\$ 35,509,931	\$ 2,822,273

Governmental Funds
Balance Sheet

June 30, 2019

	General Fund	Major Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 4,321,805	\$ 320,765	\$ 360,935	\$ 5,003,505
Receivables:				
Delinquent taxes	101,323	-	544	101,867
Special assessments	-	396,837	-	396,837
Customer	56,814	-	-	56,814
Other receivables	218,565	-	3,320	221,885
Due from other governments	-	94,481	33,355	127,836
Prepays	126,394	1,376	1,422	129,192
Total assets	\$ 4,824,901	\$ 813,459	\$ 399,576	\$ 6,037,936
Liabilities				
Accounts payable	\$ 161,418	\$ 71,009	\$ 86,744	\$ 319,171
Deposits	791,362	-	-	791,362
Accrued liabilities and other	149,951	-	-	149,951
Total liabilities	1,102,731	71,009	86,744	1,260,484
Deferred Inflows of Resources				
Unavailable revenue - Property taxes	100,873	-	544	101,417
Unavailable revenue - Special assessments	-	396,837	-	396,837
Total deferred inflows of resources	100,873	396,837	544	498,254
Total liabilities and deferred inflows of resources	1,203,604	467,846	87,288	1,758,738
Fund Balances				
Nonspendable:				
Prepays	126,394	1,376	1,422	129,192
Cemetery care - Permanent	327,659	-	-	327,659
Restricted:				
Streets	-	344,237	71,897	416,134
Federal/State drug law enforcement	-	-	103,575	103,575
Law enforcement/Public safety	1,148	-	133,394	134,542
Committed - Capital improvement and equipment replacement	108,089	-	-	108,089
Assigned:				
Carryover budget items	60,233	-	-	60,233
Retiree legacy costs	37,000	-	-	37,000
Capital projects/purchases	800,000	-	2,000	802,000
Principal shopping district	3,173	-	-	3,173
Arts and cultural commission	11,245	-	-	11,245
Imagination Station	31,125	-	-	31,125
Streets	913,000	-	-	913,000
Unassigned	1,202,231	-	-	1,202,231
Total fund balances	3,621,297	345,613	312,288	4,279,198
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,824,901	\$ 813,459	\$ 399,576	\$ 6,037,936

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 4,279,198
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	27,245,580
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	498,254
Deferred charges on bond refundings are amortized over the related bond terms and are not reported in the funds	221,807
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,102,245)
Accrued interest is not due and payable in the current period and is not reported in the funds	(35,835)
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	(650,351)
Pension benefits, including deferred outflows/inflows of resources	(6,597,110)
Retiree healthcare benefits, including deferred outflows/inflows of resources	(10,215,774)
Net Position of Governmental Activities	<u>\$ 9,643,524</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Major Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 6,058,573	\$ -	\$ 167,157	\$ 6,225,730
Special assessments	-	133,821	-	133,821
State-shared revenue and grants	857,831	630,114	199,177	1,687,122
Charges for services	763,532	-	-	763,532
Fines, forfeitures, and penalties	311,039	-	38,865	349,904
Licenses and permits	427,216	32,307	3,700	463,223
Unrestricted investment interest	155,656	31,922	1,656	189,234
Other revenue	204,259	478	401	205,138
	<u>8,778,106</u>	<u>828,642</u>	<u>410,956</u>	<u>10,017,704</u>
Total revenue	8,778,106	828,642	410,956	10,017,704
Expenditures				
Current services:				
General government	1,479,937	-	-	1,479,937
Public safety	2,972,068	-	21,559	2,993,627
Public works	2,102,830	477,555	352,011	2,932,396
Community and economic development	508,400	-	-	508,400
Capital outlay	-	-	650,970	650,970
Debt service	-	254,725	739,370	994,095
	<u>7,063,235</u>	<u>732,280</u>	<u>1,763,910</u>	<u>9,559,425</u>
Total expenditures	7,063,235	732,280	1,763,910	9,559,425
Excess of Revenue Over (Under) Expenditures	1,714,871	96,362	(1,352,954)	458,279
Other Financing Sources (Uses)				
Transfers in (Note 6)	9,500	197,750	1,306,781	1,514,031
Transfers out (Note 6)	(1,464,031)	(50,000)	-	(1,514,031)
Sale of capital assets	7,520	-	138,315	145,835
	<u>(1,447,011)</u>	<u>147,750</u>	<u>1,445,096</u>	<u>145,835</u>
Total other financing (uses) sources	(1,447,011)	147,750	1,445,096	145,835
Net Change in Fund Balances	267,860	244,112	92,142	604,114
Fund Balances - Beginning of year	3,353,437	101,501	220,146	3,675,084
Fund Balances - End of year	<u>\$ 3,621,297</u>	<u>\$ 345,613</u>	<u>\$ 312,288</u>	<u>\$ 4,279,198</u>

Governmental Funds

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 604,114
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	3,425,009
Depreciation expense	(1,676,921)
Net book value of assets disposed of is not reported in the fund statements	(25,334)
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	(125,331)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	830,944
Interest expense is recognized in the government-wide statements as it accrues	1,436
Certain employee costs (pension, retiree healthcare, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(509,342)
Change in Net Position of Governmental Activities	<u>\$ 2,524,575</u>

Proprietary Funds
Statement of Net Position

June 30, 2019

	Enterprise - Utilities Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,562,878
Receivables - Customers and other governments	1,070,764
Inventory	119,756
Prepays	53,021
Total current assets	3,806,419
Noncurrent assets - Capital assets - Net (Note 5)	29,799,965
Total assets	33,606,384
Deferred Outflows of Resources	
Deferred charges on refunding	22,170
Deferred pension costs (Note 9)	395,962
Deferred OPEB costs (Note 10)	318,267
Total deferred outflows of resources	736,399
Liabilities	
Current liabilities:	
Accounts payable	113,779
Accrued liabilities and other	63,162
Compensated absences (Note 7)	40,132
Current portion of long-term debt (Note 7)	1,030,185
Total current liabilities	1,247,258
Noncurrent liabilities:	
Compensated absences (Note 7)	60,198
Net pension liability (Note 9)	2,198,215
Net OPEB liability (Note 10)	2,492,366
Long-term debt (Note 7)	2,395,674
Total noncurrent liabilities	7,146,453
Total liabilities	8,393,711
Deferred Inflows of Resources	
Deferred pension cost reductions (Note 9)	16,560
Deferred OPEB cost reductions (Note 10)	66,105
Total deferred inflows of resources	82,665
Net Position	
Net investment in capital assets	26,396,276
Unrestricted	(529,869)
Total net position	\$ 25,866,407

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

Year Ended June 30, 2019

	<u>Enterprise - Utilities Fund</u>
Operating Revenue	
Sales	\$ 2,768,293
Tap charges and other	365,337
Penalties	<u>56,724</u>
Total operating revenue	3,190,354
Operating Expenses	
Salaries and fringe benefits	2,542,733
Other purchased services	201,715
Purchased property services	133,050
Professional and technical services	100,956
Supplies	162,362
Utilities	289,947
Property	42,314
Other	132,742
Depreciation	<u>1,643,465</u>
Total operating expenses	<u>5,249,284</u>
Operating Loss	(2,058,930)
Nonoperating Revenue (Expense)	
Investment income	30,278
Interest expense	(90,583)
Gain on sale of assets	15,153
Debt service charge	616,002
State grants	63,987
Other nonoperating revenue	<u>352,854</u>
Total nonoperating revenue	<u>987,691</u>
Loss - Before contributions	(1,071,239)
Capital Contributions	<u>170,698</u>
Change in Net Position	(900,541)
Net Position - Beginning of year	<u>26,766,948</u>
Net Position - End of year	<u><u>\$ 25,866,407</u></u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise - Utilities Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,470,234
Payments to suppliers	(1,169,241)
Payments to employees and fringes	(1,559,389)
Payments to other funds	(163,816)
	<u>577,788</u>
Net cash and cash equivalents provided by operating activities	577,788
Cash Flows Provided by Noncapital Financing Activities - State operating grants	63,987
Cash Flows from Capital and Related Financing Activities	
Contributions received	170,698
Other nonoperating revenue	352,854
Proceeds from sale of capital assets	15,153
Acquisition and construction of capital assets	(2,619,620)
Principal and interest paid on capital debt	(1,098,569)
Debt service charge	616,002
Other	(918)
	<u>(2,564,400)</u>
Net cash and cash equivalents used in capital and related financing activities	(2,564,400)
Cash Flows Provided by Investing Activities - Interest received on investments	30,278
Net Decrease in Cash and Cash Equivalents	(1,892,347)
Cash and Cash Equivalents - Beginning of year	4,455,225
Cash and Cash Equivalents - End of year	<u><u>\$ 2,562,878</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (2,058,930)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	1,643,465
Changes in assets and liabilities:	
Receivables	279,880
Inventories	(56,102)
Prepaid and other assets	1,695
Accrued and other liabilities	889,528
Accounts payable	(121,748)
	<u>2,636,718</u>
Total adjustments	2,636,718
Net cash and cash equivalents provided by operating activities	<u><u>\$ 577,788</u></u>

City of Brighton, Michigan

Fiduciary Funds Statement of Assets and Liabilities

June 30, 2019

Agency Fund -
Tax Collection

Assets - Cash and cash equivalents

\$ 59

Liabilities - Accounts payable

\$ 59

Component Units
Statement of Net Position

June 30, 2019

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 293,302	\$ -	\$ 293,302
Receivables - Delinquent taxes	15,584	-	15,584
Prepays	7,218	-	7,218
Capital assets - Net (Note 5)	5,130,967	-	5,130,967
Total assets	5,447,071	-	5,447,071
Liabilities			
Accounts payable	23,072	-	23,072
Accrued liabilities and other	12,626	-	12,626
Noncurrent liabilities:			
Current portion of long-term debt (Note 7)	230,000	-	230,000
Long-term debt (Note 7)	2,359,100	-	2,359,100
Total liabilities	2,624,798	-	2,624,798
Net Position			
Net investment in capital assets	2,541,867	-	2,541,867
Unrestricted	280,406	-	280,406
Total net position	<u>\$ 2,822,273</u>	<u>\$ -</u>	<u>\$ 2,822,273</u>

City of Brighton, Michigan

	Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions Capital Grants and Contributions
Functions/Programs			
Downtown Development Authority	\$ 2,109,774	\$ -	\$ -
Local Development Finance Authority	35,125	-	-
Total	\$ 2,144,899	\$ -	\$ -

General revenue:

Property taxes

State-shared revenue and grants

Interest

Other miscellaneous income

Total general revenue

Change in Net Position

Net Position (Deficit) - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position (Deficit)		
Downtown Development Authority	Local Development Finance Authority	Total
\$ (2,109,774)	\$ -	\$ (2,109,774)
-	(35,125)	(35,125)
(2,109,774)	(35,125)	(2,144,899)
800,453	83,271	883,724
84,295	16,362	100,657
14,965	368	15,333
1,737	92,128	93,865
901,450	192,129	1,093,579
(1,208,324)	157,004	(1,051,320)
4,030,597	(157,004)	3,873,593
\$ 2,822,273	\$ -	\$ 2,822,273

Note 1 - Significant Accounting Policies

Reporting Entity

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

Discretely Presented Component Units

Downtown Development Authority

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

Local Development Finance Authority

The Local Development Finance Authority (the "Authority" or the "LDFA") was created to encourage local economic development to prevent conditions of unemployment and promote economic growth in the community. The Authority's governing body, consisting of 10 individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Authority does not issue its own financial statements. During the fiscal year ended June 30, 2019, the LDFA long-term debt was paid in full, and the LDFA was dissolved.

Accounting and Reporting Principles

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

Report Presentation

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

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

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

Note 1 - Significant Accounting Policies (Continued)

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

Basis of Accounting

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

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

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

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

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Major Streets Fund is used to account for the resources of state gas and weight tax revenue that 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.

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.

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

Interfund Activity

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Inventories and Prepaid Items

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

Capital Assets

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

Note 1 - Significant Accounting Policies (Continued)

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

June 30, 2019**Note 1 - Significant Accounting Policies (Continued)****Property Tax Revenue**

Property taxes are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. The property taxes become a lien on July 1 and are due on August 15 with the final collection date of February 28. 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 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the City totaled \$445.1 million (a portion of which is captured by the LDFA and DDA), on which taxes levied consisted of 15.2734 mills for operating purposes, 0.38 mills for public safety, and 0.1131 mills for economic development, as allowed by PA 359 of 1925. This resulted in approximately \$6.7 million for operating purposes (a portion of which is captured by the LDFA and DDA), approximately \$166,000 for public safety, and approximately \$50,000 for economic development. These amounts (less what is captured in the LDFA and DDA) are recognized in the respective General and Public Safety/Law Enforcement Fund financial statements as tax revenue (net of delinquent taxes and other fees).

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when 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.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the 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.

Upcoming Accounting Pronouncements

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

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

June 30, 2019

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Shortfall at July 1, 2018		\$	(1,098,820)
Adjustment for prior years*			(285,106)
Current year permit revenue			219,271
Related expenses:			
Direct costs	\$	233,301	
Estimated indirect costs		17,498	250,799
			<u>(31,528)</u>
Current year shortfall			<u>(31,528)</u>
Cumulative shortfall June 30, 2019		\$	<u>(1,415,454)</u>

*The prior year allocated expenses were re-evaluated in the current year and resulted in an adjustment for prior years.

Note 3 - Deposits and Investments

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

The City has designated 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 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 \$3,552,392 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The total amount of bank deposits (certificates of deposit and checking and savings accounts) insured at year end was \$4,345,224. Included in these amounts are bank deposits (certificates of deposit and checking and savings accounts) for component units, as the City utilizes pooled cash accounts, and each fund shares a proportionate share of the collateralized and insured amounts of total account balance. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

June 30, 2019

Note 4 - Fair Value Measurements

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

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

The City has the following recurring fair value measurements as of June 30, 2019:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019
	<u>Balance at June 30, 2019</u>
Assets - Investments measured at NAV - Michigan CLASS Investment Pool	\$ 2,557,783

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

Investments in Entities that Calculate Net Asset Value per Share

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

As of June 30, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS Investment Pool	\$ 2,557,783	\$ -	N/A	None

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

June 30, 2019

Note 5 - Capital Assets

Capital asset activity of the City was as follows:

Governmental Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 13,530,821	\$ -	\$ -	\$ -	\$ 13,530,821
Construction in progress	218,817	(179,785)	56,599	(7,232)	88,399
Subtotal	13,749,638	(179,785)	56,599	(7,232)	13,619,220
Capital assets being depreciated:					
Roads and sidewalks	29,559,301	179,785	2,744,449	-	32,483,535
Building and building improvements	6,974,303	-	54,307	-	7,028,610
Machinery and equipment	3,512,249	-	569,654	(128,678)	3,953,225
Subtotal	40,045,853	179,785	3,368,410	(128,678)	43,465,370
Accumulated depreciation:					
Roads and sidewalks	22,220,554	-	1,243,030	-	23,463,584
Building and building improvements	3,551,976	-	176,197	-	3,728,173
Machinery and equipment	2,500,135	-	257,694	(110,576)	2,647,253
Subtotal	28,272,665	-	1,676,921	(110,576)	29,839,010
Net capital assets being depreciated	11,773,188	179,785	1,691,489	(18,102)	13,626,360
Net governmental activities capital assets	<u>\$ 25,522,826</u>	<u>\$ -</u>	<u>\$ 1,748,088</u>	<u>\$ (25,334)</u>	<u>\$ 27,245,580</u>

June 30, 2019

Note 5 - Capital Assets (Continued)***Business-type Activities***

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 157,362	\$ -	\$ -	\$ -	\$ 157,362
Construction in progress	329,845	(259,644)	244,969	-	315,170
Subtotal	487,207	(259,644)	244,969	-	472,532
Capital assets being depreciated:					
Water and sewer transmission lines	26,760,610	259,644	2,063,590	-	29,083,844
Retention/Equalization basin	3,937,587	-	-	-	3,937,587
Building and building improvements	30,827,573	-	258,516	-	31,086,089
Machinery and equipment	1,326,341	-	52,545	(48,356)	1,330,530
Subtotal	62,852,111	259,644	2,374,651	(48,356)	65,438,050
Accumulated depreciation:					
Water and sewer transmission lines	13,850,954	-	686,069	-	14,537,023
Retention/Equalization basin	1,468,593	-	105,119	-	1,573,712
Building and building improvements	18,031,921	-	787,022	-	18,818,943
Machinery and equipment	1,164,040	-	65,255	(48,356)	1,180,939
Subtotal	34,515,508	-	1,643,465	(48,356)	36,110,617
Net capital assets being depreciated	28,336,603	259,644	731,186	-	29,327,433
Net business-type activities capital assets	<u>\$ 28,823,810</u>	<u>\$ -</u>	<u>\$ 976,155</u>	<u>\$ -</u>	<u>\$ 29,799,965</u>

June 30, 2019

Note 5 - Capital Assets (Continued)**Component Units**

	Balance July 1, 2018	Reclassifications	Additions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 2,043,198	\$ -	\$ -	\$ 2,043,198
Construction in progress	217,296	(217,296)	23,138	23,138
Subtotal	2,260,494	(217,296)	23,138	2,066,336
Capital assets being depreciated:				
Building and land improvements	5,738,119	217,296	642,683	6,598,098
Equipment and other	1,665,559	-	-	1,665,559
Subtotal	7,403,678	217,296	642,683	8,263,657
Accumulated depreciation:				
Building and building improvements	3,406,403	-	300,743	3,707,146
Equipment and other	1,454,350	-	37,530	1,491,880
Subtotal	4,860,753	-	338,273	5,199,026
Net capital assets being depreciated	2,542,925	217,296	304,410	3,064,631
Net component units capital assets	<u>\$ 4,803,419</u>	<u>\$ -</u>	<u>\$ 327,548</u>	<u>\$ 5,130,967</u>

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

Governmental activities:	
General government	\$ 26,359
Public safety	154,524
Public works	1,490,950
Economic development	5,088
Total governmental activities	<u>\$ 1,676,921</u>
Business-type activities - Water and sewer	<u>\$ 1,643,465</u>
Component unit activities - Downtown Development Authority	<u>\$ 338,273</u>

June 30, 2019

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	\$ 676,408
	Street Debt Fund	408,623
	Major Streets Fund	197,750
	Local Streets Fund	171,750
	Total General Fund	1,454,531
Major Streets Fund	Local Streets Fund	50,000
	Total	\$ 1,504,531

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

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 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	\$ 401,960	\$ -	\$ (93,894)	\$ 308,066	\$ 95,492
Other debt:					
General obligation	4,458,750	-	(522,050)	3,936,700	472,050
Special assessment bonds	890,000	-	(215,000)	675,000	215,000
Total other debt principal outstanding	5,348,750	-	(737,050)	4,611,700	687,050
Unamortized bond premiums	205,289	-	(22,810)	182,479	22,810
Total bonds and contracts payable	5,955,999	-	(853,754)	5,102,245	805,352
Compensated absences	680,713	308,502	(338,864)	650,351	357,693
Total governmental activities long-term debt	\$ 6,636,712	\$ 308,502	\$ (1,192,618)	\$ 5,752,596	\$ 1,163,045

June 30, 2019

Note 7 - Long-term Debt (Continued)

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	\$ 524,294	\$ -	\$ (85,000)	\$ 439,294	\$ 85,000
Installment purchase agreements	141,479	-	(35,370)	106,109	35,370
Total direct borrowings and direct placements principal outstanding	665,773	-	(120,370)	545,403	120,370
Other debt - General obligation	3,691,250	-	(862,950)	2,828,300	887,950
Unamortized bond premiums	74,021	-	(21,865)	52,156	21,865
Total bonds and contracts payable	4,431,044	-	(1,005,185)	3,425,859	1,030,185
Compensated absences	158,950	91,321	(149,941)	100,330	40,132
Total business-type activities long-term debt	<u>\$ 4,589,994</u>	<u>\$ 91,321</u>	<u>\$ (1,155,126)</u>	<u>\$ 3,526,189</u>	<u>\$ 1,070,317</u>

Component Units

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements - Land contracts	\$ 558,261	\$ -	\$ (244,161)	\$ 314,100	\$ -
Other debt - General obligation	2,740,000	-	(465,000)	2,275,000	230,000
Total component units long-term debt	<u>\$ 3,298,261</u>	<u>\$ -</u>	<u>\$ (709,161)</u>	<u>\$ 2,589,100</u>	<u>\$ 230,000</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)**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, 2019 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Limited Tax Refunding Bonds	2013	3.00%	October 2026	\$ 2,871,400
Installment Loan - Equipment	2017	1.70%	August 2022	308,066
2017 CIP and Refunding Bonds	2017	2.22%	October 2031	1,065,300
Total governmental activities				<u>\$ 4,244,766</u>
Business-type Activities				
Limited Tax Capital Improvement Bonds	2010	5.00% - 5.75%	October 2030	\$ 490,000
Limited Tax Refunding Bonds	2013	3.00%	October 2026	193,600
2013 County Refunding Bonds - Limited Tax	2013	1.25%	September 2021	185,000
2012 Michigan Municipal Bond Authority - Wastewater, Plant Expansion Refunding Bonds	2012	3.00%	November 2020	1,435,000
2004 Drinking Water Revolving Funds	2004	2.125%	October 2023	439,294
Installment Loan - Equipment	N/A	2.50%	December 2022	106,109
2017 Refunding Bonds	2017	2.22%	October 2031	524,700
Total business-type activities				<u>\$ 3,373,703</u>
Component Units				
Downtown Development Authority Land Contract Payable	2015	6.00%	April 2025	\$ 314,100
2017 CIP Bonds	2017	2.22%	October 2027	2,275,000
Total component units				<u>\$ 2,589,100</u>

Special Assessment Bonds

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

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Limited Tax, Challis Road and Cross Street Improvements	2002	4.70% - 5.00%	October 2021	\$ 600,000
Limited Tax, Orndorf Drive Road Improvements	2009	5.00% - 5.50%	October 2023	75,000
Total governmental activities				<u>\$ 675,000</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)

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.

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 95,492	\$ 4,510	\$ 687,050	\$ 131,311	\$ 918,363
2021	97,139	2,862	656,200	107,663	863,864
2022	98,804	1,198	678,700	83,964	862,666
2023	16,631	36	444,200	65,321	526,188
2024	-	-	458,350	51,969	510,319
2025-2029	-	-	1,409,150	92,026	1,501,176
Thereafter	-	-	278,050	9,185	287,235
Total	\$ 308,066	\$ 8,606	\$ 4,611,700	\$ 541,439	\$ 5,469,811

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 120,370	\$ 11,085	\$ 887,950	\$ 76,739	\$ 1,096,144
2021	120,370	8,394	913,800	51,021	1,093,585
2022	125,369	5,651	91,300	36,415	258,735
2023	90,000	2,854	100,800	33,117	226,771
2024	89,294	949	101,650	29,517	221,410
2025-2029	-	-	495,850	91,652	587,502
Thereafter	-	-	236,950	10,274	247,224
Total	\$ 545,403	\$ 28,933	\$ 2,828,300	\$ 328,735	\$ 3,731,371

Years Ending June 30	Component Unit Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ -	\$ 18,846	\$ 230,000	\$ 47,952	\$ 296,798
2021	-	18,846	235,000	42,791	296,637
2022	-	18,846	240,000	37,518	296,364
2023	-	18,846	245,000	32,135	295,981
2024	314,100	18,846	255,000	26,585	614,531
2025-2029	-	15,705	1,070,000	48,063	1,133,768
Thereafter	-	-	-	-	-
Total	\$ 314,100	\$ 109,935	\$ 2,275,000	\$ 235,044	\$ 2,934,079

June 30, 2019

Note 8 - Risk Management

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

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

Note 9 - Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

Note 9 - Pension Plan (Continued)

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

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

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

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

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

June 30, 2019

Note 9 - Pension Plan (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.

Employees Covered by Benefit Terms

At the December 31, 2018 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	44
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	51
	<hr/>
Total employees covered by the plan	105
	<hr/>

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, 2019, the average active employee contribution rate was 5.0 percent of annual pay, and the City's average contribution rate was 20.86 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, 2019 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, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 23,034,196	\$ 14,841,339	\$ 8,192,857
Changes for the year:			
Service cost	418,509	-	418,509
Interest	1,812,477	-	1,812,477
Differences between expected and actual experience	160,268	-	160,268
Contributions - Employer	-	801,531	(801,531)
Contributions - Employee	-	222,588	(222,588)
Net investment loss	-	(585,775)	585,775
Benefit payments, including refunds	(1,174,972)	(1,174,972)	-
Administrative expenses	-	(28,901)	28,901
	<hr/>	<hr/>	<hr/>
Net changes	1,216,282	(765,529)	1,981,811
	<hr/>	<hr/>	<hr/>
Balance at December 31, 2018	\$ 24,250,478	\$ 14,075,810	\$ 10,174,668
	<hr/>	<hr/>	<hr/>

June 30, 2019

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,494,937, of which \$1,172,752 is related to governmental activities and \$322,185 is related to business-type activities.

At June 30, 2019, 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	\$ 176,739	\$ (76,836)
Changes in assumptions	185,226	-
Net difference between projected and actual earnings on pension plan investments	1,049,716	-
Employer contributions to the plan subsequent to the measurement date	423,900	-
Total	<u>\$ 1,835,581</u>	<u>\$ (76,836)</u>

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

Years Ending June 30	Amount
2020	\$ 599,639
2021	155,575
2022	226,454
2023	353,177

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return of 8.00 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from 2009-2013.

Discount Rate

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

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

June 30, 2019

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the City	\$ 13,150,658	\$ 10,174,668	\$ 7,671,910

Pension Plan Fiduciary Net Position

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

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

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

June 30, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

The plan provides healthcare, vision, and dental benefits for retirees, their spouses, and dependents. Benefits are provided to pre-Medicare retirees and their dependents through the City's third-party insurers. 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	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	50
Active plan members	<u>30</u>
Total plan members	<u><u>80</u></u>

Contributions

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

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2019, the City made payments for postemployment health benefit premiums of \$462,062.

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, 2019 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, 2019 measurement date. The June 30, 2019 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

June 30, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 14,568,021	\$ 1,769,805	\$ 12,798,216
Changes for the year:			
Service cost	296,248	-	296,248
Interest	1,099,010	-	1,099,010
Differences between expected and actual experience	(409,229)	-	(409,229)
Changes in assumptions	731,924	-	731,924
Contributions - Employer	-	600,878	(600,878)
Net investment income	-	60,990	(60,990)
Benefit payments, including refunds	(462,062)	(462,062)	-
Administrative expenses	-	(3,744)	3,744
Net changes	1,255,891	196,062	1,059,829
Balance at June 30, 2019	<u>\$ 15,823,912</u>	<u>\$ 1,965,867</u>	<u>\$ 13,858,045</u>

The plan's fiduciary net position represents 12.40 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, 2019, the City recognized OPEB expense of \$1,435,403.

At June 30, 2019, 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	\$ 275,801	\$ (367,556)
Changes in assumptions	1,433,537	-
Net difference between projected and actual earnings on OPEB plan investments	60,285	-
Total	<u>\$ 1,769,623</u>	<u>\$ (367,556)</u>

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

Years Ending June 30	Amount
2020	\$ 175,855
2021	175,855
2022	175,855
2023	176,684
2024	160,991
Thereafter	536,827
Total	<u>\$ 1,402,067</u>

June 30, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)***Actuarial Assumptions***

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.75 percent; an investment rate of return (net of investment expenses) of 7.48 percent; a healthcare cost trend rate of 8.50 percent for 2019, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2036 and later years; and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.48 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, 2019 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
MERS EST Market Portfolio	26.00 %	6.70 %
MERS Total Market Portfolio	74.00	7.75

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

	1 Percent Decrease (6.48%)	Current Discount Rate (7.48%)	1 Percent Increase (8.48%)
Net OPEB liability of the plan	\$ 16,054,999	\$ 13,858,045	\$ 12,041,221

June 30, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 8.5 percent, decreasing to 4.5 percent, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.5% Decreasing to 3.5%)	Current Healthcare Cost Trend Rate (8.5% Decreasing to 4.5%)	1 Percent Increase (9.5% Decreasing to 5.5%)
Net OPEB liability of the plan	\$ 11,895,238	\$ 13,858,045	\$ 16,258,024

OPEB Plan Fiduciary Net Position

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

Assumption Change

There were certain changes of assumptions that affected the measurement of the total OPEB liability since the prior measurement date. The estimated annual per capita claims costs and healthcare cost trend rate assumptions were updated based on the data available at the June 30, 2019 measurement date.

Note 11 - Tax Abatements

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

For the fiscal year ended June 30, 2019, the City abated \$28,262 of taxes under this program. The DDA and LDFA abated \$26,547 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.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,070,594	\$ 6,070,594	\$ 6,058,573	\$ (12,021)
State-shared revenue and grants	764,500	845,500	856,831	11,331
Charges for services	710,400	740,750	763,532	22,782
Fines, forfeitures, and penalties	268,608	280,808	311,039	30,231
Licenses and permits	449,600	430,300	427,216	(3,084)
Unrestricted investment interest	43,400	135,400	155,517	20,117
Other revenue	122,950	172,950	195,109	22,159
Total revenue	8,430,052	8,676,302	8,767,817	91,515
Expenditures				
Current services:				
General government:				
City Council	29,161	29,161	23,294	5,867
City manager	227,409	170,609	152,645	17,964
Information systems	106,476	110,976	110,526	450
Finance	647,269	642,769	618,563	24,206
City clerk	148,686	148,686	136,133	12,553
Legal services	214,000	214,000	202,307	11,693
Human resources	107,686	107,686	100,898	6,788
Postemployment benefits	145,380	152,380	135,571	16,809
Public safety	3,074,389	3,034,389	2,972,068	62,321
Public works	2,279,003	2,227,957	2,094,721	133,236
Community and economic development	519,744	522,244	472,988	49,256
Total expenditures	7,499,203	7,360,857	7,019,714	341,143
Excess of Revenue Over Expenditures	930,849	1,315,445	1,748,103	432,658
Other Financing (Uses) Sources				
Transfers out	(1,276,775)	(1,504,475)	(1,464,031)	40,444
Sale of capital assets	-	-	7,520	7,520
Total other financing uses	(1,276,775)	(1,504,475)	(1,456,511)	47,964
Net Change in Fund Balance	(345,926)	(189,030)	291,592	480,622
Fund Balance - Beginning of year	3,282,160	3,282,160	3,282,160	-
Fund Balance - End of year	<u>\$ 2,936,234</u>	<u>\$ 3,093,130</u>	<u>\$ 3,573,752</u>	<u>\$ 480,622</u>

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

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 126,439	\$ 126,439	\$ 133,821	\$ 7,382
State-shared revenue and grants	470,000	616,278	630,114	13,836
Licenses and permits	25,000	25,000	32,307	7,307
Unrestricted investment interest	30,460	30,460	31,922	1,462
Other revenue	-	-	478	478
Total revenue	651,899	798,177	828,642	30,465
Expenditures				
Current services:				
Public works:				
Streets	35,000	95,897	70,477	25,420
Stormwater drainage	13,775	34,225	13,603	20,622
Routine maintenance	139,359	310,801	232,009	78,792
Winter maintenance	136,478	106,181	97,702	8,479
Traffic services	62,207	47,725	44,339	3,386
General administration	9,057	19,644	19,425	219
Debt service	254,725	254,725	254,725	-
Total expenditures	650,601	869,198	732,280	136,918
Excess of Revenue (Under) Over Expenditures	1,298	(71,021)	96,362	167,383
Other Financing Sources (Uses)				
Transfers in	85,000	197,750	197,750	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources	35,000	147,750	147,750	-
Net Change in Fund Balance	36,298	76,729	244,112	167,383
Fund Balance - Beginning of year	101,501	101,501	101,501	-
Fund Balance - End of year	<u>\$ 137,799</u>	<u>\$ 178,230</u>	<u>\$ 345,613</u>	<u>\$ 167,383</u>

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios

Last Five Fiscal Years
(subsequent to GASB 68 implementation in FY 2015)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 418,509	\$ 386,140	\$ 407,326	\$ 394,320	\$ 405,232
Interest	1,812,477	1,731,810	1,653,911	1,535,088	1,438,814
Changes in benefit terms	-	-	-	(25,056)	-
Differences between expected and actual experience	160,268	(128,060)	103,238	76,212	-
Changes in assumptions	-	-	-	926,128	-
Benefit payments, including refunds	(1,174,972)	(1,115,268)	(950,236)	(742,672)	(600,570)
Net Change in Total Pension Liability	1,216,282	874,622	1,214,239	2,164,020	1,243,476
Total Pension Liability - Beginning of year	23,034,196	22,159,574	20,945,335	18,781,315	17,537,839
Total Pension Liability - End of year	\$ 24,250,478	\$ 23,034,196	\$ 22,159,574	\$ 20,945,335	\$ 18,781,315
Plan Fiduciary Net Position					
Contributions - Employer	\$ 801,531	\$ 658,086	\$ 584,909	\$ 583,850	\$ 556,493
Contributions - Member	222,588	244,263	180,773	170,541	133,499
Net investment (loss) income	(585,775)	1,761,885	1,390,411	(199,183)	736,585
Administrative expenses	(28,901)	(27,880)	(27,479)	(27,758)	(27,151)
Benefit payments, including refunds	(1,174,972)	(1,115,268)	(950,236)	(742,672)	(600,570)
Net Change in Plan Fiduciary Net Position	(765,529)	1,521,086	1,178,378	(215,222)	798,856
Plan Fiduciary Net Position - Beginning of year	14,841,339	13,320,253	12,141,875	12,357,097	11,558,241
Plan Fiduciary Net Position - End of year	\$ 14,075,810	\$ 14,841,339	\$ 13,320,253	\$ 12,141,875	\$ 12,357,097
City's Net Pension Liability - Ending	\$ 10,174,668	\$ 8,192,857	\$ 8,839,321	\$ 8,803,460	\$ 6,424,218
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.04 %	64.43 %	60.11 %	57.97 %	65.79 %
Covered Payroll	\$ 4,057,882	\$ 3,698,193	\$ 3,791,017	\$ 3,533,771	\$ 3,572,072
City's Net Pension Liability as a Percentage of Covered Employee Payroll	250.74 %	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										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 846,398	\$ 743,929	\$ 576,133	\$ 606,733	\$ 731,484	\$ 664,441	\$ 634,445	\$ 588,055	\$ 608,252	\$ 511,262
Contributions in relation to the actuarially determined contribution	846,398	743,929	576,133	606,733	731,484	664,441	634,445	588,055	608,252	511,262
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,057,882	\$ 3,698,193	\$ 3,791,017	\$ 3,533,771	\$ 3,572,072	\$ 3,361,410	\$ 3,391,420	\$ 3,248,929	\$ 3,389,919	\$ 3,654,991
Contributions as a Percentage of Covered Employee Payroll	20.86 %	20.12 %	15.20 %	17.17 %	20.48 %	19.77 %	18.71 %	18.10 %	17.94 %	13.99 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, 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, open
Remaining amortization period	20 years
Asset valuation method	Five-year smoothed market
Inflation	3-4 percent
Salary increase	3.75 percent average, including inflation
Investment rate of return - Net of administrative expenses	7.75 percent
Retirement age	Varies depending on plan adoption
Mortality	50 percent male - 50 percent female blend of the 2014 Group Annuity Mortality Table
Other information	None

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

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

	2019	2018
Total OPEB Liability		
Service cost	\$ 296,248	\$ 261,510
Interest	1,099,010	1,089,519
Differences between expected and actual experience	(409,229)	342,988
Changes in assumptions	731,924	965,220
Benefit payments, including refunds	(462,062)	(426,732)
Net Change in Total OPEB Liability	1,255,891	2,232,505
Total OPEB Liability - Beginning of year	14,568,021	12,335,516
Total OPEB Liability - End of year	\$ 15,823,912	\$ 14,568,021
Plan Fiduciary Net Position		
Contributions - Employer	\$ 600,878	\$ 520,548
Net investment income	60,990	122,223
Administrative expenses	(3,744)	(3,931)
Benefit payments, including refunds	(462,062)	(426,732)
Net Change in Plan Fiduciary Net Position	196,062	212,108
Plan Fiduciary Net Position - Beginning of year	1,769,805	1,557,697
Plan Fiduciary Net Position - End of year	\$ 1,965,867	\$ 1,769,805
Net OPEB Liability - Ending	\$ 13,858,045	\$ 12,798,216
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	12.42 %	12.15 %

Required Supplemental Information
Schedule of OPEB Contributions

	Last Ten Fiscal Years Years Ended June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 489,407	\$ 351,075	\$ 951,817	\$ 639,057	\$ 738,327	\$ 754,345	\$ 764,433	\$ 762,551	\$ 1,069,544	\$ 1,044,518
Contributions in relation to the actuarially determined contribution	600,878	520,548	423,351	420,174	421,860	368,875	341,702	342,847	379,688	282,020
Contribution Excess (Deficiency)	\$ 111,471	\$ 169,473	\$ (528,466)	\$ (218,883)	\$ (316,467)	\$ (385,470)	\$ (422,731)	\$ (419,704)	\$ (689,856)	\$ (762,498)

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar (closed)
Remaining amortization period	9.82 years
Asset valuation method	Market value plus receivable contributions
Inflation	2.50 percent
Healthcare cost trend rates	Starting at 8.50 percent for 2019 and decreasing to 4.50 percent in year 2036 for medical and prescription for participants under age of 65; starting at 7.00 percent for 2019 and decreasing to 4.5 percent in year 2036 for medical and prescription for participants over age of 65; dental and vision remaining constant at 4.00 and 3.00 percent, respectively.
Salary increase	3.75 percent
Investment rate of return	7.48 percent
Retirement age	60 years
Mortality	50 percent female/50 percent male blend of RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables
Other information	None

June 30, 2019

Budgetary Information

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

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

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

Budgetary Process

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

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

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

	Total Revenue	Total Expenditures	Other Financing Uses	Change in Fund Balance
Amounts per operating statement	\$ 8,778,106	\$ 7,063,235	\$ (1,447,011)	\$ 267,860
Transfers to funds merged into the General Fund in accordance with GASB Statement No. 54	9,500	-	(9,500)	-
Imagination Station Maintenance Fund	(9,579)	(8,109)	-	(1,470)
Principal Shopping District Fund	(4,173)	(32,590)	-	28,417
Arts and Cultural Commission Fund	(6,037)	(2,822)	-	(3,215)
Amounts per budget statement	<u>\$ 8,767,817</u>	<u>\$ 7,019,714</u>	<u>\$ (1,456,511)</u>	<u>\$ 291,592</u>

OPEB - Changes in Assumptions

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

Other Supplemental Information

	Nonmajor Special Revenue Funds			
	State Drug Law Enforcement Fund	Public Safety/Law Enforcement Fund	Federal Drug Law Enforcement Fund	Local Streets Fund
Assets				
Cash and investments	\$ 6,008	\$ 173,471	\$ 99,889	\$ 79,112
Receivables:				
Delinquent taxes	-	544	-	-
Other receivables	-	-	-	-
Due from other governments	-	-	-	33,355
Prepays	-	1,116	-	306
Total assets	\$ 6,008	\$ 175,131	\$ 99,889	\$ 112,773
Liabilities - Accounts payable	\$ 278	\$ 40,077	\$ 2,044	\$ 40,570
Deferred Inflows of Resources - Unavailable revenue - Property taxes	-	544	-	-
Fund Balances				
Nonspendable	-	1,116	-	306
Restricted:				
Streets	-	-	-	71,897
Federal/State drug law enforcement	5,730	-	97,845	-
Law enforcement/Public safety	-	133,394	-	-
Assigned	-	-	-	-
Total fund balances	5,730	134,510	97,845	72,203
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,008	\$ 175,131	\$ 99,889	\$ 112,773

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

Nonmajor Debt Service Fund	Nonmajor Capital Project Fund	
Street Debt Fund	Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ -	\$ 2,455	\$ 360,935
-	-	544
-	3,320	3,320
-	-	33,355
-	-	1,422
\$ -	\$ 5,775	\$ 399,576
\$ -	\$ 3,775	\$ 86,744
-	-	544
-	-	1,422
-	-	71,897
-	-	103,575
-	-	133,394
-	2,000	2,000
-	2,000	312,288
\$ -	\$ 5,775	\$ 399,576

City of Brighton, Michigan

	Nonmajor Special Revenue Funds			
	State Drug Law Enforcement Fund	Public Safety/Law Enforcement Fund	Federal Drug Law Enforcement Fund	Local Streets Fund
Revenue				
Property taxes	\$ -	\$ 167,157	\$ -	\$ -
State-shared revenue and grants - State sources	-	7,473	-	191,704
Fines, forfeitures, and penalties	6,471	313	32,081	-
Licenses and permits	-	-	-	2,200
Unrestricted investment interest	26	943	623	60
Other revenue	-	401	-	-
Total revenue	6,497	176,287	32,704	193,964
Expenditures				
Current services:				
Public safety	4,806	7,312	9,441	-
Public works	-	-	-	352,011
Capital outlay	126	125,686	84,785	-
Debt service	-	-	-	-
Total expenditures	4,932	132,998	94,226	352,011
Excess of Revenue Over (Under) Expenditures	1,565	43,289	(61,522)	(158,047)
Other Financing Sources				
Transfers in	-	-	-	221,750
Sale of capital assets	-	43,107	-	-
Total other financing sources	-	43,107	-	221,750
Net Change in Fund Balances	1,565	86,396	(61,522)	63,703
Fund Balances - Beginning of year	4,165	48,114	159,367	8,500
Fund Balances - End of year	\$ 5,730	\$ 134,510	\$ 97,845	\$ 72,203

Other Supplemental Information

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

Nonmajor Governmental Funds

Year Ended June 30, 2019

Nonmajor Debt Service Fund	Nonmajor Capital Project Fund	
Street Debt Fund	Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 167,157
-	-	199,177
-	-	38,865
-	1,500	3,700
-	4	1,656
-	-	401
-	1,504	410,956
-	-	21,559
-	-	352,011
-	440,373	650,970
408,623	330,747	739,370
408,623	771,120	1,763,910
(408,623)	(769,616)	(1,352,954)
408,623	676,408	1,306,781
-	95,208	138,315
408,623	771,616	1,445,096
-	2,000	92,142
-	-	220,146
<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 312,288</u>

City of Brighton, Michigan**Other Supplemental Information**
Budgetary Comparison Schedule - Nonmajor Governmental Funds
State Drug Law Enforcement**Year Ended June 30, 2019**

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Fines, forfeitures, and penalties	\$ -	\$ 5,500	\$ 6,471	\$ 971
Unrestricted investment interest	-	-	26	26
Total revenue	-	5,500	6,497	997
Expenditures				
Current services - Public safety	2,200	5,200	4,806	394
Capital outlay	2,000	2,000	126	1,874
Total expenditures	4,200	7,200	4,932	2,268
Net Change in Fund Balance	(4,200)	(1,700)	1,565	3,265
Fund Balance - Beginning of year	4,376	4,165	4,165	-
Fund Balance - End of year	<u>\$ 176</u>	<u>\$ 2,465</u>	<u>\$ 5,730</u>	<u>\$ 3,265</u>

City of Brighton, Michigan

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 165,210	\$ 165,210	\$ 167,157	\$ 1,947
State-shared revenue and grants	-	7,400	7,473	73
Fines, forfeitures, and penalties	-	-	313	313
Unrestricted investment interest	-	-	943	943
Other revenue	-	-	401	401
Total revenue	165,210	172,610	176,287	3,677
Expenditures				
Current services - Public safety	21,500	15,500	7,312	8,188
Capital outlay	162,500	147,243	125,686	21,557
Total expenditures	184,000	162,743	132,998	29,745
Excess of Revenue (Under) Over Expenditures	(18,790)	9,867	43,289	33,422
Other Financing Sources - Sale of capital assets	-	41,000	43,107	2,107
Net Change in Fund Balance	(18,790)	50,867	86,396	35,529
Fund Balance - Beginning of year	48,114	48,114	48,114	-
Fund Balance - End of year	<u>\$ 29,324</u>	<u>\$ 98,981</u>	<u>\$ 134,510</u>	<u>\$ 35,529</u>

City of Brighton, Michigan

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Fines, forfeitures, and penalties	\$ -	\$ 32,000	\$ 32,081	\$ 81
Unrestricted investment interest	300	300	623	323
Total revenue	300	32,300	32,704	404
Expenditures				
Current services - Public safety	18,500	9,399	9,441	(42)
Capital outlay	-	85,014	84,785	229
Total expenditures	18,500	94,413	94,226	187
Net Change in Fund Balance	(18,200)	(62,113)	(61,522)	591
Fund Balance - Beginning of year	159,367	159,367	159,367	-
Fund Balance - End of year	<u>\$ 141,167</u>	<u>\$ 97,254</u>	<u>\$ 97,845</u>	<u>\$ 591</u>

City of Brighton, Michigan

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
State-shared revenue and grants	\$ 165,000	\$ 185,000	\$ 191,704	\$ 6,704
Licenses and permits	2,400	2,400	2,200	(200)
Unrestricted investment interest	70	70	60	(10)
Total revenue	167,470	187,470	193,964	6,494
Expenditures - Current services - Public works	232,628	366,108	352,011	14,097
Excess of Expenditures Over Revenue	(65,158)	(178,638)	(158,047)	20,591
Other Financing Sources - Transfers in	70,000	221,750	221,750	-
Net Change in Fund Balance	4,842	43,112	63,703	20,591
Fund Balance - Beginning of year	8,500	8,500	8,500	-
Fund Balance - End of year	<u><u>\$ 13,342</u></u>	<u><u>\$ 51,612</u></u>	<u><u>\$ 72,203</u></u>	<u><u>\$ 20,591</u></u>

City of Brighton, Michigan

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures - Debt service	409,200	409,200	408,623	577
Excess of Expenditures Over Revenue	(409,200)	(409,200)	(408,623)	577
Other Financing Sources - Transfers in	409,200	409,200	408,623	(577)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Unrestricted investment interest	-	5	4	(1)
Total revenue	1,500	1,505	1,504	(1)
Expenditures				
Capital outlay	423,830	456,530	440,373	16,157
Debt service	330,745	330,750	330,747	3
Total expenditures	754,575	787,280	771,120	16,160
Excess of Expenditures Over Revenue	(753,075)	(785,775)	(769,616)	16,159
Other Financing Sources				
Transfers in	753,075	716,275	676,408	(39,867)
Sale of capital assets	-	69,500	95,208	25,708
Total other financing sources	753,075	785,775	771,616	(14,159)
Net Change in Fund Balance	-	-	2,000	2,000
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

City of Brighton, Michigan

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

June 30, 2019

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Assets - Cash and investments	<u>\$ 1,669</u>	<u>\$ 13,846,999</u>	<u>\$ (13,848,609)</u>	<u>\$ 59</u>
Liabilities	<u>\$ 1,669</u>	<u>\$ 13,650,538</u>	<u>\$ (13,652,148)</u>	<u>\$ 59</u>

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

June 30, 2019

	Balance Sheet	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 293,302	\$ -	\$ 293,302
Receivables	15,584	-	15,584
Prepays	7,218	-	7,218
Capital assets - Net	-	5,130,967	5,130,967
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 316,104</u>	5,130,967	5,447,071
Liabilities			
Accounts payable	\$ 23,072	-	23,072
Accrued liabilities and other	12,626	-	12,626
Long-term debt	-	2,589,100	2,589,100
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	35,698	2,589,100	2,624,798
Fund Balance - Unassigned	<u>280,406</u>	<u>(280,406)</u>	<u>-</u>
	<u>\$ 316,104</u>		
Net Position			
Net investment in capital assets		2,541,867	2,541,867
Unrestricted		<u>280,406</u>	<u>280,406</u>
		<u> </u>	<u> </u>
Total net position		<u>\$ 2,822,273</u>	<u>\$ 2,822,273</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, 2019

	Statement of Revenue, Expenditures, and Changes in Fund Balance	Adjustments	Statement of Activities
Revenue			
Property taxes	\$ 800,453	\$ -	\$ 800,453
State-shared revenue and grants	84,295	-	84,295
Unrestricted investment interest	14,965	-	14,965
Other revenue	1,737	-	1,737
Total revenue	901,450	-	901,450
Expenditures			
Community development	1,673,389	338,273	2,011,662
Capital outlay	680,949	(665,821)	15,128
Debt service:			
Principal	469,162	(469,162)	-
Interest and fiscal charges	82,984	-	82,984
Total expenditures	2,906,484	(796,710)	2,109,774
Net Change in Fund Balance/Net Position	(2,005,034)	796,710	(1,208,324)
Fund Balance/Net Position - Beginning of year	2,285,440	1,745,157	4,030,597
Fund Balance/Net Position - End of year	\$ 280,406	\$ 2,541,867	\$ 2,822,273

City of Brighton, Michigan

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

June 30, 2019

	Balance Sheet	Adjustments	Statement of Net Position
Assets - Cash and cash equivalents	\$ -	\$ -	\$ -
Liabilities	\$ -	-	-
Fund Balance - Unassigned	-	-	-
Total liabilities and fund balance	\$ -		
Net Position		\$ -	\$ -

City of Brighton, Michigan

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

Year Ended June 30, 2019

	Statement of Revenue, Expenditures, and Fund Balance	Adjustments	Statement of Activities
Revenue			
Property taxes	\$ 83,271	\$ -	\$ 83,271
State-shared revenue and grants	16,362	-	16,362
Unrestricted investment interest	368	-	368
Other revenue	92,128	-	92,128
Total revenue	192,129	-	192,129
Expenditures			
Community development	25,349	-	25,349
Debt service:			
Principal	240,000	(240,000)	-
Interest and fiscal charges	9,776	-	9,776
Total expenditures	275,125	(240,000)	35,125
Net Change in Fund Balance/Net Position	(82,996)	240,000	157,004
Fund Balance/Net Position - Beginning of year	82,996	(240,000)	(157,004)
Fund Balance/Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statistical Section

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

The statistical section is organized into the following main categories:

- Financial trends
- 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities:				
Net investment in capital assets	\$ 21,280,993	\$ 20,780,160	\$ 20,392,406	\$ 19,941,607
Restricted	2,826,733	2,559,604	2,355,100	2,100,973
Unrestricted	<u>(514,333)</u>	<u>(625,820)</u>	<u>850,367</u>	<u>(1,215,537)</u>
Total net position	<u>\$ 23,593,393</u>	<u>\$ 22,713,944</u>	<u>\$ 23,597,873</u>	<u>\$ 20,827,043</u>
Business Type Activities:				
Net investment in capital assets	\$ 26,290,684	\$ 26,171,909	\$ 25,351,552	\$ 24,760,603
Restricted	630,000	-	-	-
Unrestricted	<u>1,119,981</u>	<u>1,152,318</u>	<u>1,503,663</u>	<u>1,844,621</u>
Total net position	<u>\$ 28,040,665</u>	<u>\$ 27,324,227</u>	<u>\$ 26,855,215</u>	<u>\$ 26,605,224</u>
Primary government in total:				
Net investment in capital assets	47,571,677	46,952,069	45,743,958	44,702,210
Restricted	3,456,733	2,559,604	663,590	2,100,973
Unrestricted	<u>605,648</u>	<u>526,498</u>	<u>2,344,806</u>	<u>629,084</u>
Total net position	<u>\$ 51,634,058</u>	<u>\$ 50,038,171</u>	<u>\$ 48,752,354</u>	<u>\$ 47,432,267</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, 2019

As of June 30,					
2014	2015	2016	2017	2018	2019
\$ 18,878,877	\$ 18,687,470	\$ 19,363,331	\$ 20,092,730	\$ 19,816,360	\$ 22,365,142
1,899,223	1,692,565	1,460,894	1,354,762	650,454	1,380,941
(6,183,721)	(6,611,195)	(7,210,082)	(8,186,118)	(13,347,865)	(14,102,559)
\$ 14,594,379	\$ 13,768,840	\$ 13,614,143	\$ 13,261,374	\$ 7,118,949	\$ 9,643,524
\$ 24,206,346	\$ 23,922,458	\$ 24,109,024	\$ 24,310,660	\$ 24,417,707	\$ 26,396,276
-	-	-	-	-	-
691,925	969,664	943,480	2,637,611	2,349,241	(529,869)
\$ 24,898,271	\$ 24,892,122	\$ 25,052,504	\$ 26,948,271	\$ 26,766,948	\$ 25,866,407
43,085,223	42,609,928	43,472,355	44,403,390	44,234,067	48,761,418
1,899,223	1,692,565	1,460,894	1,354,762	650,454	1,380,941
(5,491,796)	(5,641,531)	(6,266,602)	(5,548,507)	(10,998,624)	(14,632,428)
\$ 39,492,650	\$ 38,660,962	\$ 38,666,647	\$ 40,209,645	\$ 33,885,897	\$ 35,509,931

City of Brighton, Michigan

	Fiscal Years Ended June 30,			
	2010	2011	2012	2013
Expenses				
Governmental Activities:				
General government	\$ 2,309,301	\$ 2,087,163	\$ 2,168,443	\$ 1,840,373
Public safety	2,794,089	2,698,518	2,653,575	2,741,069
Public works	4,039,665	3,769,179	3,674,221	3,695,213
Community and economic development	485,429	487,858	516,588	578,601
Interest on long-term debt	536,291	493,284	459,547	459,104
Total governmental activities expenses	10,164,775	9,536,002	9,472,374	9,314,360
Business-type activities - Water and Sewer	4,553,297	4,367,994	4,325,144	4,147,395
Total primary government expenses	<u>14,718,072</u>	<u>13,903,996</u>	<u>13,797,518</u>	<u>13,461,755</u>
Program revenue				
Governmental Activities:				
Charges for services - General government	487,488	505,061	496,462	523,116
Charges for services - Public safety	349,657	319,401	299,944	300,142
Charges for services - Public works	-	138,847	540,188	545,503
Charges for services - Community development	-	-	-	-
Operating grants and contributions	1,336,369	402,355	446,248	457,293
Capital grants and contributions	-	26,025	500	1,685
Total governmental activities program revenue	2,173,514	1,391,689	1,783,342	1,827,739
Business-type activities:				
Charges for services	3,046,378	3,361,774	3,607,045	3,509,474
Operating grants and contributions	-	-	-	-
Capital grants and contributions	283,536	285,080	245,890	384,097
Total business-type activities program revenue	3,329,914	3,646,854	3,852,935	3,893,571
Total primary government program revenue	<u>5,503,428</u>	<u>5,038,543</u>	<u>5,636,277</u>	<u>5,721,310</u>
Net (Expenses) Revenue				
Governmental activities	(7,991,261)	(8,144,313)	(7,689,032)	(7,486,621)
Business-type activities	(1,223,383)	(721,140)	(472,209)	(253,824)
Total primary government net expense	<u>(9,214,644)</u>	<u>(8,865,453)</u>	<u>(8,161,241)</u>	<u>(7,740,445)</u>
General Revenues				
Governmental activities				
Property taxes	6,204,750	6,183,250	5,821,413	5,458,202
Special assessments	-	-	-	-
State-shared revenue	536,136	611,656	646,508	613,218
Investment earnings	143,812	153,275	138,431	128,178
Other	520,283	286,007	257,671	212,427
Gain/Loss on disposal of asset	-	30,676	8,204	4,500
Total governmental activities revenue	7,404,981	7,264,864	6,872,227	6,416,525
Business-type activities - Investment and other income	5,390	4,702	3,197	3,833
Total primary government	<u>7,410,371</u>	<u>7,269,566</u>	<u>6,875,424</u>	<u>6,420,358</u>
Impact of GASB Statement No. 68	-	-	-	-
Impact of GASB Statement No. 75	-	-	-	-
Changes in Net Position	<u>\$ (1,804,273)</u>	<u>\$ (1,595,887)</u>	<u>\$ (1,285,817)</u>	<u>\$ (1,320,087)</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, 2019

Fiscal Years Ended June 30,					
2014	2015	2016	2017	2018	2019
\$ 1,802,904	\$ 1,686,985	\$ 1,861,586	\$ 1,544,770	\$ 1,538,298	\$ 1,615,669
2,818,030	3,064,464	3,160,650	3,584,155	3,664,694	3,391,391
3,857,556	3,990,950	3,606,873	3,908,915	4,148,675	3,365,745
662,880	765,784	743,270	787,550	526,269	599,107
323,283	280,040	253,091	227,747	214,003	161,714
9,464,653	9,788,223	9,625,470	10,053,137	10,091,939	9,133,626
4,316,231	4,209,829	4,346,161	4,234,750	4,453,286	5,339,867
13,780,884	13,998,052	13,971,631	14,287,887	14,545,225	14,473,493
446,057	784,438	394,462	400,802	399,916	415,549
297,201	257,625	173,911	162,053	158,550	190,191
552,101	785,228	598,394	627,675	639,760	671,022
-	-	275,466	269,551	422,538	249,641
475,005	494,412	518,838	474,025	759,346	866,819
28,059	79,401	660,611	961,893	-	1,652,096
1,798,423	2,401,104	2,621,682	2,895,999	2,380,110	4,045,318
3,401,513	3,309,023	3,443,717	3,662,162	3,682,830	3,806,356
-	-	160,501	108,183	173,687	63,987
242,288	887,609	889,892	2,340,484	1,634,200	170,698
3,643,801	4,196,632	4,494,110	6,110,829	5,490,717	4,041,041
5,442,224	6,597,736	7,115,792	9,006,828	7,870,827	8,086,359
(7,666,230)	(7,387,119)	(7,003,788)	(7,157,138)	(7,711,829)	(5,088,308)
(672,430)	(13,197)	147,949	1,876,079	1,037,431	(1,298,826)
(8,338,660)	(7,400,316)	(6,855,839)	(5,281,059)	(6,674,398)	(6,387,134)
5,053,574	5,452,696	5,735,336	5,901,323	6,012,882	6,245,376
-	76,007	-	-	-	-
637,657	681,895	761,152	666,436	923,521	857,903
112,530	108,836	111,027	88,244	103,630	189,234
301,429	242,146	241,576	148,366	220,828	254,525
-	-	-	-	-	65,845
6,105,190	6,561,580	6,849,091	6,804,369	7,260,861	7,612,883
4,884	7,048	12,433	19,688	36,203	398,285
6,110,074	6,568,628	6,861,524	6,824,057	7,297,064	8,011,168
(5,711,031)	-	-	-	-	-
-	-	-	-	(6,946,414)	-
\$ (7,939,617)	\$ (831,688)	\$ 5,685	\$ 1,542,998	\$ (6,323,748)	\$ 1,624,034

City of Brighton, Michigan

	As of June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund:				
Nonspendable	\$ 327,659	\$ 327,659	\$ 327,659	\$ 336,244
Restricted	2,138	2,138	2,138	2,138
Committed	-	-	20,000	77,139
Assigned	14,600	6,988	18,746	42,133
Unassigned	<u>873,991</u>	<u>1,320,375</u>	<u>1,537,954</u>	<u>1,477,407</u>
Total general fund	1,218,388	1,657,160	1,906,497	1,935,061
All other governmental funds:				
Nonspendable	-	-	-	-
Restricted/Assigned - Reported in:				
Special revenue funds	338,210	401,557	333,793	246,848
Capital projects funds	973	1,150	8,827	3
Debt service funds	-	-	-	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>339,183</u>	<u>402,707</u>	<u>342,620</u>	<u>246,851</u>
Total of all governmental funds	<u>\$ 1,557,571</u>	<u>\$ 2,059,867</u>	<u>\$ 2,249,117</u>	<u>\$ 2,181,912</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, 2019

As of June 30,					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 364,783	\$ 347,401	\$ 450,008	\$ 506,096	\$ 474,000	\$ 454,053
2,138	-	-	50	1,148	1,148
77,139	108,089	108,089	108,089	108,089	108,089
47,582	48,773	79,973	451,415	1,391,579	1,855,776
<u>1,171,908</u>	<u>1,061,125</u>	<u>1,211,115</u>	<u>1,021,687</u>	<u>1,378,621</u>	<u>1,202,231</u>
1,663,550	1,565,388	1,849,185	2,087,337	3,353,437	3,621,297
-	-	-	2,202	2,198	2,798
212,369	174,523	126,551	366,895	319,449	653,103
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(17,310)	744	-	2,000
<u>212,369</u>	<u>174,523</u>	<u>109,241</u>	<u>369,841</u>	<u>321,647</u>	<u>657,901</u>
<u>\$ 1,875,919</u>	<u>\$ 1,739,911</u>	<u>\$ 1,958,426</u>	<u>\$ 2,457,178</u>	<u>\$ 3,675,084</u>	<u>\$ 4,279,198</u>

City of Brighton, Michigan

	Fiscal Year Ended June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue				
Property taxes	\$ 6,204,750	\$ 6,180,688	\$ 5,828,975	\$ 5,449,204
State-shared	1,175,363	1,001,651	1,128,580	1,062,821
Federal grants	651,152	69,917	7,686	7,690
Charges for services	109,980	171,232	599,823	582,888
Special assessment	180,813	336,953	166,975	167,182
Fines and penalties	349,657	319,401	299,944	300,142
Licenses and permits	359,532	387,032	353,208	404,228
Interest	143,812	153,275	138,431	128,178
Contributions from other funds	-	-	-	-
Other	678,577	375,961	353,011	297,104
Total revenue	9,853,636	8,996,110	8,876,633	8,399,437
Expenditures				
Current:				
General government	2,192,805	1,976,725	2,057,136	1,729,028
Community development	436,179	468,415	487,279	540,049
Public safety	2,341,456	2,215,226	2,342,799	2,453,804
Public works - Operating	3,742,122	2,279,711	2,213,801	2,282,250
Public works - Capital (streets)	-	-	-	-
Capital outlay	384,825	40,209	173,575	77,302
Debt service - Principal	945,000	1,048,447	1,097,051	962,861
Debt service - Interest	537,125	495,757	451,261	457,859
Total expenditures	10,579,512	8,524,490	8,822,902	8,503,153
Excess of Revenue (Under) Over Expenditure	(725,876)	471,620	53,731	(103,716)
Other Financing Sources (Uses)				
Sale of capital assets	-	30,676	8,204	4,500
Transfers in	1,688,475	1,668,363	1,730,517	1,519,072
Transfers out	(1,688,475)	(1,668,363)	(1,730,517)	(1,547,922)
Issuance of debt - Net	80,975	-	127,315	60,861
Total other financing sources	80,975	30,676	135,519	36,511
Net change in fund balances	(644,901)	502,296	189,250	(67,205)
Fund Balances - Beginning of year	2,202,472	1,557,571	2,059,867	2,249,117
Fund Balances - End of year	\$ 1,557,571	\$ 2,059,867	\$ 2,249,117	\$ 2,181,912
Debt service as a percentage of noncapital expenditures	13.24%	13.56%	15.18%	12.93%

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, 2019

Fiscal Year Ended June 30,					
2014	2015	2016	2017	2018	2019
\$ 5,063,849	\$ 5,431,020	\$ 5,708,220	\$ 5,880,599	\$ 5,994,111	\$ 6,225,730
1,116,018	1,158,474	1,338,611	1,245,784	1,634,325	1,687,122
10,240	11,258	1,824	15,181	13,762	-
583,690	668,770	603,077	708,955	732,104	763,532
167,271	242,952	237,200	196,684	192,184	133,821
297,201	277,242	298,127	393,052	306,733	349,904
331,631	610,114	460,886	488,241	629,288	463,223
112,530	108,836	111,027	88,244	103,630	189,234
-	-	-	-	-	-
398,729	334,470	330,469	120,728	193,371	205,138
8,081,159	8,843,136	9,089,441	9,137,468	9,799,508	10,017,704
1,754,250	1,773,228	1,713,256	1,380,618	1,472,571	1,479,937
634,650	737,652	564,041	523,201	162,013	508,400
2,481,155	2,618,172	2,765,402	2,813,901	2,866,191	2,993,627
2,444,233	2,625,647	2,678,217	2,799,577	2,784,121	2,932,396
-	-	-	-	-	-
91,184	207,035	128,998	276,291	879,629	650,970
749,111	736,176	766,106	651,643	740,151	737,050
310,384	282,969	254,906	228,950	224,732	257,045
8,464,967	8,980,879	8,870,926	8,674,181	9,129,408	9,559,425
(383,808)	(137,743)	218,515	463,287	670,100	458,279
61,000	1,735	-	35,465	48,706	145,835
1,322,308	1,440,901	941,921	1,139,601	951,238	1,514,031
(1,322,308)	(1,440,901)	(941,921)	(1,139,601)	(951,238)	(1,514,031)
16,815	-	-	-	499,100	-
77,815	1,735	-	35,465	547,806	145,835
(305,993)	(136,008)	218,515	498,752	1,217,906	604,114
2,181,912	1,875,919	1,739,911	1,958,426	2,457,178	3,675,084
\$ 1,875,919	\$ 1,739,911	\$ 1,958,426	\$ 2,457,178	\$ 3,675,084	\$ 4,279,198
10.30%	10.84%	10.39%	10.99%	18.19%	14.92%

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
2009	2010	\$ 216,792,630	\$ 158,577,120	\$ 27,382,940	\$ 34,187,245	\$ 15,448,630	\$ 452,388,565
2010	2011	203,158,330	157,961,620	23,634,280	32,294,152	18,087,160	435,135,542
2011	2012	194,233,278	152,897,460	19,161,060	31,502,940	14,483,030	412,277,768
2012	2013	190,697,314	148,301,458	16,405,055	36,264,060	9,563,000	401,230,887
2013	2014	191,614,956	139,343,070	16,752,160	35,530,296	11,246,470	394,486,952
2014	2015	199,092,840	140,907,773	17,577,710	32,744,850	10,811,810	401,134,983
2015	2016	208,346,880	143,167,910	17,574,288	42,558,068	6,219,500	417,866,646
2016	2017	216,616,231	141,450,927	18,702,444	35,725,700	13,951,900	426,447,202
2017	2018	226,770,035	143,942,903	19,842,303	28,816,500	7,520,300	426,892,041
2018	2019	236,682,914	150,296,298	21,050,628	30,091,800	6,952,600	445,074,240

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
15.96	\$ 495,101,495	\$ 990,202,990	91	46%	\$ 7,096,002
16.39	469,699,617	939,399,234	93	46%	6,984,758
16.46	434,885,628	869,771,256	95	47%	6,674,434
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

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	Total Direct City Tax Rates	Livingston County	Brighton District Library
2009	2010	14.8872	1.0710	-	-	15.9582	3.8988	0.8792
2010	2011	15.2734	1.1193	-	-	16.3927	3.9488	0.8892
2011	2012	15.2734	1.1889	-	-	16.4623	3.9543	0.8892
2012	2013	15.2734	0.7753	-	-	16.0487	3.9543	0.8892
2013	2014	15.2734	-	-	-	15.2734	3.9543	0.8992
2014	2015	15.2734	-	0.3800	-	15.6534	3.9543	0.8762
2015	2016	15.2734	-	0.3800	-	15.6534	3.9535	0.8892
2016	2017	15.2734	-	0.3800	0.1169	15.7703	4.0068	0.8865
2017	2018	15.2734	-	0.3800	0.1171	15.7705	3.9776	0.8828
2018	2019	15.2734	-	0.3800	0.1131	15.7665	3.9483	0.8783

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	5.2000	18.0000	35.5223	53.5223
1.2500	6.0000	2.3361	5.8000	18.0000	36.6168	54.6168
1.2500	6.0000	2.3361	5.7000	18.0000	36.5919	54.5919
1.2500	6.0000	2.3361	7.1900	18.0000	37.6683	55.6683
1.2500	6.0000	2.3361	7.1900	18.0000	36.9030	54.9030
1.2500	6.0000	2.3361	7.1900	18.0000	37.2600	55.2600
1.2500	6.0000	2.3334	7.1900	18.0000	37.2695	55.2695
1.5000	6.0000	3.3585	7.1900	18.0000	38.7121	56.7121
1.4938	6.0000	3.3351	7.1900	18.0000	38.6498	56.6498
1.4869	6.0000	3.3143	7.1900	18.0000	38.5843	56.5843

Principal Property Taxpayers
Current and Nine Years Ago

	Taxpayer	2019 Taxable Value	Percentage of Total	2010 Taxable Value	Percentage of Total	2009 Rank
1	Brighton Holdings LLC	\$ 13,525,079	3.04%	\$ 7,472,650	1.65%	3
2	Eberspaecher North America	11,774,160	2.65%	14,051,690	3.11%	1
3	Brighton Mall Associates LTD	10,605,900	2.38%	9,049,010	2.00%	2
4	BMH Realty LLC	7,480,158	1.68%	7,361,750	1.63%	4
5	Brightland Properties LLC	6,495,908	1.46%	3,833,310	0.85%	15
6	Brighton Hotel Suites Inc	5,824,860	1.31%	4,213,540	0.93%	13
7	MJR Group LLC	5,818,938	1.31%	5,357,680	1.18%	9
8	Brookdale Senior Living Inc	5,083,800	1.14%	*	*	*
9	Good Will Co Inc	3,989,108	0.90%	5,479,530	1.21%	8
10	DTE Energy Company	3,546,900	0.80%	2,466,590	0.55%	20
	Total	<u>\$ 445,074,240</u>		<u>\$ 452,388,565</u>		

* Not available

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
2009	2010	\$ 7,096,002	\$ 6,788,947	95.67%	\$ 278,847	7,067,794	99.60%
2010	2011	6,984,758	6,745,106	96.57%	227,256	6,972,362	99.82%
2011	2012	6,674,434	6,420,880	96.20%	241,823	6,662,703	99.82%
2012	2013	6,362,497	6,159,356	96.81%	183,738	6,343,094	99.70%
2013	2014	5,939,271	5,821,426	98.02%	100,696	5,922,122	99.71%
2014	2015	6,194,710	6,102,481	98.51%	80,093	6,182,574	99.80%
2015	2016	6,492,356	6,399,602	98.57%	81,500	6,481,102	99.83%
2016	2017	6,615,187	6,539,458	98.86%	67,486	6,606,944	99.88%
2017	2018	6,673,001	6,610,547	99.06%	54,505	6,665,052	99.88%
2018	2019	6,962,454	6,897,171	99.06%	57,373	6,954,544	99.89%

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,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities:				
General obligation bonds	\$ 9,133,450	\$ 8,303,450	\$ 7,443,450	\$ 6,766,500
Installment purchase agreements	80,975	52,528	132,792	69,932
Special assessment bonds	<u>2,510,000</u>	<u>2,320,000</u>	<u>2,130,000</u>	<u>1,945,000</u>
Total	11,724,425	10,675,978	9,706,242	8,781,432
Business Type Activities:				
General obligation bonds	3,211,950	3,039,750	2,827,550	2,643,846
Installment purchase agreements	-	-	-	-
Special assessment bonds	70,000	35,000	-	-
Revenue bonds	<u>7,939,294</u>	<u>7,374,294</u>	<u>6,928,435</u>	<u>6,257,974</u>
Total	11,221,244	10,449,044	9,755,985	8,901,820
Total debt of the primary government	<u>\$ 22,945,669</u>	<u>\$ 21,125,022</u>	<u>\$ 19,462,227</u>	<u>\$ 17,683,252</u>
Total taxable value	452,388,565	435,135,542	412,277,768	401,230,887
Ratio of total debt to Taxable Value	5.07%	4.85%	4.72%	4.41%
Total Population	7,702	7,444	7,442	7,613
Total debt per capita	2,979	2,838	2,615	2,323
Debt as a Percentage of Personal Income	6.38%	6.07%	5.60%	4.97%

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,					
2014	2015	2016	2017	2018	2019
\$ 6,661,279	\$ 6,131,669	\$ 5,572,359	\$ 5,111,249	\$ 4,664,039	\$ 4,119,179
45,936	26,560	6,954	3,611	401,960	308,066
1,735,000	1,525,000	1,315,000	1,105,000	890,000	675,000
8,442,215	7,683,229	6,894,313	6,219,860	5,955,999	5,102,245
2,445,109	2,182,226	1,921,200	1,731,850	1,586,250	1,393,300
-	247,586	212,217	176,848	141,479	106,109
-	-	-	-	-	-
5,582,514	4,873,133	4,166,595	3,485,179	2,703,315	1,926,450
8,027,623	7,302,945	6,300,012	5,393,877	4,431,044	3,425,859
\$ 16,469,838	\$ 14,986,174	\$ 13,194,325	\$ 11,613,737	\$ 10,387,043	\$ 8,528,104
394,486,952	401,134,983	417,866,646	426,447,202	426,892,041	445,074,240
4.18%	3.74%	3.16%	2.72%	2.43%	1.92%
7,807	7,684	7,659	7,899	7,899	7,899
2,110	1,950	1,723	1,470	1,315	1,080
4.51%	4.17%	3.69%	3.15%	2.81%	2.31%

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Governmental Activities		Business-type Activities									
Fiscal Year	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	Debt as a Percentage of Taxable Value	Population	Debt per Capita	Personal Income (in Thousands) (1)	Debt as a Percentage of Personal Income
2010	\$ 7,958,450	\$ 1,175,000	\$ 9,133,450	\$ 3,211,950	\$ 12,345,400	\$ 452,388,565	2.73%	7,702	1,602.88	\$ 50,794	3.16%
2011	7,553,450	750,000	8,303,450	3,039,750	11,343,200	435,135,542	2.61%	7,444	1,524	50,794	3.00%
2012	7,143,450	300,000	7,443,450	2,827,550	10,271,000	412,277,768	2.49%	7,442	1,380	50,794	2.72%
2013	6,766,500	-	6,766,500	2,643,846	9,410,346	401,230,887	2.35%	7,613	1,236	50,794	2.43%
2014	6,661,279	-	6,661,279	2,445,109	9,106,388	394,486,952	2.31%	7,807	1,166	50,794	2.30%
2015	6,131,669	-	6,131,669	2,182,226	8,313,895	401,134,983	2.07%	7,684	1,082	60,910	1.78%
2016	5,572,359	-	5,572,359	1,921,200	7,493,559	417,866,646	1.79%	7,659	978	60,910	1.61%
2017	5,111,249	-	5,111,249	1,731,850	6,843,099	426,447,202	1.60%	7,899	866	60,910	1.42%
2018	4,664,039	-	4,664,039	1,586,250	6,250,289	426,892,041	1.46%	7,899	791	60,910	1.30%
2019	4,119,179	-	4,119,179	1,393,300	5,512,479	445,074,240	1.24%	7,899	698	60,910	1.15%

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, 2019**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable</u>	<u>Direct and Estimated Overlapping Debt</u>
Brighton Area School District	\$ 100,801,114	18.77%	\$ 18,920,369
Livingston Educational Service Agency	2,240,000	5.59%	125,216
Livingston County	<u>27,102,000</u>	4.93%	<u>1,336,129</u>
Total overlapping debt	130,143,114		20,381,714
Direct net city debt *	<u>5,102,245</u>	100.00%	<u>5,102,245</u>
Total direct and overlapping debt	<u><u>\$ 135,245,359</u></u>		<u><u>\$ 25,483,959</u></u>

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

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

City of Brighton, Michigan

	As of June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Calculation of debt limit				
State Equalized Valuation:				
Ad Valorem	\$ 479,652,865	\$ 451,592,957	\$ 420,402,598	\$ 410,827,356
IFT	<u>15,448,630</u>	<u>18,106,660</u>	<u>14,483,030</u>	<u>9,563,000</u>
Total valuation	495,101,495	469,699,617	434,885,628	420,390,356
Debt Limit (10 percent of taxable value)	49,510,150	46,969,962	43,488,563	42,039,036
Calculation of debt subject to limit				
Total debt*	26,071,984	23,665,936	21,628,859	19,417,423
Less debt not subject to limit:				
Special assessment bonds	2,580,000	2,355,000	2,130,000	1,945,000
MTF bonds	140,000	110,000	75,000	40,000
Revenue bonds	7,939,294	7,374,294	5,969,141	5,368,680
Share of County-issued bonds	<u>1,500,400</u>	<u>1,358,200</u>	<u>959,294</u>	<u>889,294</u>
Net debt subject to limit	13,912,290	12,468,442	12,495,424	11,174,449
Legal debt margin	<u>\$ 35,597,860</u>	<u>\$ 34,501,520</u>	<u>\$ 30,993,139</u>	<u>\$ 30,864,587</u>
Net debt subject to limit as a percentage of debt limit	28.10%	26.55%	28.73%	26.58%

* 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 400,685,712	\$ 423,157,079	\$ 460,157,306	\$ 500,343,857	\$ 509,331,768	\$ 534,778,705
<u>11,246,470</u>	<u>10,811,810</u>	<u>6,219,500</u>	<u>13,951,911</u>	<u>7,520,300</u>	<u>6,952,600</u>
411,932,182	433,968,889	466,376,806	514,295,768	516,852,068	541,731,305
41,193,218	43,396,889	46,637,681	51,429,577	51,685,207	54,173,131
17,697,420	15,694,135	13,926,702	12,274,242	12,251,866	10,703,029
1,735,000	1,525,000	1,315,000	1,105,000	890,000	675,000
-	-	-	-	-	-
4,763,220	4,123,839	3,492,301	2,864,020	2,179,021	1,487,156
<u>819,294</u>	<u>749,294</u>	<u>674,294</u>	<u>599,294</u>	<u>524,294</u>	<u>439,294</u>
10,379,906	9,296,002	8,445,107	7,705,928	8,658,551	8,101,579
<u>\$ 30,813,312</u>	<u>\$ 34,100,887</u>	<u>\$ 38,192,574</u>	<u>\$ 43,723,649</u>	<u>\$ 43,026,656</u>	<u>\$ 46,071,552</u>
25.20%	21.42%	18.11%	14.98%	16.75%	14.95%

City of Brighton, Michigan

Water and Sewer Revenue Bonds						
Fiscal Year	Gross Revenues	Applicable Expenses	Net Revenues	Debt Service		Coverage*
				Principal	Interest	
2010	\$ 3,335,311	\$ 2,475,618	\$ 859,693	\$ 515,000	\$ 366,213	(21,520)
2011	3,651,556	2,315,120	1,336,436	565,000	344,632	426,804
2012	3,856,132	2,304,646	1,551,486	565,000	321,501	664,985
2013	3,897,404	2,295,008	1,602,396	620,000	296,691	685,705
2014	3,648,685	2,497,249	1,151,436	655,000	162,604	333,832
2015	4,203,680	2,492,502	1,711,178	690,000	145,966	875,212
2016	4,346,042	2,643,992	1,702,050	685,000	125,976	891,074
2017	6,022,334	2,534,611	3,487,723	675,000	107,826	2,704,897
2018	5,353,233	2,764,779	2,588,454	760,000	85,363	1,743,091
2019	4,007,332	3,605,819	401,513	755,000	63,338	(416,825)

* 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
\$	343,628	\$	210,000	\$	124,075
	514,541		225,000		116,294
	312,179		225,000		106,393
	268,837		185,000		96,481
	257,965		210,000		87,887
	248,049		210,000		78,499
	238,996		210,000		68,899
	171,512		210,000		59,100
	164,659		215,000		49,025
	164,593		215,000		38,725
					9,553
					173,247
					(19,214)
					(12,644)
					(39,922)
					(40,450)
					(39,903)
					(97,588)
					(99,366)
					(89,132)

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
2010	7,702	50,794	33,051	*
2011	7,444	50,794	33,051	*
2012	7,442	50,794	33,051	*
2013	7,613	50,794	33,051	*
2014	7,807	50,794	33,051	*
2015	7,684	60,910	35,436	*
2016	7,659	60,910	35,436	*
2017	7,899	60,910	35,436	*
2018	8,223	60,910	35,436	*
2019	8,223	60,910	35,436	*

* Not available/no longer available

Note: Personal Income is equal to the median household income, updated every 5 years beginning in 2010
2019 population estimate not available as of publication date.

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

City of Brighton, Michigan

Principal Employers

Current and Nine Years Ago

	Taxpayer	2019 Employees	Percentage of Total	2010 Employees	Percentage of Total	2010 Rank
1	Brighton Area Schools	675	7.90%	600	8.45%	1
2	Eberspaecher	537	6.29%	210	2.96%	4
3	TG Fluid Systems	345	4.04%	215	3.03%	3
4	Meijer	345	4.04%	250	3.52%	2
5	Target	154	1.80%	150	2.11%	5
6	Corrigan Oil	150	1.76%	*	- %	-
7	March Coatings	130	1.52%	92	1.30%	8
8	Home Depot	127	1.49%	128	1.80%	6
9	Work Skills Corporation	78	0.91%	84	1.18%	9
10	Best Buy	75	0.88%	*	- %	-
	Total	2,616	30.64%	1,729	24.35%	

Estimated total city employment

8,539

7,100

* 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government:				
City manager	1.50	1.00	1.00	1.00
Clerk/Human resources	2.50	2.50	2.50	2.50
Finance	<u>9.25</u>	<u>7.63</u>	<u>7.63</u>	<u>7.63</u>
Total general government	13.25	11.13	11.13	11.13
Community development	5.00	4.00	4.00	4.00
Public safety - Police	19.60	19.60	19.60	19.00
Public services:				
Cemetery	2.00	2.00	2.00	2.00
Facilities and grounds	3.00	3.00	3.00	3.00
Streets	8.00	8.00	8.00	7.00
Utilities	<u>9.00</u>	<u>7.00</u>	<u>7.00</u>	<u>7.00</u>
Total public services	<u>22.00</u>	<u>20.00</u>	<u>20.00</u>	<u>19.00</u>
Total	<u>59.85</u>	<u>54.73</u>	<u>54.73</u>	<u>53.13</u>

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

Full-Time Equivalent Government Employees

Last Ten Fiscal Years

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1.00	1.00	1.00	1.84	2.00	2.00
2.50	2.50	2.50	2.66	2.25	2.50
7.63	7.63	7.63	7.00	7.00	7.00
<u>11.13</u>	<u>11.13</u>	<u>11.13</u>	<u>11.50</u>	<u>11.25</u>	<u>11.50</u>
4.00	4.00	4.00	3.00	2.00	3.70
19.00	19.00	19.60	19.60	19.00	19.60
1.00	1.00	1.00	1.00	1.00	1.00
3.00	4.00	4.00	4.00	4.75	4.75
6.00	5.00	6.00	6.00	4.50	5.75
7.00	8.00	8.00	8.00	11.50	11.00
<u>17.00</u>	<u>18.00</u>	<u>19.00</u>	<u>19.00</u>	<u>21.75</u>	<u>22.50</u>
<u>51.13</u>	<u>52.13</u>	<u>53.73</u>	<u>53.10</u>	<u>54.00</u>	<u>57.30</u>

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Election data:				
Registered voters	5,380	5,575	5,900	5,927
Voters (at polls or absentee)	1,013	2,899	3,725	3,975
Percent voting	18.83%	52.00%	63.14%	67.07%
Human resource data - Number of recruitments	-	-	1	9
Finance data:				
Number of A/P checks	1,835	1,552	1,588	1,601
Number of property tax parcels	3,974	4,093	4,136	4,296
Number of utility bill customers	3,595	3,584	3,592	3,646
Police:				
Physical arrests	925	577	495	421
Traffic violations	4,325	3,980	2,589	2,273
Investigations	12,099	20,312	19,468	16,929
Community development data:				
Number of building permits	249	208	289	332
Value of building permits	\$ 5,626,679	\$ 7,910,371	\$ 7,099,816	\$ 9,143,156
Number of building inspections	459	965	551	693
Public works data:				
Miles of street constructed, reconstructed, and resurfaced	0.90	-	-	-
Road salt used (tons)	2,100	1,600	1,375	1,030
R.O.W. tree plantings	-	-	-	4
Grave openings	64			
Water data:				
Total billed consumption (000s)	408,123	432,962	439,746	450,317
Avg. billed consump./user (000s)	114	121	122	124
Number of water main breaks	2	2	6	3
Sewer data - Avg. daily treatment (MGD)	1.285	1.200	1.250	1.110

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

Operating Indicators

Last Ten Fiscal Years

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
5,889	5,671	5,686	5,986	5,838	6,020
1,279	1,979	2,625	4,327	1,070	4,101
21.72%	34.90%	46.17%	72.29%	18.33%	68.12%
12	12	14	18	14	14
1,418	1,211	1,210	1,264	1,981	2,155
4,298	4,294	4,424	4,505	4,463	4,459
3,481	3,508	3,536	3,551	3,575	3,585
354	340	484	428	377	321
1,819	1,523	1,541	1,698	1,968	2,475
19,330	22,350	29,112	23,913	26,410	30,380
253	331	348	334	315	359
\$ 7,494,230	\$ 26,600,740	\$ 11,824,906	\$ 12,993,840	\$ 28,416,112	\$ 9,696,272
530	709	797	653	693	525
-	-	-	0.94	-	0.90
2,364	1,675	1,428	1,423	1,800	1,347
2	-	-	29	4	11
400,702	385,893	398,439	431,485	426,575	411,973
115	110	113	122	119	115
7	6	2	4	1	1
1.190	1.060	1.070	1.180	1.400	1,215

City of Brighton, Michigan

<u>Function/ program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police - Patrol units	8	8	8	8
Public works:				
Streets (miles):				
Major streets	11.32	11.32	11.32	11.32
Local streets	14.99	18.12	18.12	18.12
Sidewalks	80	80	80	80
Traffic signals	9	9	9	9
Water:				
Mains (miles)	52	52	52	52
Fire hydrants	484	484	484	638
Storage capacity	1,620,000,000	1,620,000,000	1,620,000,000	1,620,000,000
Sewer:				
Miles of sanitary sewers	45	45	45	45
Miles of storm sewers	27	27	27	27
Treatment capacity	2,250,000,000	2,250,000,000	2,250,000,000	2,250,000,000

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

Capital Asset Information

Last Ten Fiscal Years

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
8	9	8	8	8	9
11.32	11.32	11.32	11.32	11.32	11.32
18.12	18.12	18.37	18.37	18.66	18.66
80	80	80	80	80	80
9	9	9	9	9	9
52	59	60	60	65	65
648	655	673	673	673	673
1,620,000,000	1,620,000,000	1,620,000	1,620,000	1,620,000	1,620,000
45	48	58	58	58	58
27	27	27	27	27	27
2,250,000,000	2,250,000,000	2,250,000	2,250,000	2,250,000	2,250,000