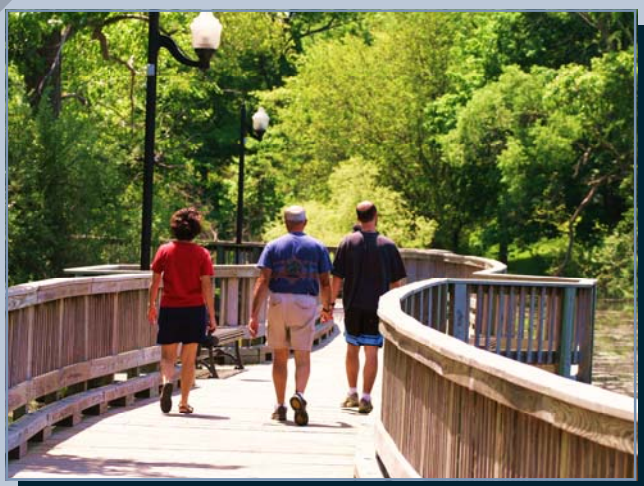
# CITY OF BRIGHTON, MICHIGAN

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2016

DRAFT



www.brightoncity.org

# City of Brighton, Michigan

## Contents


**Introductory Section**

**Letter of Transmittal** i-v

**GFOA Certificate of Achievement** vi

**Organization Chart** vii

**List of Principal Officials** viii

**Financial Section**

**Independent Auditor's Report** 1-2

**Management's Discussion and Analysis** 3-13

**Basic Financial Statements**

Government-wide Financial Statements:
- Statement of Net Position 14
- Statement of Activities 15-16

Fund Financial Statements:
- Governmental Funds:
  - Balance Sheet 17
  - Reconciliation of the Balance Sheet to the Statement of Net Position 18
  - Statement of Revenue, Expenditures, and Changes in Fund Balances 19
  - Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 20
- Proprietary Funds:
  - Statement of Net Position 21
  - Statement of Revenue, Expenses, and Changes in Net Position 22
  - Statement of Cash Flows 23
- Fiduciary Funds - Statement of Assets and Liabilities 24
- Component Units:
  - Statement of Net Position (Deficit) 25
  - Statement of Activities 26-27

Notes to Financial Statements 28-55


DRAFT

## Contents (Continued)

**Required Supplemental Information** 56

Budgetary Comparison Schedule - General Fund 57

Budgetary Comparison Schedule - Major Special Revenue Fund 58

Pension System Schedule of Changes in the City Net Pension Liability and Related Ratios 59

Pension System Schedule of City Contributions 60

Retiree Healthcare System Schedule of Funding Progress 61

Notes to Required Supplemental Information 62-63

**Other Supplemental Information** 64

Nonmajor Governmental Funds:
- Combining Balance Sheet 65
- Combining Statement of Revenue, Expenditures, and Changes in Fund Balances 66-67
- Budgetary Comparison Schedule - Nonmajor Governmental Funds 68-71
- Agency Funds - Statement of Changes in Assets and Liabilities 72

Component Units:
- Balance Sheet/Statement of Net Position - Downtown Development Authority 73
- Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities - Downtown Development Authority 74
- Balance Sheet/Statement of Net Position (Deficit) - Local Development Finance Authority 75
- Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit)/Statement of Activities - Local Development Finance Authority 76

DRAFT

## Contents (Continued)


**Statistical Section** 77

Description of the Statistical Section 78

Financial Trend Information:
- Net Position by Component 79-80
- Changes in Net Position 81-82
- Fund Balances - Governmental Funds 83-84
- Changes in Fund Balances - Governmental Funds 85-86

Revenue Capacity Information:
- Taxable Value and Actual Value of Taxable Property 87-88
- Direct and Overlapping Property Tax Rates 89-90
- Principal Property Taxpayers 91
- Property Tax Levies and Collections 92

Debt Capacity Information:
- Ratios of Outstanding Debt 93-94
- Ratios of General Bonded Debt Outstanding 95
- Direct and Overlapping Governmental Activities Debt 96
- Legal Debt Margin 97-98
- Pledged-revenue Coverage 99-100

Demographic and Economic Information:
- Demographic and Economic Statistics 101
- Principal Employers 102

Operating Information:
- Full-time Equivalent Government Employees 103-104
- Operating Indicators 105-106
- Capital Asset Statistics 107-108


DRAFT

# CITY OF BRIGHTON

*"Providing quality service"*

**City Hall**
**200 N. First St.**
**Brighton, MI 48116-1593**
(810) 227-1911
*Fax# 227-6420*

**City Manager**
225-8022
**City Clerk**
227-0463
**Human Resources Director**
225-9251
**Cemetery/ Voter Registration**
227-0463

**Community Development**
**Building**
227-9005
**Building Inspection Line**
227-0419
**Planning / Zoning**
225-9257
**Community Development/ DDA**
225-8025

**Finance**
**Accounts Payable**
225-8019
**Assessing Assistant**
227-9006
**City Assessor**
225-8024
**City Treasurer**
225-8023
**Finance Director**
225-9283
**Assistant Finance Director**
227-7738
**Property Taxes**
227-0179
**Utility Billing**
225-8041

**Police Department**
**440 S. Third St.**
(810) 227-2700
*Fax# 227-2063*

**Department of Public Works**
**420 S. Third St.**
(810) 225-8001
*Fax# 225-9249*
**DPW Director**
225-9284
**Assistant DPW Director**
225-9282
**Water Plant**
227-2968
**Wastewater Plant**
227-9479

October 11, 2016

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, 2016 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 29 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 basis financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Brighton's MD&A can be found immediately following the report of the independent auditor.

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

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

DRAFT

## 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 7,650, 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 decreased from 5.3% to 4.6% over the last year. In addition, the Consumer Price Index (CPI) for our region (Detroit/Ann Arbor/Flint) increased by 2.3% from the last year.

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

There are indications that the local economic downturn is continuing to improve. Housing sale prices are continuing to increase and there are fewer homes on the market. Interest rates have been gradually increasing and are expected to continue to do so over the next year. The number of foreclosures in the City of Brighton has continued to decrease, with only 3 in the past year. Over the last 5 to 10 years, the City has realized reduced residential, industrial and commercial values. The residential and industrial decreased far greater than the commercial values. During the recent budget process for FY16/17, the property tax values for residential increased 3.8%. The commercial and industrial values have remained relatively flat, with a 0.3% increase and 0.1% decrease, respectfully. It is management's belief that the commercial values will slowly increase over the next several years.

Building activity is also continuing to improve in the City. Recent housing developments that were once put on hold are continuing to be built and the homes are selling. Industrial values are expected to increase due to Eberspaecher North America, Inc. (ENA) completing a significant expansion of their Brighton location. .

## 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; reduced utility connection fees; and the ever growing OPEB and Pension Liabilities, the City will be continually looking at ways to maintain services within the existing revenues.

DRAFT

The City's Master Plan includes the goals to provide for capital improvements that are needed to sustain a quality life for its residents; and to explore methods of generating additional revenue to fund operational and capital projects, including alternative funding options such as grant funding. Annually City staff prepares a 6-year Capital Improvement Plan (CIP), which is reviewed by the City Planning Commission and Adopted by the City Council. The first year of the adopted CIP is incorporated into the City Manager's Proposed Budget, if funding is available. There has been limited funding of any capital projects over the last several years. The FY16/17 Adopted budget included very minimal investment in Capital. The City's DDA has its own Development Plan, which was previously adopted by the City Council and is also reviewed annually for budgetary considerations.

City residents approved a Law Enforcement/Public Safety Millage during the November, 2013 election. This millage will be 0.38 mills for 10 years. The millage will provide approximately $150,000 annually to be used to pay for the purchasing and maintaining of public safety equipment, which may include patrol vehicles, body armor, weapons and law enforcement-related technology. The approval of this millage will enable the City to replace police equipment that had been put on hold.

**Relevant Financial Policies**

In order to better understand the financial condition of the City it will become increasingly important to continue the development of an ongoing Financial Forecasting model. The end result of this forecasting model should be intended to communicate what is likely to happen in the future based on where the City is today and where it appears to be heading. The preparation of a reasonably complete forecast will allow the City to look at its options and prudently plan and act accordingly. As the forecasts are developed over time, they should incorporate benchmark trend analysis to measure how our actual results compare to our projections and to the actual results of other similar benchmark communities. A key benchmark for the General Fund will be its unassigned fund balance, which was $1,211,115 or 18% of operating expenditures on June 30, 2016. 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 2.54 on June 30, 2016, which is above the target of 2:1. Working capital, a key benchmark of the Utilities Fund, increased by $291,465 to $1,779,481 at June 30, 2016. The working capital less the capital reserve fund, covered 29% of the Utilities Fund Expenses, including depreciation. Exclusive of depreciation, the coverage was 45% of expenses.

The City makes a serious effort to maximize investment earnings, diversification and insurability of its investable funds. Idle cash during the year was invested in cash management funds and certificate of deposits. Interest earned for the current fiscal year amounted to $44,052, an increase of $14,196 or 47.5% from the preceding year, which was primarily caused by higher yields on all money market accounts and certificate of deposits. Due to the recent credit market problems, which have caused many banks to experience liquidity and overall financial difficulties, the City has stepped up 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. Due to the City's relatively high debt burden, this includes a temporary moratorium on any new debt issuance for the financing of any new and/or replacement and/or expansion of existing City facilities and infrastructure, unless there is new dedicated revenue to pay the debt service. This is because we are at our current City Council adopted Debt Management Policy limits on total outstanding debt of all governmental activities.

**Major Initiatives and Financial Accomplishments in 2015-16**

- The City added approximately $1,825,000 of New Fixed Capital Assets; including road resurfacing of Orndorf Drive and Brighton Interior Drive, a new fire escape at the old city hall, a new lawn mower, Imagination Station security cameras, two police vehicles, improvements to the CSX and old Dairy Mart Parking lots for the DDA, an overhaul of the Pierce and Challis well pumps and phase II of the Wastewater Treatment Plant HVAC system overhaul for the Utilities Fund, and water main and sewer line improvements.

DRAFT

- The City received its tenth consecutive Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for its submittal for the City's FY 2014-15 Budget document.

- The City received its seventh consecutive GFOA Certificate of Achievement for Excellence in Financial Reporting Award for its FY 2014-15 Comprehensive Annual Financial Report (CAFR).

- The City prepared a six-year Capital Improvement Program

**Accounting System and Budgetary Control**

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

In view of the importance of the budget as a planning and control instrument in the City, the accounting system provides the basis for appropriate budgetary control. Budget-to-actual comparisons are included in the Required Supplemental Information found on pages 57-58 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. All expenditures, except personnel costs and certain defined exceptions, are required to have an authorized purchase order.

**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, 2015. 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.

DRAFT

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


**ACKNOWLEDGMENTS**

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


Respectfully submitted,

Gretchen M. Gomolka
Finance Director

DRAFT

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Brighton**
**Michigan**

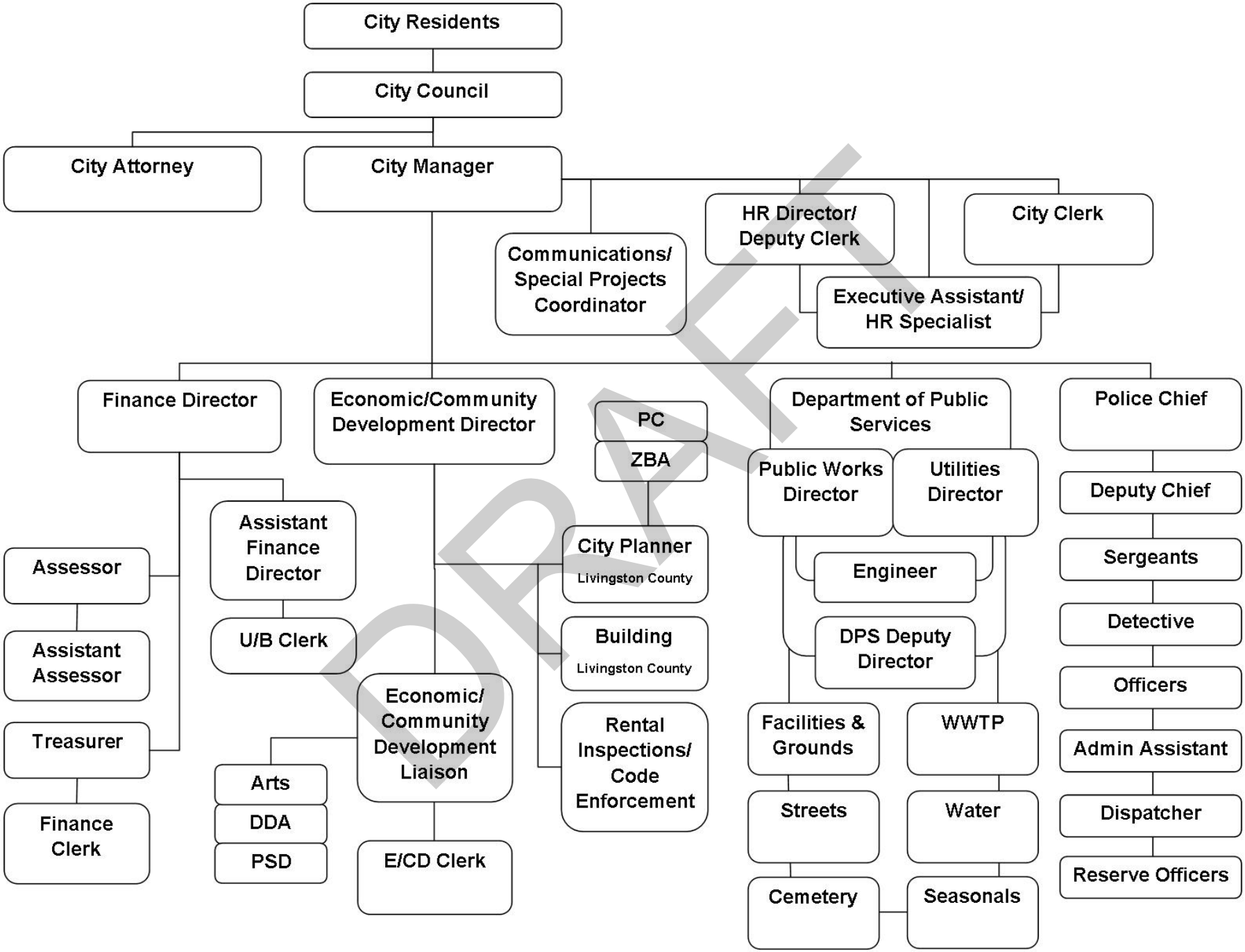
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

DRAFT

# City of Brighton Organizational Chart




DRAFT

CITY OF BRIGHTON, MICHIGAN
List of Elected and Appointed Official
For the Fiscal Year Ended June 30, 2016

## ELECTED OFFICALS

| | |
|---|---|
| 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 OFFICALS

| | |
|---|---|
| Nate Geinzer | City Manager |
| Paul Burns | City Attorney |
| Gretchen Gomolka | Finance Director |
| Pamela Stewart | City Clerk |
| Matthew Modrack | Community Development/ DDA Executive Director |
| Jennifer Burke | Human Resources Director/ Deputy City Clerk |
| Thomas Wightman | Police Chief |
| Dave Blackmar | Public Works Director |
| Tim Krugh | Utilities Director |

DRAFT

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the City Council
City of Brighton, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brighton, Michigan as of and for the year ended June 30, 2016 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 an opinion 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 opinion.

DRAFT

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the City Council
City of Brighton, Michigan

***Opinion***

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, 2016 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.

***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 each major special revenue fund, pension system schedules of changes in the City net pension liability and related ratios and City contributions, and the retiree healthcare system schedule of funding progress, 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, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 section and statistical section, 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 & Moran, PLLC

October 11, 2016

DRAFT

The City's Comprehensive Annual Financial Report (CAFR) is presented in the format required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The June 30, 2016 annual report consists of five parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplemental information, (4) other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds, and (5) a statistical section. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

**Financial Highlights**

- The assets of the primary government and component units of the City exceeded liabilities at the close of the most recent fiscal year by $43.1 million (net position). Included in this amount is ($6.4) million of unrestricted net position.

- The City's total net position increased by approximately $127 thousand. This increase is the result of an increase of $121.4 thousand in component unit (DDA and LDFA) net position and an increase of $5.6 thousand in the net position of the primary government.

- The $5.6 thousand increase in the net position of the primary government is primarily the result of reduced capital assets - net of depreciation, and increased deferred outflows of resources related to the City's pension plan, partially offset by less long-term debt that has been paid down over the fiscal year.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2.0 million, an increase of $218.5 thousand in comparison with the prior year. A total of $1.4 million or approximately 70 percent of the fund balance is available for spending at the City Council's discretion. Of that amount, $21.3 thousand is available for spending on roads in the Local Street Fund, $32.6 thousand is available for police expenditures related to forfeiture, $72.7 thousand is available for law enforcement/public safety expenditures related to the new millage, $10.4 thousand is assigned for the purposes of the Principal Shopping District, $6.5 thousand is assigned to the Arts and Culture Commission, $44.8 thousand of the available fund balance is assigned for street light and zoning ordinance updates that were not completed in FY 2015/2016 in the General Fund, and $18.2 thousand is assigned to the Imagination Station Maintenance. Therefore, 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, 2016.

DRAFT

- The City's total debt (primary government and component units) decreased by $1.8 million (12 percent) during the current fiscal year. The decrease was caused by the annual maturity of pre-existing debt and a decrease in compensated absences.

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

The statement of net position presents information on all of the City of Brighton, Michigan's assets and 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Brighton, Michigan that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Brighton 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 14-16 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.

DRAFT

**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 provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Brighton, Michigan currently maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund and Major Streets Fund, which are considered to be major funds, and a Local Streets Fund, a State Drug Law Enforcement Fund, a Federal Drug Law Enforcement, a Street Debt Fund, a Law Enforcement/Public Safety Fund, a Building Authority Fund, and a Capital Improvement Fund, which are considered to be nonmajor funds. In accordance with Governmental Accounting Standards Board Statement No. 54, the Imagination Station Reserve 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 Reserve 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 17-20 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 only in more detail. The proprietary fund financial statements can be found on pages 21-23 of this report.

DRAFT

**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 statements because the resources of those funds are not available to support the City of Brighton, Michigan's own programs. The accounting used for fiduciary funds is much like that of propriety funds. The City of Brighton, Michigan maintains two fiduciary funds, which are agency funds, one for current tax collections and the other for delinquent personal property tax collections. The basic fiduciary fund financial statement can be found on page 24 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-55 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City of Brighton, Michigan's budgetary comparisons with actual for its General Fund and the major Special Revenue Fund - Major Streets Fund. Required supplemental information can be found on pages 56-63 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, 2016, assets exceeded liabilities by $43.1 million.

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

DRAFT

**Summary Condensed Statement of Net Position (presented in thousands of dollars)**

| | Governmental Activities | | Business-type Activities | | Component Units | | Total | |
|---|---|---|---|---|---|---|---|---|
| | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| Current assets | $ 4,108.0 | $ 3,992.6 | $ 2,933.5 | $ 2,748.7 | $ 183.2 | $ 403.1 | $ 7,224.7 | $ 7,144.4 |
| Capital assets | 25,952.7 | 26,370.7 | 30,378.6 | 31,225.4 | 5,194.6 | 5,433.4 | 61,525.9 | 63,029.5 |
| Total assets | 30,060.7 | 30,363.3 | 33,312.1 | 33,974.1 | 5,377.8 | 5,836.5 | 68,750.6 | 70,173.9 |
| Deferred outflows of resources | 2,067.2 | 685.6 | 460.6 | 111.8 | - | - | 2,527.8 | 797.4 |
| Current liabilities | 1,923.7 | 1,980.5 | 1,151.9 | 1,256.2 | 57.2 | 601.7 | 3,132.8 | 3,838.4 |
| Long-term liabilities | 16,590.1 | 15,299.5 | 7,568.3 | 7,937.6 | 915.9 | 951.5 | 25,074.3 | 24,188.6 |
| Total liabilities | 18,513.8 | 17,280.0 | 8,720.2 | 9,193.8 | 973.1 | 1,553.2 | 28,207.1 | 28,027.0 |
| Net position: | | | | | | | | |
| Net investment in capital assets | 19,363.3 | 18,687.5 | 24,109.0 | 23,922.5 | 4,553.0 | 4,791.3 | 48,025.3 | 47,401.3 |
| Restricted | 1,460.9 | 1,692.5 | - | - | - | - | 1,460.9 | 1,692.5 |
| Unrestricted deficit | (7,210.1) | (6,611.2) | 943.5 | 969.7 | (148.3) | (508.0) | (6,414.9) | (6,149.5) |
| Total net position | **$ 13,614.1** | **$ 13,768.8** | **$ 25,052.5** | **$ 24,892.2** | **$ 4,404.7** | **$ 4,283.3** | **$ 43,071.3** | **$ 42,944.3** |

An additional portion of the City of Brighton's net position (4 percent) represents resources that are subject to external restrictions on how they may be used.

**Governmental Activities** - As shown below, governmental activities decreased the City of Brighton's net position by $154.7 thousand. Last fiscal year, the net position of the governmental activities decreased by $825.6 thousand (included the restatement of net position as of July 1, 2015 per GASB No. 68). The year-over-year change is primarily the result of an increase in revenues of $508.1 thousand, and a decrease in program expenses of $162.8 thousand. The increase in revenue is primarily due to additional property tax revenue from an increase in taxable value and new construction, increased grant funding related to MDOT road projects, and small increases in grants and state shared revenue. The increase in revenue was partially offset by a reduction in building permit revenue. The decrease in expenditures is due to small decreases across all functions of government, with the largest decrease being in community development. The primary reasons for the decrease has been the restructuring of personnel within the City.

**Business-type Activities** - Business-type activities increased the City of Brighton's net position by $160.4 thousand. Last fiscal year, the net position of the business-type activities decreased by $6.2 thousand. The year-over-year change is the net result of $302.9 thousand in increased revenue and $136.3 in increased program expenses over the last fiscal year. The increase in revenue is primarily the result of new state grant revenue and increased service charges. The increase in expenses is primarily the result of increased grant related spending and increased salaries and fringe benefits.

DRAFT

**Component Units** - Component units increased the City of Brighton's net position by $121.4 thousand, compared to an increase of $230.6 thousand in the prior year. The year-over-year change is the net result of $134.3 thousand increase in revenue and a $243.5 thousand increase in program expenses when compared to last fiscal year. The increase in revenue is from an increase in taxable value and new construction. The increase in expenses is the net result of increases in overall DDA and LDFA expenses primarily related to transfers to other funds to assist in the cost of local roadwork.

**Summary Condensed Income Statement (presented in thousands of dollars):**

| | Governmental Activities | | Business-type Activities | | Component Units | | Total | |
|---|---|---|---|---|---|---|---|---|
| | FY 2016 | FY 2015 * | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| **Net Position** - Beginning of year | $ 13,768.8 | $ 14,594.4 | $ 24,892.1 | $ 24,898.3 | $ 4,283.3 | $ 4,052.7 | $ 42,944.2 | $ 43,545.4 |
| **Revenue** | | | | | | | | |
| Program revenue: | | | | | | | | |
| Charges for services | 1,442.3 | 1,635.9 | 3,443.7 | 3,309.0 | - | - | 4,886.0 | 4,944.9 |
| Operating grants | 518.8 | 776.3 | 160.5 | - | - | - | 679.3 | 776.3 |
| Capital grants contributions | 660.6 | 79.4 | 889.9 | 887.6 | - | - | 1,550.5 | 967.0 |
| General revenue: | - | - | | | | | | |
| Property taxes | 5,735.3 | 5,452.7 | - | - | 918.9 | 812.4 | 6,654.2 | 6,265.1 |
| State-shared revenue | 761.2 | 667.4 | - | - | 24.2 | - | 785.4 | 667.4 |
| Investment earnings | 111.0 | 108.8 | 12.4 | 7.0 | 1.9 | 3.7 | 125.3 | 119.5 |
| Other revenue | 241.6 | 242.2 | - | - | 34.3 | 28.9 | 275.9 | 271.1 |
| Total revenue | 9,470.8 | 8,962.7 | 4,506.5 | 4,203.6 | 979.3 | 845.0 | 14,956.6 | 14,011.3 |
| **Program Expenses** | | | | | | | | |
| General government | 1,861.6 | 1,863.0 | - | - | - | - | 1,861.6 | 1,863.0 |
| Public safety | 3,160.6 | 3,176.6 | - | - | - | - | 3,160.6 | 3,176.6 |
| Public works | 3,606.9 | 3,637.0 | - | - | 857.9 | 614.4 | 4,464.8 | 4,251.4 |
| Community development | 743.3 | 831.7 | - | - | - | - | 743.3 | 831.7 |
| Interest on long-term debt | 253.1 | 280.0 | - | - | - | - | 253.1 | 280.0 |
| Water and sewer | - | - | 4,346.1 | 4,209.8 | - | - | 4,346.1 | 4,209.8 |
| Total program expenses | 9,625.5 | 9,788.3 | 4,346.1 | 4,209.8 | 857.9 | 614.4 | 14,829.5 | 14,612.5 |
| **Change in Net Position** | (154.7) | (825.6) | 160.4 | (6.2) | 121.4 | 230.6 | 127.1 | (601.2) |
| **Net Position** - End of year | $ 13,614.1 | $ 13,768.8 | $ 25,052.5 | $ 24,892.1 | $ 4,404.7 | $ 4,283.3 | $ 43,071.3 | $ 42,944.2 |

* Certain amounts have been reclassified to conform with current year presentation

## 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.

DRAFT

As of the end of the current fiscal year, the City of Brighton, Michigan's governmental funds reported combined ending fund balances of $1.96 million, an increase of $218.5 thousand in comparison with the prior year. Approximately 61 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, prepaid expenses, and assets held for sale), restricted (roads, federal and state drug forfeiture, and law enforcement/public safety), committed (future capital improvement and equipment replacement) or assigned (to liquidate contracts and purchase orders of the prior period or for subsequent year expenditures, and designated for purposes such as Arts and Culture Commission, PSD, Imagination Station Maintenance, and Capital Improvement Fund).

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 2016-2017 budget is balanced; therefore, none of the unassigned fund balance is designated for subsequent year expenditures. As a measure of the General Fund's liquidity, it may be useful to compare the total unassigned fund balance to total fund operating expenditures. Unassigned fund balance represents 17.5 percent of total current General Fund budgeted operating expenditures for the year ending June 30, 2017. The City of Brighton's fund balance policy has a minimum fund balance requirement of 15 percent.

The unassigned fund balance of the City of Brighton, Michigan's General Fund increased by $150 thousand during the current fiscal year. The primary reason for the increase in unassigned fund balance is due to an increase in revenues related to increased taxes and state shared revenue and a decrease in expenditures related to the restructuring of staffing at the City, partially offset by an increase in nonspendable fund balance for invoices relating to the next fiscal year that were prepaid prior to June 30, 2016.

At the end of the current fiscal year, unassigned fund balance of the Major Street Fund was a deficit of $17.3 thousand. This is a reduction of $121.9 thousand from the prior year. The increased expenditures are due to two large road projects that were partially funded through state grants. The City of Brighton's Downtown Development authority has committed to pay the Major Street Fund for a portion of these road projects over the next two fiscal years. The deficit will be corrected as payments from the Downtown Development Authority are received in fiscal year 2016-2017.

The Local Streets Fund had an ending restricted fund balance of $21.3 thousand. This an increase of $1.6 thousand over the prior year, resulting from increased state revenue coupled with relatively flat expenditures.

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

DRAFT

The Federal and State Drug Law Enforcement Funds had a combined ending fund balance of $32.6 thousand. All of the revenue in these funds is from police seizures. During the fiscal year, the police department purchased victim's information cards and K-9 dog supplies with forfeiture funds.

The Law Enforcement/Public Safety Fund had an ending fund balance of $72.7 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 $157 thousand in revenue assisted the police department with replacing several vehicles and continued work on the downtown surveillance camera system replacement project.

**Proprietary Funds** - The City of Brighton'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 $943.5 thousand, down $26.2 thousand from the prior year. The Utilities Fund had a $1.3 million operating loss due to the fact that the operating revenue does not cover all the depreciation expense. This fund generated a net gain of $160.4 thousand.

**General Fund Budgetary Highlights**

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

- The $165.8 thousand or 2.1 percent increase in revenue amendments from the original budget reflected a net increase from higher than anticipated building permit fees (building department), state-shared revenue, grant revenue, reimbursements, and appropriations from the Downtown Development Authority, partially offset by a reduction in property taxes.

- The $286.6 thousand or 3.6 percent increase in total expenditures amendments from the original budget reflected higher than anticipated expenditures in public safety, public works, and transfers out activity budgets, partially offset by reduced expenditures in the community development and general government activity budgets. The budgeted expenditure increase is attributed to employee retirements that occurred throughout the year; however, the actual expenditures came in closer to the original budget due to the restructuring of staff after the retirements.

DRAFT

## Capital Asset 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, 2016 amounts to $56.3 million (net of accumulated depreciation). This investment in capital assets includes land (including rights-of-way), buildings and system, improvements, machinery and equipment, park facilities, streets, and bridges. The City of Brighton, Michigan's investment in capital assets for its component units (DDA) as of June 30, 2016 amounts to $5.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements. The total decrease in the City of Brighton's investment in capital assets for the current year was 2.4 percent (a 1.6 percent decrease in governmental activities, a 2.7 percent decrease for business-type activities, and a 4.4 percent decrease for its component units).

**Capital Assets (presented in thousands of dollars)**

| | Primary Government | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-type Activities | | Component Units | | Total | |
| | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| Land | $ 13,530.8 | $ 13,530.8 | $ 157.4 | $ 157.4 | $ 1,412.3 | $ 1,412.3 | $ 15,100.5 | $ 15,100.5 |
| Buildings and system | 3,697.8 | 3,862.2 | 13,634.3 | 14,255.2 | 246.2 | 182.5 | 17,578.3 | 18,299.9 |
| Machinery and equipment | 512.5 | 588.6 | 215.8 | 247.0 | 3,536.1 | 3,537.6 | 4,264.4 | 4,373.2 |
| Infrastructure | 7,556.0 | 8,389.1 | 16,330.1 | 16,565.8 | - | - | 23,886.1 | 24,954.9 |
| Construction in progress | 655.6 | - | 41.0 | - | - | 301.0 | 696.6 | 301.0 |
| Total | **$ 25,952.7** | **$ 26,370.7** | **$ 30,378.6** | **$ 31,225.4** | **$ 5,194.6** | **$ 5,433.4** | **$ 61,525.9** | **$ 63,029.5** |

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

- **Governmental Activities** - Two patrol vehicles, Imagination Station security cameras, new lawn mower, new fire escape at COBACH building, and road/parking lot infrastructure.

- **Business-type Activities** - Rebuilds/repairs of Challis #5 and Pierce #1 and #3 pumps, continued replacement of the WWTP HVAC system, replacement of the sanitary sewer lining and centrifuge, and addition of residential sewer and water lines.

- **Component Units** - DDA improvements included the old Dairy Mart and CSX parking lot improvement projects.

Additional information on the City of Brighton, Michigan's capital assets can be found in Note 5 on pages 38-40 of this report.

DRAFT

**Long-term Debt** - As shown below, at the end of the current fiscal year, the City of Brighton had total debt outstanding of $14.1 million. Of this total, $9.3 million or 66 percent comprises debt backed by the full faith and credit of the City, including $674.3 thousand of Revenue Bonds; $1.3 million or 9 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 $3.5 million or 25 percent comprises revenue bonds backed by the revenue of the City's Utility Fund. A total of $6.9 million or 49 percent of the total debt is governmental activities debt, $6.3 million or 44 percent is business-type activities debt, and the remaining $951.5 thousand or 7 percent is component unit debt (DDA and LDFA Bonds).

| | Primary Government | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-type Activities | | Component Units | | Total | |
| | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| General obligation bonds/ notes | $ 5,579.3 | $ 6,158.2 | $ 6,300.0 | $ 7,302.9 | $ 951.5 | $ 982.1 | $ 12,830.8 | $ 14,443.2 |
| Special assessment bonds | 1,315.0 | 1,525.0 | - | - | - | - | 1,315.0 | 1,525.0 |
| Total | **$ 6,894.3** | **$ 7,683.2** | **$ 6,300.0** | **$ 7,302.9** | **$ 951.5** | **$ 982.1** | **$ 14,145.8** | **$ 15,968.2** |

The City of Brighton, Michigan's total debt, excluding compensated absences, decreased by $1.8 million (11 percent) during the current fiscal year. The decrease was the result of the annual maturity of pre-existing debt.

The City of Brighton, Michigan maintains non-insured bond ratings as follows: AA+ from Standard & Poor's (upgraded from A+ in December, 2013), Aa3/A1 rating from Moody's, and an AA- from Fitch.

State statutes limit the amount of general obligation debt a City may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Brighton, Michigan is $46.6 million, which is significantly in excess of the City's total net debt (total debt less special assessment, revenue, MTF, and County-shared debt) of $8.7 million. Therefore, the legal debt margin, or what the City could legally add to its outstanding debt at June 30, 2016, was $37.9 million.

Additional information on the City of Brighton, Michigan's long-term debt can be found in Note 7 on pages 41-44 of this report.

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

- The unemployment rate for the City of Brighton has not been tracked since December 31, 2004. At June 30, 2016, the average unemployment rate for Livingston County was 4.6 percent, which is a decrease from 5.3 percent a year ago; for the State of Michigan, it was 4.9 percent and for the United States it was 5.4 percent.

DRAFT

- The Consumer Price Index (CPI) for our region (Detroit/Ann Arbor/Flint) for the year ended June 30, 2016 increased by 2.3 percent from a year ago, the Midwest Region average CPI rate increased by 0.8 from a year ago, and the national CPI rate increased by 1.0 percent from a year ago.

The trends in these economic factors will be considered in preparing the City of Brighton, Michigan's FY 2017-2018 budget.

During the current fiscal year, unassigned fund balance in the General Fund increased by $150 thousand to $1.2 million. The FY 2016-2017 budget was balanced; therefore, none of the unassigned fund balance is designated for subsequent year expenditures. The unassigned fund balance represents 17 percent of the total current General Fund budgeted operating expenditures at June 30, 2017. In anticipation of the significant OPEB and pension liability numbers, the City may want to consider designating a portion of the unassigned fund balance of the General Fund over and above the required contributions in an effort to reduce these liabilities.

The City's utility user fees increased an average of 2.5 percent for the fiscal year 2016-2017 budget year. The City continues to see a trend of reduced connection fee sales as the City approaches its eventual build-out. The City has been setting aside funds for future capital replacements. This funding should help to fund future utility capital projects. User fees may need to be adjusted to cover needed improvements to its utility systems.

**Contacting the City's Management**

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.

DRAFT

# City of Brighton, Michigan

## Statement of Net Position
## June 30, 2016

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Assets** | | | | |
| Cash and cash equivalents | $ 2,382,709 | $ 2,013,436 | $ 4,396,145 | $ 126,314 |
| Receivables: | | | | |
| Delinquent taxes | 78,562 | - | 78,562 | 11,922 |
| Customer | 51,850 | 796,740 | 848,590 | - |
| Due from other governmental units | 237,928 | - | 237,928 | - |
| Other | 75,792 | - | 75,792 | - |
| Special assessments | 1,158,833 | - | 1,158,833 | - |
| Inventory | - | 84,129 | 84,129 | - |
| Prepaid expenses | 113,764 | 37,064 | 150,828 | - |
| Capital assets: | | | | |
| Assets not subject to depreciation (Note 5) | 14,186,411 | 198,397 | 14,384,808 | 1,412,260 |
| Assets subject to depreciation (Note 5) | 11,766,248 | 30,180,156 | 41,946,404 | 3,782,318 |
| Other assets | 8,585 | 2,146 | 10,731 | 45,000 |
| Total assets | 30,060,682 | 33,312,068 | 63,372,750 | 5,377,814 |
| **Deferred Outflows of Resources** | | | | |
| Deferred charges on refunding | 304,985 | 30,483 | 335,468 | - |
| Deferred outflows related to pension (Note 9) | 1,762,231 | 430,146 | 2,192,377 | - |
| Total deferred outflows of resources | 2,067,216 | 460,629 | 2,527,845 | - |
| **Liabilities** | | | | |
| Accounts payable | 317,312 | 122,685 | 439,997 | 14,427 |
| Deposits | 446,179 | - | 446,179 | - |
| Accrued liabilities and other | 166,189 | 69,925 | 236,114 | 4,098 |
| Provision for property tax refunds | 42,596 | - | 42,596 | 3,053 |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences (Note 7) | 276,936 | 53,143 | 330,079 | - |
| Current portion of long-term debt (Note 7) | 674,453 | 906,135 | 1,580,588 | 35,611 |
| Due in more than one year: | | | | |
| Compensated absences (Note 7) | 415,405 | 79,715 | 495,120 | - |
| Net retiree healthcare obligation (Note 10) | 2,882,554 | 363,524 | 3,246,078 | - |
| Net pension liability (Note 9) | 7,072,271 | 1,731,189 | 8,803,460 | - |
| Long-term debt (Note 7) | 6,219,860 | 5,393,877 | 11,613,737 | 915,937 |
| Total liabilities | 18,513,755 | 8,720,193 | 27,233,948 | 973,126 |
| **Net Position** | | | | |
| Net investment in capital assets | 19,363,331 | 24,109,024 | 43,472,355 | 4,553,030 |
| Restricted for: | | | | |
| Roads and capital projects | 1,027,444 | - | 1,027,444 | - |
| Cemetery care | 327,659 | - | 327,659 | - |
| Federal/State drug law enforcement | 32,571 | - | 32,571 | - |
| Law enforcement/Public safety | 73,220 | - | 73,220 | - |
| Unrestricted | (7,210,082) | 943,480 | (6,266,602) | (148,342) |
| Total net position | **$ 13,614,143** | **$ 25,052,504** | **$ 38,666,647** | **$ 4,404,688** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

| | | Program Revenue | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Functions/Programs** | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | $ 1,861,586 | $ 394,462 | $ 73,171 | $ - |
| Public safety | 3,160,650 | 173,911 | 17,675 | - |
| Public works | 3,606,873 | 598,394 | 427,992 | 583,725 |
| Community development | 743,270 | 275,466 | - | 76,886 |
| Interest on long-term debt | 253,091 | - | - | - |
| Total governmental activities | 9,625,470 | 1,442,233 | 518,838 | 660,611 |
| Business-type activities - Utility | 4,346,161 | 3,443,717 | 160,501 | 889,892 |
| Total primary government | **$ 13,971,631** | **$ 4,885,950** | **$ 679,339** | **$ 1,550,503** |
| Component units: | | | | |
| Downtown Development Authority | $ 756,539 | $ - | $ - | $ - |
| Local Development Finance Authority | 101,345 | - | - | - |
| Total component units | **$ 857,884** | **$ -** | **$ -** | **$ -** |

General revenue:
- Property taxes
- State-shared revenue - Unrestricted
- Interest
- Other

Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

## Statement of Activities
## Year Ended June 30, 2016

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| $ (1,393,953) | $ - | $ (1,393,953) | $ - |
| (2,969,064) | - | (2,969,064) | - |
| (1,996,762) | - | (1,996,762) | - |
| (390,918) | - | (390,918) | - |
| (253,091) | - | (253,091) | - |
| (7,003,788) | - | (7,003,788) | - |
| - | 147,949 | 147,949 | - |
| (7,003,788) | 147,949 | (6,855,839) | - |
| - | - | - | (756,539) |
| - | - | - | (101,345) |
| - | - | - | (857,884) |
| 5,735,336 | - | 5,735,336 | 918,923 |
| 761,152 | - | 761,152 | 24,221 |
| 111,027 | 12,433 | 123,460 | 1,860 |
| 241,576 | - | 241,576 | 34,267 |
| 6,849,091 | 12,433 | 6,861,524 | 979,271 |
| (154,697) | 160,382 | 5,685 | 121,387 |
| 13,768,840 | 24,892,122 | 38,660,962 | 4,283,301 |
| **$ 13,614,143** | **$ 25,052,504** | **$ 38,666,647** | **$ 4,404,688** |

DRAFT

# Governmental Funds
# Balance Sheet
# June 30, 2016

| | General Fund | Major Streets Fund | Other Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and investments | $ 2,238,454 | $ 38,949 | $ 105,306 | $ 2,382,709 |
| Receivables: | | | | |
| Delinquent taxes | 78,061 | - | 501 | 78,562 |
| Special assessments | 135,340 | 1,023,493 | - | 1,158,833 |
| Customer | 51,850 | - | - | 51,850 |
| Due from other governmental units | 112,394 | 104,273 | 21,261 | 237,928 |
| Other | 75,792 | - | - | 75,792 |
| Prepaids | 113,764 | - | - | 113,764 |
| Other assets | 8,585 | - | - | 8,585 |
| Total assets | **$ 2,814,240** | **$ 1,166,715** | **$ 127,068** | **$ 4,108,023** |
| **Liabilities** | | | | |
| Accounts payable | $ 156,764 | $ 160,532 | $ 16 | $ 317,312 |
| Deposits | 446,179 | - | - | 446,179 |
| Accrued liabilities and other | 106,124 | - | - | 106,124 |
| Provision for property tax refunds | 42,596 | - | - | 42,596 |
| Total liabilities | 751,663 | 160,532 | 16 | 912,211 |
| **Deferred Inflows of Resources** | | | | |
| Unavailable revenue - Property taxes | 78,052 | - | 501 | 78,553 |
| Unavailable revenue - Special assessments | 135,340 | 1,023,493 | - | 1,158,833 |
| Total deferred inflows of resources | 213,392 | 1,023,493 | 501 | 1,237,386 |
| Total liabilities and deferred inflows of resources | 965,055 | 1,184,025 | 517 | 2,149,597 |
| **Fund Balances** | | | | |
| Nonspendable: | | | | |
| Prepaids | 113,764 | - | - | 113,764 |
| Assets held for resale | 8,585 | - | - | 8,585 |
| Cemetery care | 327,659 | - | - | 327,659 |
| Restricted: | | | | |
| Roads | - | - | 21,261 | 21,261 |
| Federal/State drug law enforcement | - | - | 32,571 | 32,571 |
| Law enforcement/Public safety | - | - | 72,719 | 72,719 |
| Committed - Capital improvement and equipment replacement | 108,089 | - | - | 108,089 |
| Assigned: | | | | |
| Street light upgrades | 4,232 | - | - | 4,232 |
| Zoning ordinance updates | 40,584 | - | - | 40,584 |
| Principal shopping district | 10,444 | - | - | 10,444 |
| Arts and cultural commission | 6,475 | - | - | 6,475 |
| Imagination Station | 18,238 | - | - | 18,238 |
| Unassigned | 1,211,115 | (17,310) | - | 1,193,805 |
| Total fund balances | 1,849,185 | (17,310) | 126,551 | 1,958,426 |
| Total liabilities, deferred inflows of resources, and fund balances | **$ 2,814,240** | **$ 1,166,715** | **$ 127,068** | **$ 4,108,023** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

## Governmental Funds
## Reconciliation of the Balance Sheet to the Statement of Net Position
## June 30, 2016

| | | |
|---|---|---|
| **Fund Balance Reported in Governmental Funds** | $ | 1,958,426 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | | 25,952,659 |
| Receivables are expected to be collected over several years and are not available to pay for current year expenditures | | 1,237,386 |
| Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds | | 1,762,231 |
| Deferred charges on bond refundings are amortized over the related bond terms, and are not reported in the funds | | 304,985 |
| Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds | | (6,894,313) |
| Accrued interest is not due and payable in the current period and is not reported in the funds | | (60,065) |
| Employee compensated absences 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 | | (692,341) |
| Net pension liability is not due and payable in the current period and is not reported in the funds | | (7,072,271) |
| Net retiree healthcare obligations are not due and payable in the current period and are not reported in the funds | | (2,882,554) |
| **Net Position of Governmental Activities** | **$** | **13,614,143** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

# City of Brighton, Michigan

## Governmental Funds
## Statement of Revenue, Expenditures, and Changes in Fund Balances
## Year Ended June 30, 2016

| | General Fund | Major Streets Fund | Other Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Property taxes | $ 5,550,918 | $ - | $ 157,302 | $ 5,708,220 |
| Special assessment | 70,581 | 166,619 | - | 237,200 |
| Licenses and permits | 426,907 | 30,129 | 3,850 | 460,886 |
| Federal grants | 1,824 | - | - | 1,824 |
| State sources | 765,287 | 444,043 | 129,281 | 1,338,611 |
| Charges for services | 603,077 | - | - | 603,077 |
| Fines and penalties | 284,792 | - | 13,335 | 298,127 |
| Interest | 37,731 | 72,664 | 632 | 111,027 |
| Other | 330,469 | - | - | 330,469 |
| Total revenue | 8,071,586 | 713,455 | 304,400 | 9,089,441 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 1,713,256 | - | - | 1,713,256 |
| Public safety | 2,761,372 | - | 4,030 | 2,765,402 |
| Public works | 1,875,390 | 604,602 | 198,225 | 2,678,217 |
| Community development | 564,041 | - | - | 564,041 |
| Capital outlay | - | - | 128,998 | 128,998 |
| Debt service | - | 279,899 | 741,113 | 1,021,012 |
| Total expenditures | 6,914,059 | 884,501 | 1,072,366 | 8,870,926 |
| **Excess of Revenue Over (Under) Expenditures** | 1,157,527 | (171,046) | (767,966) | 218,515 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in (Note 6) | - | 117,316 | 824,605 | 941,921 |
| Transfers out (Note 6) | (873,730) | (68,191) | - | (941,921) |
| **Net Change in Fund Balances** | 283,797 | (121,921) | 56,639 | 218,515 |
| **Fund Balances** - Beginning of year | 1,565,388 | 104,611 | 69,912 | 1,739,911 |
| **Fund Balances** - End of year | **$ 1,849,185** | **$ (17,310)** | **$ 126,551** | **$ 1,958,426** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

## Governmental Funds
## Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
## Year Ended June 30, 2016

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | $ | 218,515 |
| 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 | | 453,669 |
| Depreciation expense | | (1,455,435) |
| Capital contributions | | 583,725 |
| Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end | | (212,668) |
| Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds | | 10,275 |
| Increase in net retiree healthcare and pension liabilities reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it comes due for payment | | (655,751) |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | | 766,106 |
| Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment | | 135,052 |
| Decrease in interest expense accrued on long-term debt | | 1,815 |
| **Change in Net Position of Governmental Activities** | **$** | **(154,697)** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

# City of Brighton, Michigan

## Proprietary Funds
## Statement of Net Position
## June 30, 2016

| | Enterprise - Utility Fund |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents | $ 2,013,436 |
| Receivables - Customer | 796,740 |
| Inventories | 84,129 |
| Prepaid expenses | 37,064 |
| Total current assets | 2,931,369 |
| Noncurrent assets: | |
| Capital assets - Net (Note 5) | 30,378,553 |
| Other assets | 2,146 |
| Total noncurrent assets | 30,380,699 |
| Total assets | 33,312,068 |
| **Deferred Outflows of Resources** | |
| Deferred charges on refunding | 30,483 |
| Deferred outflows related to pension (Note 9) | 430,146 |
| Total deferred outflows | 460,629 |
| **Liabilities** | |
| Current liabilities: | |
| Accounts payable | 122,685 |
| Accrued liabilities and other | 69,925 |
| Compensated absences (Note 7) | 53,143 |
| Current portion of long-term debt (Note 7) | 906,135 |
| Net current liabilities | 1,151,888 |
| Noncurrent liabilities: | |
| Compensated absences (Note 7) | 79,715 |
| Net pension liability (Note 9) | 1,731,189 |
| Net retiree healthcare obligations (Note 10) | 363,524 |
| Long-term debt (Note 7) | 5,393,877 |
| Total noncurrent liabilities | 7,568,305 |
| Total liabilities | 8,720,193 |
| **Net Position** | |
| Net investment in capital assets | 24,109,024 |
| Unrestricted | 943,480 |
| Total net position | **$ 25,052,504** |

The Notes to Financial Statements are an Integral Part of this Statement.



DRAFT

# City of Brighton, Michigan

## Proprietary Funds
## Statement of Revenue, Expenses, and Changes in Net Position
## Year Ended June 30, 2016

| | Enterprise - Utility Fund |
|---|---|
| **Operating Revenue** | |
| Sales | $ 2,466,108 |
| Tap charges and other | 326,794 |
| Penalties | 47,594 |
| Total operating revenue | 2,840,496 |
| **Operating Expenses** | |
| Salaries and fringe benefits | 1,567,067 |
| Other purchased services | 206,399 |
| Purchased property services | 69,622 |
| Professional and technical services | 187,477 |
| Supplies | 211,357 |
| Property | 31,949 |
| Utilities | 264,356 |
| Other | 105,765 |
| Amortization | 2,377 |
| Depreciation | 1,519,535 |
| Total operating expenses | 4,165,904 |
| **Operating Loss** | (1,325,408) |
| **Nonoperating Revenue (Expense)** | |
| Investment income | 12,433 |
| Interest expense | (180,257) |
| Debt service charge | 603,221 |
| State grants | 160,501 |
| Total nonoperating revenue | 595,898 |
| **Loss** - Before contributions | (729,510) |
| **Capital Contributions** | 889,892 |
| **Change in Net Position** | 160,382 |
| **Net Position** - Beginning of year | 24,892,122 |
| **Net Position** - End of year | **$ 25,052,504** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

# City of Brighton, Michigan

## Proprietary Funds
## Statement of Cash Flows
## Year Ended June 30, 2016

| | Enterprise - Utility Fund |
|---|---|
| **Cash Flows from Operating Activities** | |
| Receipts from customers | $ 2,757,887 |
| Payments to suppliers | (1,107,317) |
| Payments to employees | (1,365,329) |
| Net cash provided by operating activities | 285,241 |
| **Cash Flows from Noncapital Financing Activities** | |
| State operating grants | 160,501 |
| Repayments of advances made to other funds | 245,177 |
| Net cash provided by noncapital financing activities | 405,678 |
| **Cash Flows from Capital and Related Financing Activities** | |
| Contributions received | 889,892 |
| Acquisition and construction of capital assets | (672,685) |
| Principal and interest paid on debt | (1,189,300) |
| Debt service charge | 603,221 |
| Net cash used in capital and related financing activities | (368,872) |
| **Cash Flows from Investing Activities** - Interest received on investments | 12,433 |
| **Net Increase in Cash and Cash Equivalents** | 334,480 |
| **Cash and Cash Equivalents** - Beginning of year | 1,678,956 |
| **Cash and Cash Equivalents** - End of year | **$ 2,013,436** |
| **Reconciliation of Operating Loss to Net Cash from Operating Activities** | |
| Operating loss | $ (1,325,408) |
| Adjustments to reconcile operating loss to net cash from operating activities: | |
| Depreciation and amortization | 1,521,912 |
| Changes in assets and liabilities: | |
| Accounts receivable | (82,609) |
| Inventories | 21,819 |
| Prepaid and other assets | (34,687) |
| Accounts payable | 29,675 |
| Accrued and other liabilities | 154,539 |
| Net cash provided by operating activities | **$ 285,241** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

# City of Brighton, Michigan

## Fiduciary Funds
## Statement of Assets and Liabilities
## June 30, 2016

| | Agency Fund - Tax Collection |
|---|---|
| **Assets** - Cash and cash equivalents | **$ 2,348** |
| **Liabilities** - Accounts payable | **$ 2,348** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

## Component Units
## Statement of Net Position (Deficit)
## June 30, 2016

| | Downtown Development Authority | Local Development Finance Authority | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and investments | $ 103,843 | $ 22,471 | $ 126,314 |
| Receivables - Delinquent taxes | 11,922 | - | 11,922 |
| Capital assets - Net (Note 5) | 5,194,578 | - | 5,194,578 |
| Other assets | 45,000 | - | 45,000 |
| Total assets | 5,355,343 | 22,471 | 5,377,814 |
| **Liabilities** | | | |
| Accounts payable | 14,427 | - | 14,427 |
| Accrued liabilities and other | - | 4,098 | 4,098 |
| Provision for property tax refunds | 3,053 | - | 3,053 |
| Noncurrent liabilities: | - | - | - |
| Due within one year - Current portion of long-term debt (Note 7) | 611 | 35,000 | 35,611 |
| Due in more than one year - Long-term debt (Note 7) | 640,937 | 275,000 | 915,937 |
| Total liabilities | 659,028 | 314,098 | 973,126 |
| **Net Position (Deficit)** | | | |
| Net investment in capital assets | 4,553,030 | - | 4,553,030 |
| Unrestricted deficit | 143,285 | (291,627) | (148,342) |
| Total net position (deficit) | **$ 4,696,315** | **$ (291,627)** | **$ 4,404,688** |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

| | Expenses | Program Revenue: Operating Grants and Contributions | Program Revenue: Capital Grants and Contributions |
|---|---|---|---|
| Downtown Development Authority | $ 756,539 | $ - | $ - |
| Local Development Finance Authority | 101,345 | - | - |
| Total government activities | **$ 857,884** | **$ -** | **$ -** |
| General revenue: | | | |
| Property taxes | | | |
| State-shared revenue | | | |
| Interest income | | | |
| Other | | | |
| Total general revenue | | | |
| **Change in Net Position** | | | |
| **Net Position (Deficit)** - Beginning of year | | | |
| **Net Position (Deficit)** - End of year | | | |

DRAFT

The Notes to Financial Statements are an Integral Part of this Statement.

## Component Units
## Statement of Activities
## Year Ended June 30, 2016

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| Downtown Development Authority | Local Development Finance Authority | Total |
| $ (756,539) | $ - | $ (756,539) |
| - | (101,345) | (101,345) |
| (756,539) | (101,345) | (857,884) |
| 775,040 | 143,883 | 918,923 |
| 18,889 | 5,332 | 24,221 |
| 1,357 | 503 | 1,860 |
| 34,267 | - | 34,267 |
| 829,553 | 149,718 | 979,271 |
| 73,014 | 48,373 | 121,387 |
| 4,623,301 | (340,000) | 4,283,301 |
| **$ 4,696,315** | **$ (291,627)** | **$ 4,404,688** |

DRAFT

## Note 1 - Summary of Significant Accounting Policies

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

### Reporting Entity

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

### Discretely Presented Component Units

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

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

### Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

DRAFT

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

### 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.

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 City has spent its resources.

DRAFT

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

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.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are 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 revenues were used. The various funds are aggregated into three broad fund types:

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

- **General Fund** - The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- **Major Streets Fund** - The Major Streets Fund is used to account for the resources of state gas and weight tax revenues that are restricted for use on major streets. The funds are operated under the provisions of Michigan's Act 41 of the Public Acts of 1951, as amended.

**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:

DRAFT

## Note 1 – Summary of Significant Accounting Policies (Continued)

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

**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:

- **Agency Fund** - 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.

Further, 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 one year or less when acquired. Investments are stated at fair value. Pooled investment income from various funds is generally allocated to each fund using a weighted average method.

DRAFT

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

**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 fair market value at the date of donation.

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

| Capital Asset Class | Lives (Years) |
|---|---|
| Roads and sidewalks | 15-20 |
| Water and sewer transmission lines | 40-50 |
| Retention/Equalization basin | 40-50 |
| Building/Treatment facilities | 40-50 |
| Buildings and improvements | 40-50 |
| Machinery 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 General Fund, the Utilities Fund, and debt service funds are generally used to liquidate long-term debt.

DRAFT

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

### 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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charges on refunding and the deferred outflows of resources related to the defined benefit pension plan. A deferred charge on refunding is reported in the government-wide statement of net position and the Utility Fund and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Utility Fund. The deferred outflows of resources result from four transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end, the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, the variance between projected and actual experience, and changes in assumptions related to economic and demographic factors.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, which is the deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### Net Position Flow Assumption

Sometimes the City will 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.

DRAFT

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

### Fund Balance Flow Assumption

Sometimes the City will 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. Further, 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 Council 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.

### Property Tax Revenue

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

DRAFT

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

The City's 2015 tax is levied and collectible on July 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the City totaled approximately $417,867,000 (a portion of which is captured by the LDFA and DDA), on which taxes levied consisted of 15.2734 mills for operating purposes and 0.38 mills for public safety. This resulted in $6,287,252 for operating purposes (a portion of which is captured by the LDFA and DDA) and $156,426 for public safety. These amounts (less what is captured in the LDFA and DDA) are recognized in the General Fund and Public Safety/Law Enforcement Fund, respectively, as tax revenue (net of delinquent taxes and other fees).

**Pension and Other Postemployment Benefit Costs** - 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 purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

The City also offers retiree healthcare benefits to retirees. The City has elected to calculate the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**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. All vacation pay is accrued when incurred 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. All other accrued compensated absences are reported in the government-wide financial statements; generally the funds that report each employee's compensation (the General Fund and Utilities Fund, primarily) are used to liquidate the obligation.

DRAFT

## Note 1 - Summary of 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 revenues of the Utility Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

**New Accounting Standard** - As of June 30, 2016, the City prospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

## 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 surplus or shortfall generated since January 1, 2000 is as follows:

| | | |
|---|---|---|
| Shortfall at July 1, 2015 | | $ (1,244,629) |
| Current year permit revenue | | 225,397 |
| Related expenses: | | |
| Direct costs | $ 293,538 | |
| Estimated indirect costs | 22,015 | 315,553 |
| Current year shortfall | | (90,156) |
| Cumulative shortfall at June 30, 2016 | | $ (1,334,785) |

DRAFT

## Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has designated 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 $2,551,205 of bank deposits (certificates of deposit, 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 $1,894,192. 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.

The component units do not have a deposit policy for custodial credit risk. The total amount of bank deposits (certificates of deposit and checking and savings account) that were insured and collateralized at year end was $126,315. The component units evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

DRAFT

## Note 4 - Fair Value Measurement

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

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's investments meet the criteria to the valued at cost.

## Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

| Governmental Activities | Balance July 1, 2015 | Additions | Disposals | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land - Including right-of-ways | $ 13,530,821 | $ - | $ - | $ 13,530,821 |
| Construction in progress | - | 655,590 | - | 655,590 |
| Subtotal | 13,530,821 | 655,590 | - | 14,186,411 |
| Capital assets being depreciated: | | | | |
| Roads and sidewalks | 27,349,196 | 245,308 | - | 27,594,504 |
| Buildings and improvements | 6,875,765 | 17,011 | - | 6,892,776 |
| Equipment and other | 3,116,344 | 119,485 | (169,683) | 3,066,146 |
| Subtotal | 37,341,305 | 381,804 | (169,683) | 37,553,426 |
| Accumulated depreciation: | | | | |
| Roads and sidewalks | 18,960,067 | 1,078,393 | - | 20,038,460 |
| Buildings and improvements | 3,013,620 | 181,414 | - | 3,195,034 |
| Equipment and other | 2,527,739 | 195,628 | (169,683) | 2,553,684 |
| Subtotal | 24,501,426 | 1,455,435 | (169,683) | 25,787,178 |
| Net capital assets being depreciated | 12,839,879 | (1,073,631) | - | 11,766,248 |
| Net capital assets | $ 26,370,700 | $ (418,041) | $ - | $ 25,952,659 |

DRAFT

## Note 5 - Capital Assets (Continued)

| Business-type Activities | Balance July 1, 2015 | Additions | Disposals | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 157,362 | $ - | $ - | $ 157,362 |
| Construction in progress | - | 41,035 | - | 41,035 |
| Subtotal | 157,362 | 41,035 | - | 198,397 |
| Capital assets being depreciated: | | | | |
| Water and sewer transmission lines | 25,770,691 | 487,402 | - | 26,258,093 |
| Retention/Equalization basin | 4,126,587 | - | - | 4,126,587 |
| Building/Treatment facilities | 30,044,242 | 105,877 | - | 30,150,119 |
| Machinery and equipment | 1,263,129 | 38,371 | - | 1,301,500 |
| Subtotal | 61,204,649 | 631,650 | - | 61,836,299 |
| Accumulated depreciation: | | | | |
| Water and sewer transmission lines | 11,999,606 | 607,657 | - | 12,607,263 |
| Retention/Equalization basin | 1,342,237 | 105,118 | - | 1,447,355 |
| Building/Treatment facilities | 15,778,618 | 737,187 | - | 16,515,805 |
| Machinery and equipment | 1,016,147 | 69,573 | - | 1,085,720 |
| Subtotal | 30,136,608 | 1,519,535 | - | 31,656,143 |
| Net capital assets being depreciated | 31,068,041 | (887,885) | - | 30,180,156 |
| Net capital assets | $ 31,225,403 | $ (846,850) | $ - | $ 30,378,553 |

| Component Units | Balance July 1, 2015 | Reclassifications | Additions | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 1,412,260 | $ - | $ - | $ 1,412,260 |
| Construction in progress | 301,020 | (301,020) | - | - |
| Subtotal | 1,713,280 | (301,020) | - | 1,412,260 |
| Capital assets being depreciated: | | | | |
| Buildings | 4,018,053 | 301,020 | 115,134 | 4,434,207 |
| Equipment and other | 3,576,889 | - | - | 3,576,889 |
| Subtotal | 7,594,942 | 301,020 | 115,134 | 8,011,096 |
| Accumulated depreciation: | | | | |
| Buildings | 3,835,509 | - | 352,526 | 4,188,035 |
| Equipment and other | 39,310 | - | 1,433 | 40,743 |
| Subtotal | 3,874,819 | - | 353,959 | 4,228,778 |
| Net capital assets being depreciated | 3,720,123 | 301,020 | (238,825) | 3,782,318 |
| Net capital assets | $ 5,433,403 | $ - | $ (238,825) | $ 5,194,578 |

DRAFT

## Note 5 - Capital Assets (Continued)

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 64,175 |
| Public safety | 113,895 |
| Public services | 1,276,287 |
| Community development | 1,078 |
| Total governmental activities | $ 1,455,435 |
| Business-type activities - Utilities Fund | $ 1,519,535 |
| Component Unit activities - Downtown Development Authority | $ 353,959 |

## Note 6 - Interfund Receivables, Payables, and Transfers

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

| Fund Providing Resources | Fund Receiving Resources | Amount |
|---|---|---|
| General Fund | Capital Improvement Fund | $ 247,688 |
| | Building Authority Fund | 126,911 |
| | Street Non-voted Debt Fund | 381,815 |
| | Major Streets Fund | 117,316 |
| | Total General Fund | 873,730 |
| Major Streets Fund | Local Streets Fund | 68,191 |
| | Total | $ 941,921 |

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

DRAFT

## Note 7 - Long-term Debt

| Description | Amount |
|---|---|
| **Governmental Activities** | |
| Capital Improvement Bonds General Obligation: | |
| Limited Tax, 4.00% to 5.00%, dated September 1, 2007; maturing October 2031; Original issuance amount - $2,285,000 for Various Street and Utility Projects | $ 1,256,250 |
| Limited Tax, 3.00%, dated February 28, 2013; maturing in October 2026; Original issuance amount - $4,777,600 for refunding bonds, refunding premium $342,149 | 4,316,109 |
| Subtotal | 5,572,359 |
| Special Assessment Bonds: | |
| Limited Tax Bond, 4.70% to 5.00%, dated May 29, 2002; maturing in October 2021; Original issuance amount - $3,570,000 for Challis Road and Cross Street Improvements | 1,200,000 |
| Limited Tax General Obligation Bond, 5.0% to 5.50%, dated June 11, 2009; maturing October 2023; Original issuance amount - $185,000 for Orndorf Drive Road Improvements | 115,000 |
| Subtotal | 1,315,000 |
| Other: | |
| Capital Lease - Other | 6,954 |
| Compensated absences | 692,341 |
| Subtotal | 699,295 |
| Total governmental activity debt | $ 7,586,654 |

DRAFT

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

| Description | Amount |
|---|---|
| **Business-type Activities** | |
| Capital Improvement Bonds General Obligation: | |
| Limited Tax, 4.00% to 5.00%, dated September 1, 2007; maturing October 2031; Original issuance amount - $2,285,000 for Various Street and Utility Projects | $ 618,750 |
| Limited Tax, 4.75% to 5.75%, dated June 22, 2010; maturing October 2030; Original issuance amount - $630,000 for the Third Street Pump Project | 560,000 |
| Limited Tax, 3.00%, dated February 28, 2013; maturing in October 2026; Original issuance amount - $292,400 for refunding bonds, refunding premium $21,067 | 280,250 |
| Subtotal | 1,459,000 |
| Contract Payable: | |
| Livingston County Water Supply System, 6.0%, dated December 1, 1997; maturing December 2016; Original issuance amount - $344,000 for Extension of City Water to Genoa Township | 17,200 |
| Limited Tax, 1.25%, dated May 29, 2013; maturing in September 2021; Original issuance amount - $830,000 for refunding bonds | 445,000 |
| Subtotal | 462,200 |
| Other: | |
| 2004 Drinking Water Revolving Funds, 2.125%, dated March 25, 2004; maturing October 2023; Original issuance amount - $1,520,000 for Rehabilitation of the Pierce Street Water Facility | 674,294 |
| Michigan Municipal Bond Authority - Wastewater, Plant Expansion Refunding Bonds, 3.0%, dated March 29, 2012; maturing November 2020; Original issuance amount - $5,785,000, Refunding premium - $204,601 for refunding Wastewater, Plant Expansion Revenue Bonds dated March 29, 2001 | 3,492,301 |
| Installment loan - equipment, 2.50%; Original issuance amount - $247,586 | 212,217 |
| Compensated absences | 132,858 |
| Subtotal | 4,511,670 |
| Total business-type activity debt | $ 6,432,870 |

| Description | Amount |
|---|---|
| **Component Units Activities** | |
| General Obligations: | |
| 2004 Local Development Bonds General Obligation Limited Tax, 5.0% to 5.45%, dated May 29, 2002; Original issuance amount - $570,000 for Orndorf Drive Improvements | $ 310,000 |
| Contract Payable: | |
| Downtown Development Authority Contract Payable, 5.25%, dated September 2011; Original issuance amount - $412,500 for Purchase of 121 West North Street Property Purchase | 327,448 |
| Downtown Development Authority Contract Payable, 6.00%, dated April 2015; Original issuance amount - $349,000 for Purchase of 212 East Grand River Property | 314,100 |
| Subtotal | 641,548 |
| Total component unit activity debt | $ 951,548 |

DRAFT

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

Long-term debt activity can be summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| General obligation bonds and notes payable | $ 5,884,510 | $ - | $ (556,106) | $ 5,328,404 | $ 441,643 |
| Unamortized bond premium | 273,719 | - | (22,810) | 250,909 | 22,810 |
| Special assessment bonds | 1,525,000 | - | (210,000) | 1,315,000 | 210,000 |
| Compensated absences | 827,393 | 321,825 | (456,877) | 692,341 | 276,936 |
| Total governmental activities | $ 8,510,622 | $ 321,825 | $ (1,245,793) | $ 7,586,654 | $ 951,389 |

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities** | | | | | |
| General obligation bonds and notes payable | $ 7,163,331 | $ - | $ (981,069) | $ 6,182,262 | $ 884,270 |
| Unamortized bond premium | 139,614 | - | (21,864) | 117,750 | 21,865 |
| Compensated absences | 162,472 | 77,929 | (107,543) | 132,858 | 53,143 |
| Total business-type activities | $ 7,465,417 | $ 77,929 | $ (1,110,476) | $ 6,432,870 | $ 959,278 |

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Component Unit Activities** | | | | | |
| General obligation bonds and notes payable | $ 982,107 | $ - | $ (30,559) | $ 951,548 | $ 35,611 |

### Debt Service Requirements

The annual requirements to service all debt outstanding of the City and component units as of June 30, 2016 (excluding employee benefits and premiums), including both principal and interest, are as follows:

| Years Ending | Governmental Activities | | | Business-type Activities | | | Component Unit Activities | | |
|---|---|---|---|---|---|---|---|---|---|
| June 30 | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2017 | $ 651,643 | $ 227,380 | $ 879,023 | $ 884,270 | $ 179,995 | $ 1,064,265 | $ 35,611 | $ 63,790 | $ 99,401 |
| 2018 | 663,111 | 202,791 | 865,902 | 950,870 | 153,079 | 1,103,949 | 35,669 | 61,938 | 97,607 |
| 2019 | 727,000 | 176,850 | 903,850 | 978,370 | 125,622 | 1,103,992 | 35,731 | 60,065 | 95,796 |
| 2020 | 677,000 | 151,145 | 828,145 | 1,003,370 | 97,593 | 1,100,963 | 35,800 | 58,167 | 93,967 |
| 2021 | 649,500 | 126,474 | 775,974 | 1,030,870 | 68,680 | 1,099,550 | 364,638 | 39,100 | 403,738 |
| 2022-2026 | 2,557,150 | 340,639 | 2,897,789 | 797,512 | 194,479 | 991,991 | 444,099 | 83,366 | 527,465 |
| 2027-2031 | 617,500 | 75,944 | 693,444 | 487,500 | 72,156 | 559,656 | - | - | - |
| 2032-2036 | 100,500 | 2,161 | 102,661 | 49,500 | 1,064 | 50,564 | - | - | - |
| Total | $ 6,643,404 | $ 1,303,384 | $ 7,946,788 | $ 6,182,262 | $ 892,668 | $ 7,074,930 | $ 951,548 | $ 366,426 | $ 1,317,974 |

DRAFT

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

**Description of Long-term Debt**

**Primary Government** - The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the government. 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 district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

## 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 four 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 - Agent Defined Benefit Pension Plan Description

**Plan Description** - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), that covers all employees of the City of Brighton. 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.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Benefits Provided** - The Plan provides certain 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.

DRAFT

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

The MERS plan covers all employees of the City, with the exception of the City Manager.

Retirement benefits for general employees 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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty 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. 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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty 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 employees final average compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for DPW Local 2014 (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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty 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.

DRAFT

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

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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty 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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty 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). Vesting period is 10 years. Employees are eligible for non-duty 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 non-duty 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.

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

DRAFT

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

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

**Employees Covered by Benefit Terms** - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 31 |
| Inactive plan members entitled to but not yet receiving benefits | 11 |
| Active plan members | 50 |
| Total employees covered by MERS | 92 |

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2016, the City's average contribution rate was 15.88 percent of annual payroll. The active employee contribution rate was 5.0 percent of annual pay for all general, police and fire, clerical union, DPW, and general non-union administrative employees.

**Net Pension Liability**

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

DRAFT

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

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

| | Increase (Decrease) | | |
|---|---|---|---|
| Changes in Net Pension Liability | Total Pension Liability | Plan Net Position | Net Pension Liability |
| **Balance at December 31, 2014** | $ 18,781,315 | $ 12,357,097 | $ 6,424,218 |
| Service cost | 394,320 | - | 394,320 |
| Interest | 1,535,088 | - | 1,535,088 |
| Changes in benefits | (25,056) | | (25,056) |
| Differences between expected and actual experience | 76,212 | | 76,212 |
| Changes in assumptions | 926,128 | | 926,128 |
| Contributions - Employer | - | 583,850 | (583,850) |
| Contributions - Employee | - | 170,541 | (170,541) |
| Net investment income | - | (199,183) | 199,183 |
| Benefit payments, including refunds | (742,672) | (742,672) | - |
| Administrative expenses | - | (27,758) | 27,758 |
| Net changes | 2,164,020 | (215,222) | 2,379,242 |
| **Balance at December 31, 2015** | $ 20,945,335 | $ 12,141,875 | $ 8,803,460 |

Included in the net pension liability is $7,072,271 related to governmental activities and $1,731,189 related to business-type activities. Typically, the General Fund or the Utility Fund, based on whichever fund an employee is assigned to and to which the employee's pension costs are charged, will be the fund to liquidate the net pension liability.

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

For the year ended June 30, 2016, the City recognized pension expense of $1,224,948, of which $984,815 is related to governmental activities and $240,133 is related to business-type activities. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

DRAFT

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

| | Deferred Outflows of Resources |
|---|---|
| Difference between expected and actual experience | $ 60,970 |
| Changes in assumptions | 740,902 |
| Net difference between projected and actual earnings on pension plan investments | 1,088,723 |
| Employer contributions to the plan subsequent to the measurement date | 301,782 |
| Total | $ 2,192,377 |

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date ($301,782), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

| Years Ending June 30 | Amount |
|---|---|
| 2017 | $ 482,177 |
| 2018 | 482,177 |
| 2019 | 482,177 |
| 2020 | 444,064 |

**Actuarial Assumptions** - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|---|---|---|
| Inflation | 2.50 % | |
| Salary increases | 3.75 % | In the long term |
| Investment rate of return | 7.75 % | Net of pension plan investment expense, including inflation |

Mortality rates were based on a blend of the RP-2014 Health Annuitant Mortality Table, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

DRAFT

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009 through December 31, 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 assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

**Projected Cash Flows**

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.

The long-term expected rate of return on pension plan investments was determined using a model 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

| Asset Class | Target Allocation (%) | Long-term Expected Real Rate of Return |
|---|---|---|
| Global equity | 58 % | 6.0 % |
| Global fixed income | 20 % | 3.2 % |
| Real assets | 12 % | 5.2 % |
| Diversifying strategies | 10 % | 7.5 % |

DRAFT

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

**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% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| Net pension liability of the City | $ 11,557,189 | $ 8,803,460 | $ 6,495,350 |

**Pension Plan Fiduciary Net Position** - Detailed information about the Plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the Plan's fiduciary net position and addition to/deduction from 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.

## Note 10 - Other Postemployment Benefits

**Plan Description** - The City provides retiree healthcare benefits to eligible employees and their spouses. The City provides postemployment health benefits to all full-time employees upon retirement in accordance with City policy. Currently, the plan has 63 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. This is an agent multiple-employer plan adminstered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan). MERS issues a publicly available financial report which includes an other postemployment benefits fund. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

DRAFT

## Note 10 - Other Postemployment Benefits (Continued)

**Funding Policy** - Both the clerical and the DPS collective bargaining agreements require the City to pay or contribute toward the premium costs for continuation of health insurance for 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 has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). For the fiscal year ended June 30, 2016, the City made payments for postemployment health benefit premiums totaling approximately $283,000, of which $228,000 was paid from the governmental funds and $55,000 was paid from the Utility Fund.

**Funding Progress** - For the year ended June 30, 2016, the City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

| | |
|---|---|
| Annual required contribution (recommended) | $ 639,057 |
| Interest on the prior year's net OPEB obligation | 159,062 |
| Less adjustment to the annual required contribution | (161,618) |
| Annual OPEB cost | 636,501 |
| Amounts contributed - Payments of current premiums | (283,102) |
| Advance funding | (137,072) |
| Increase in net OPEB obligation | 216,327 |
| OPEB obligation - Beginning of year | 3,029,751 |
| OPEB obligation - End of year* | $ 3,246,078 |

DRAFT

## Note 10 - Other Postemployment Benefits (Continued)

* Included in the net OPEB obligation is $2,882,554 related to governmental activities and $363,524 related to business-type activities. Typically, the General Fund or the Utility Fund, based on whichever fund an employee is assigned and to which the employee's healthcare costs are charged, will be the fund to liquidate the net OPEB obligation.

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and preceding three years were as follows:

| Fiscal Year Ended | Actuarial Valuation Date | Annual OPEB Costs | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 6/30/14 | 6/30/14 | $ 754,345 | 48.9 | $ 2,698,254 |
| 6/30/15 | 6/30/14 | 753,321 | 56.0 | 3,029,751 |
| 6/30/16 | 6/30/16 | 636,501 | 66.0 | 3,246,078 |

The funding progress of the plan is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/12 | $ 598,465 | $ 8,569,005 | $ 7,970,540 | 7.0 | $ 3,495,889 | 228.0 |
| 6/30/14 | 1,001,825 | 7,312,117 | 6,310,292 | 13.7 | 3,821,461 | 165.1 |
| 6/30/16 | 1,311,527 | 7,363,458 | 6,051,931 | 17.8 | 2,292,063 | 264.0 |

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

DRAFT

## Note 10 - Other Postemployment Benefits (Continued)

The following simplifying assumptions were made:

**Retirement Age for Active Employees** - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60 or at the first subsequent year in which the member would qualify for benefits.

**Marital Status** - Marital status of members at the calculation date was assumed to continue throughout retirement.

**Mortality** - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2002 United States Life Tables for Males and for Females were used.

**Turnover** - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

**Healthcare Cost Trend Rate** - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.34 percent initially, increased to an ultimate rate of 5.59 percent after six years, was used.

**Health Insurance Premiums** - 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

**Inflation Rate** - The expected long-term inflation assumption of 3.5 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

**Payroll Growth Rate** - The expected long-term payroll growth rate was assumed to be 2.0 percent.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5.25 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 30 years.

DRAFT

## Note 11 - Commitments

The Downtown Development Authority has committed approximately $268,000 to the Major Streets Fund to assist in the re-construction of Brighton Interior Drive. The funds are expected to be paid to the Major Streets Fund over the next two years.

## Note 12 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to the retiree healthcare benefits provided by the City. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). 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, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statement information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

DRAFT

# Required Supplemental Information

DRAFT

## Required Supplemental Information
## Budgetary Comparison Schedule - General Fund
## Year Ended June 30, 2016

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---|---|---|---|
| **Revenue** | | | | |
| Property taxes | $ 5,588,941 | $ 5,568,941 | $ 5,550,918 | $ (18,023) |
| Licenses and permits | 353,600 | 415,600 | 426,907 | 11,307 |
| Federal grants | 10,000 | - | 1,824 | 1,824 |
| State-shared revenue and grants | 652,930 | 749,816 | 763,287 | 13,471 |
| Charges for services | 607,003 | 607,003 | 603,077 | (3,926) |
| Fines and penalties | 274,012 | 274,012 | 284,792 | 10,780 |
| Interest | 28,610 | 28,610 | 36,964 | 8,354 |
| Other financing sources | 258,220 | 270,120 | 269,450 | (670) |
| Other revenue | 261,650 | 286,650 | 293,280 | 6,630 |
| Total revenue | 8,034,966 | 8,200,752 | 8,230,499 | 29,747 |
| **Expenditures** - Current | | | | |
| General government: | | | | |
| City council | 27,504 | 28,680 | 24,717 | 3,963 |
| City manager | 104,719 | 103,543 | 80,827 | 22,716 |
| Information systems | 95,469 | 95,469 | 85,556 | 9,913 |
| Finance | 622,653 | 644,324 | 643,878 | 446 |
| City clerk | 153,520 | 174,670 | 174,587 | 83 |
| Legal services | 271,318 | 221,318 | 182,879 | 38,439 |
| Human resources | 136,284 | 160,284 | 160,275 | 9 |
| Postemployment benefits | 274,335 | 294,335 | 278,033 | 16,302 |
| Contingencies | 125,000 | - | - | - |
| Total general government | 1,810,802 | 1,722,623 | 1,630,752 | 91,871 |
| Public safety - Police | 2,556,657 | 2,641,366 | 2,625,041 | 16,325 |
| Public works | 1,780,650 | 1,929,391 | 1,837,442 | 91,949 |
| Community development | 632,486 | 595,484 | 506,715 | 88,769 |
| Transfers out | 1,158,930 | 1,337,289 | 1,328,343 | 8,946 |
| Total expenditures | 7,939,525 | 8,226,153 | 7,928,293 | 297,860 |
| **Net Change in Fund Balance** | 95,441 | (25,401) | 302,206 | 327,607 |
| **Fund Balance** - Beginning of year | 1,510,322 | 1,510,322 | 1,510,322 | - |
| **Fund Balance** - End of year | **$ 1,605,763** | **$ 1,484,921** | **$ 1,812,528** | **$ 327,607** |

DRAFT

## Required Supplemental Information
## Budgetary Comparison Schedule - Major Special Revenue Funds
## Major Streets Fund
## Year Ended June 30, 2016

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---|---|---|---|
| **Revenue** | | | | |
| Special assessments | $ 181,471 | $ 181,471 | $ 166,619 | $ (14,852) |
| Licenses and permits | 25,000 | 25,000 | 30,129 | 5,129 |
| State-shared revenue and grants | 986,026 | 801,026 | 444,043 | (356,983) |
| Interest | 67,919 | 67,919 | 72,664 | 4,745 |
| Other financing sources | 1,437,166 | 137,316 | 137,316 | - |
| Total revenue | 2,697,582 | 1,212,732 | 850,771 | (361,961) |
| **Expenditures** - Current | | | | |
| Street construction | 1,994,257 | 376,356 | 229,478 | 146,878 |
| Routine maintenance | 101,394 | 158,809 | 153,640 | 5,169 |
| Winter maintenance | 134,478 | 142,478 | 137,185 | 5,293 |
| Traffic services | 54,257 | 54,257 | 57,004 | (2,747) |
| General administration | 53,373 | 53,373 | 8,369 | 45,004 |
| Storm water | 21,550 | 37,550 | 38,926 | (1,376) |
| Transfers out | 77,928 | 77,928 | 68,191 | 9,737 |
| Debt service | 279,899 | 279,899 | 279,899 | - |
| Total expenditures | 2,717,136 | 1,180,650 | 972,692 | 207,958 |
| **Net Change in Fund Balance** | (19,554) | 32,082 | (121,921) | (154,003) |
| **Fund Balance** - Beginning of year | 104,611 | 104,611 | 104,611 | - |
| **Fund Balance** - End of year | **$ 85,057** | **$ 136,693** | **$ (17,310)** | **$ (154,003)** |

DRAFT

## Required Supplemental Information
## Schedule of Changes in the City Net Pension Liability and Related Ratios
## Last Ten Fiscal Years

| | 2016 | 2015 |
|---|---|---|
| **Total Pension Liability** | | |
| Service cost | $ 394,320 | $ 405,232 |
| Interest | 1,535,088 | 1,438,814 |
| Changes in benefit terms | (25,056) | - |
| Differences between expected and actual experience | 76,212 | - |
| Changes in assumptions | 926,128 | - |
| Benefit payments, including refunds | (742,672) | (600,570) |
| **Net Change in Total Pension Liability** | 2,164,020 | 1,243,476 |
| **Total Pension Liability** - Beginning of year | 18,781,315 | 17,537,839 |
| **Total Pension Liability** - End of year | **$ 20,945,335** | **$ 18,781,315** |
| **Plan Fiduciary Net Position** | | |
| Contributions - Employer | $ 583,850 | $ 556,493 |
| Contributions - Member | 170,541 | 133,499 |
| Net investment income | (199,183) | 736,585 |
| Administrative expenses | (27,758) | (27,151) |
| Benefit payments, including refunds | (742,672) | (600,570) |
| Other | - | - |
| **Net Change in Plan Fiduciary Net Position** | (215,222) | 798,856 |
| **Plan Fiduciary Net Position** - Beginning of year | 12,357,097 | 11,558,241 |
| **Plan Fiduciary Net Position** - End of year | **$ 12,141,875** | **$ 12,357,097** |
| **City's Net Pension Liability** - Ending | **$ 8,803,460** | **$ 6,424,218** |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 57.97 % | 65.79 % |
| **Covered Employee Payroll** | $ 3,533,771 | $ 3,572,072 |
| **City's Net Pension Liability as a Percentage of Covered Employee Payroll** | 249.1 % | 179.8 % |

DRAFT

## Required Supplemental Information
## Schedule of City Contributions
## Last Ten Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 606,733 | $ 731,484 | $ 664,441 | $ 634,445 | $ 588,055 | $ 608,252 | $ 511,262 | $ 499,699 | $ 543,068 | $ 465,835 |
| Contributions in relation to the actuarially determined contribution | 606,733 | 731,484 | 664,441 | 634,445 | 588,055 | 608,252 | 511,262 | 499,699 | 543,068 | 465,835 |
| Contribution deficiency | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered employee payroll | $ 3,533,771 | $ 3,572,072 | $ 3,361,410 | $ 3,391,420 | $ 3,248,929 | $ 3,389,919 | $ 3,654,991 | $ 3,688,786 | $ 3,637,750 | $ 3,298,689 |
| Contributions as a percentage of covered employee payroll | 17.2 % | 20.5 % | 19.8 % | 18.7 % | 18.1 % | 17.9 % | 14.0 % | 13.5 % | 14.9 % | 14.1 % |

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 24 years |
| Asset valuation method | 10-year smoothed |
| Inflation | 2.5 percent |
| Salary increases | 3.75 percent |
| Investment rate of return | 7.75 percent |
| Retirement age | Varies depending on plan adoption |
| Mortality | 50% Female/50% Male blend of RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables |
| Other information | None |

DRAFT

## Required Supplemental Information
## Retiree Healthcare System
## Schedule of Funding Progress
## Year Ended June 30, 2016

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/12 | $ 598,465 | $ 8,569,005 | $ 7,970,540 | 7.0 | $ 3,495,889 | 228.0 |
| 6/30/14 | 1,001,825 | 7,312,117 | 6,310,292 | 13.7 | 3,821,461 | 165.1 |
| 6/30/16 | 1,311,527 | 7,363,458 | 6,051,931 | 17.8 | 2,292,063 | 264.0 |

DRAFT

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and 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, 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 Non-voted Debt Fund, and the Building Authority Fund.

In accordance with Governmental Accounting Standards Board Statement No. 54, the Imagination Station Reserve 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.

DRAFT

The amounts on the budgetary comparison schedules for the Major Streets Fund will vary from the amounts on the fund-based statement of changes in fund balance due to the City budgeting other financing sources and uses as revenue and expenditures. A reconciliation of the General Fund budgetary comparison schedule to the fund-based statement of changes in fund balance is as follows:

| | Total Revenue | Total Expenditures | Operating Transfers | Change in Fund Balance |
|---|---|---|---|---|
| Amounts per operating statement | $ 8,071,586 | $ 6,914,059 | $ 873,730 | $ 283,797 |
| Operating transfers budgeted as expenditures | - | 873,730 | (873,730) | - |
| Reimbursements from other funds budgeted as revenue | 269,450 | 269,450 | - | - |
| Transfers to funds merged into the General Fund in accordance with GASB Statement No. 54 | 24,500 | 24,500 | - | - |
| Imagination Station Reserve Fund | (10,792) | (8,923) | - | (1,869) |
| Principal Shopping District Fund | (113,694) | (131,335) | - | 17,641 |
| Arts and Cultural Commission Fund | (10,551) | (13,188) | - | 2,637 |
| Amounts per budget statement | $ 8,230,499 | $ 7,928,293 | $ - | $ 302,206 |

DRAFT

# Other Supplemental Information

DRAFT

# Other Supplemental Information
## Combining Balance Sheet
## Nonmajor Governmental Funds
## June 30, 2016

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Nonmajor Special Revenue Fund -State Drug Law Enforcement | Nonmajor Special Revenue Fund - Public Safety/Law Enforcement | Nonmajor Special Revenue Fund - Federal Drug Law Enforcement | Nonmajor Special Revenue Fund - Local Streets | Total Nonmajor Governmental Funds |
| **Assets** | | | | | |
| Cash and investments | $ 18,961 | $ 72,735 | $ 13,610 | $ - | $ 105,306 |
| Receivables: | | | | | 21,762 |
| Property taxes receivable | - | 501 | - | - | 501 |
| Due from other governmental units | - | - | - | 21,261 | 21,261 |
| Total assets | **$ 18,961** | **$ 73,236** | **$ 13,610** | **$ 21,261** | **$ 127,068** |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | | | |
| **Liabilities** - Accounts payable | $ - | $ 16 | $ - | $ - | $ 16 |
| **Deferred Inflows of Resources** - Unavailable revenue - Property taxes | - | 501 | - | - | 501 |
| **Fund Balances** - Restricted | | | | | |
| Roads | - | - | - | 21,261 | 21,261 |
| Federal/State drug law enforcement | 18,961 | - | 13,610 | - | 32,571 |
| Law enforcement/Public safety | - | 72,719 | - | - | 72,719 |
| Total fund balances | 18,961 | 72,719 | 13,610 | 21,261 | 126,551 |
| Total liabilities, deferred inflows of resources, and fund balances | **$ 18,961** | **$ 73,236** | **$ 13,610** | **$ 21,261** | **$ 127,068** |

DRAFT

| | Nonmajor Special Revenue Fund - State Drug Law Enforcement | Nonmajor Special Revenue Fund - Public Safety/Law Enforcement | Nonmajor Special Revenue Fund - Federal Drug Law Enforcement |
|---|---|---|---|
| **Revenue** | | | |
| Property taxes | $ - | $ 157,302 | $ - |
| Licenses and permits | - | - | - |
| State sources | - | - | - |
| Fines and forfeitures | 2,257 | 539 | 10,539 |
| Interest | 95 | 504 | 31 |
| Total revenue | 2,352 | 158,345 | 10,570 |
| **Expenditures** | | | |
| Public safety | 2,147 | 1,883 | - |
| Public works | - | - | - |
| Capital outlay | - | 112,197 | - |
| Debt service | - | - | - |
| Total expenditures | 2,147 | 114,080 | - |
| **Excess of Revenues Over (Under) Expenditures** | 205 | 44,265 | 10,570 |
| **Other Financing Sources** - Transfers in | - | - | - |
| **Net Change in Fund Balances** | 205 | 44,265 | 10,570 |
| **Fund Balances** - Beginning of year | 18,756 | 28,454 | 3,040 |
| **Fund Balances** - End of year | **$ 18,961** | **$ 72,719** | **$ 13,610** |

DRAFT

## Other Supplemental Information
## Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds
## Year Ended June 30, 2016

| Nonmajor Special Revenue Fund - Local Streets | Nonmajor Debt Service Funds - Street Non-voted Debt | Nonmajor Capital Projects Fund - Building Authority | Nonmajor Capital Projects Fund - Capital Improvement | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 157,302 |
| 2,350 | - | - | 1,500 | 3,850 |
| 129,281 | - | - | - | 129,281 |
| - | - | - | - | 13,335 |
| 2 | - | - | - | 632 |
| 131,633 | - | - | 1,500 | 304,400 |
| - | - | - | - | 4,030 |
| 198,225 | - | - | - | 198,225 |
| - | - | - | 16,801 | 128,998 |
| - | 381,815 | 126,911 | 232,387 | 741,113 |
| 198,225 | 381,815 | 126,911 | 249,188 | 1,072,366 |
| (66,592) | (381,815) | (126,911) | (247,688) | (767,966) |
| 68,191 | 381,815 | 126,911 | 247,688 | 824,605 |
| 1,599 | - | - | - | 56,639 |
| 19,662 | - | - | - | 69,912 |
| **$ 21,261** | **$ -** | **$ -** | **$ -** | **$ 126,551** |

DRAFT

| | Nonmajor Special Revenue Fund | | | Nonmajor Special Revenue Fund | |
|---|---|---|---|---|---|
| | State Drug Law Enforcement | | | Public Safety/Law Enforcement | |
| | Final Budget | Actual | Variance with Final Budget | Final Budget | Actual |
| **Revenue** | | | | | |
| Property taxes | $ - | $ - | $ - | $ 157,013 | $ 157,302 |
| Licenses and permits | - | - | - | - | - |
| State sources | - | - | - | - | - |
| Fines and forfeitures | - | 2,257 | 2,257 | 320 | 539 |
| Investment income | - | 95 | 95 | 150 | 504 |
| Total revenue | - | 2,352 | 2,352 | 157,483 | 158,345 |
| **Expenditures** | | | | | |
| Public safety | 2,820 | 2,147 | (673) | 4,250 | 1,883 |
| Public works | - | - | - | - | - |
| Capital outlay | - | - | - | 172,800 | 112,197 |
| Debt service | - | - | - | - | - |
| Total expenditures | 2,820 | 2,147 | (673) | 177,050 | 114,080 |
| **Excess of Revenue (Under) Over Expenditures** | (2,820) | 205 | 3,025 | (19,567) | 44,265 |
| **Other Financing Sources** - Transfers in | - | - | - | - | - |
| **Net Change in Fund Balances** | (2,820) | 205 | 3,025 | (19,567) | 44,265 |
| **Fund Balances** - Beginning of year | 18,756 | 18,756 | - | 28,454 | 28,454 |
| **Fund Balances** - End of year | **$ 15,936** | **$ 18,961** | **$ 3,025** | **$ 8,887** | **$ 72,719** |

DRAFT

| Nonmajor Special Revenue Fund | Nonmajor Special Revenue Fund | | | Nonmajor Special Revenue Fund | | |
|---|---|---|---|---|---|---|
| Public Safety/Law Enforcement | Federal Drug Law Enforcement | | | Local Streets Fund | | |
| Variance with Final Budget | Final Budget | Actual | Variance with Final Budget | Final Budget | Actual | Variance with Final Budget |
| $ 289 | $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | 3,100 | 2,350 | (750) |
| - | - | - | - | 121,910 | 129,281 | 7,371 |
| 219 | - | 10,539 | 10,539 | - | - | - |
| 354 | - | 31 | 31 | - | 2 | 2 |
| 862 | - | 10,570 | 10,570 | 125,010 | 131,633 | 6,623 |
| (2,367) | - | - | - | - | - | - |
| - | - | - | - | 204,688 | 198,225 | (6,463) |
| (60,603) | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (62,970) | - | - | - | 204,688 | 198,225 | (6,463) |
| 63,832 | - | 10,570 | 10,570 | (79,678) | (66,592) | 13,086 |
| - | - | - | - | 77,928 | 68,191 | (9,737) |
| 63,832 | - | 10,570 | 10,570 | (1,750) | 1,599 | 3,349 |
| - | 3,040 | 3,040 | - | 19,662 | 19,662 | - |
| **$ 63,832** | **$ 3,040** | **$ 13,610** | **$ 10,570** | **$ 17,912** | **$ 21,261** | **$ 3,349** |

DRAFT

| | Nonmajor Debt Service Fund | | | Nonmajor Capital Project Fund | |
|---|---|---|---|---|---|
| | Street Non-voted Debt | | | Building Authority | |
| | Final Budget | Actual | Variance with Final Budget | Final Budget | Actual |
| **Revenue** | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - |
| Licenses and permits | - | - | - | - | - |
| State sources | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Total revenue | - | - | - | - | - |
| **Expenditures** | | | | | |
| Public safety | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | 381,958 | 381,815 | (143) | 126,911 | 126,911 |
| Total expenditures | 381,958 | 381,815 | (143) | 126,911 | 126,911 |
| **Excess of Revenue (Under) Over Expenditures** | (381,958) | (381,815) | 143 | (126,911) | (126,911) |
| **Other Financing Sources** - Transfers in | 381,958 | 381,815 | (143) | 126,911 | 126,911 |
| **Net Change in Fund Balances** | - | - | - | - | - |
| **Fund Balances** - Beginning of year | - | - | - | - | - |
| **Fund Balances** - End of year | $ - | $ - | $ - | $ - | $ - |

DRAFT

| Nonmajor Capital Project Fund | Nonmajor Capital Project Fund | | |
|---|---|---|---|
| Building Authority | Capital Improvement Fund | | |
| Variance with Final Budget | Final Budget | Actual | Variance with Final Budget |
| $ - | $ - | $ - | $ - |
| - | 1,500 | 1,500 | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | 1,500 | 1,500 | - |
| - | - | - | - |
| - | - | - | - |
| - | 17,500 | 16,801 | (699) |
| - | 232,519 | 232,387 | (132) |
| - | 250,019 | 249,188 | (831) |
| - | (248,519) | (247,688) | 831 |
| - | 248,519 | 247,688 | (831) |
| - | - | - | - |
| - | - | - | - |
| **$ -** | **$ -** | **$ -** | **$ -** |

DRAFT

## Other Supplemental Information
## Statement of Changes in Assets and Liabilities
## Agency Funds
## Year Ended June 30, 2016

| | Balance June 30, 2015 | Additions | Deductions | Balance June 30, 2016 |
|---|---|---|---|---|
| **Assets** - Cash and investments | **$ 1,751** | **$ 26,881,727** | **$ (26,881,130)** | **$ 2,348** |
| **Liabilities** | | | | |
| Accounts payable | $ 1,751 | $ 12,746,393 | $ (12,745,796) | $ 2,348 |
| Due to other governmental units | - | 12,769,482 | (12,769,482) | - |
| Total liabilities | **$ 1,751** | **$ 25,515,875** | **$ (25,515,278)** | **$ 2,348** |

DRAFT

## Other Supplemental Information
## Balance Sheet/Statement of Net Position
## Downtown Development Authority
## June 30, 2016

| | Downtown Development Authority | Adjustments | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 103,843 | $ - | $ 103,843 |
| Receivables | 11,922 | - | 11,922 |
| Capital assets | - | 5,194,578 | 5,194,578 |
| Other assets | - | 45,000 | 45,000 |
| Total assets | **$ 115,765** | **$ 5,239,578** | **$ 5,355,343** |
| **Liabilities** | | | |
| Accounts payable | $ 14,427 | $ - | $ 14,427 |
| Provision for property tax refunds | 3,053 | - | 3,053 |
| Long-term debt | - | 641,548 | 641,548 |
| Total liabilities | 17,480 | 641,548 | 659,028 |
| **Fund Balance** - Unassigned | 98,285 | (98,285) | |
| **Net Position** | | | |
| Net investment in capital assets | | 4,553,030 | 4,553,030 |
| Unrestricted | | 45,000 | 143,285 |
| Total net position | | 4,598,030 | 4,696,315 |
| Total liabilities and fund balance/net position | **$ 115,765** | **$ 5,239,578** | **$ 5,355,343** |

DRAFT

## Other Supplemental Information
## Statement of Revenue, Expenditures, and Changes in Fund Balance/ Statement of Activities
## Downtown Development Authority
## Year Ended June 30, 2016

| | Downtown Development Authority | Adjustments | Total |
|---|---|---|---|
| **Revenue** | | | |
| Property taxes | $ 793,929 | $ - | $ 793,929 |
| Investment income | 1,357 | - | 1,357 |
| Other revenue | 34,267 | - | 34,267 |
| Total revenue | 829,553 | - | 829,553 |
| **Expenditures** - Current | | | |
| Community development | 354,236 | 353,959 | 708,195 |
| Capital outlay | 115,134 | (115,134) | - |
| Debt service: | | | |
| Principal payment | 559 | (559) | - |
| Interest | 48,344 | - | 48,344 |
| Total expenditures | 518,273 | 238,266 | 756,539 |
| **Change in Fund Balance/Net Position** | 311,280 | (238,266) | 73,014 |
| **Fund Balance/Net Position** - Beginning of year | (212,995) | 4,836,296 | 4,623,301 |
| **Fund Balance/Net Position** - End of year | **$ 98,285** | **$ 4,598,030** | **$ 4,696,315** |

DRAFT

## Other Supplemental Information
## Balance Sheet/Statement of Net Position (Deficit)
## Local Development Finance Authority
## June 30, 2016

| | Local Development Finance Authority | Adjustments | Total |
|---|---|---|---|
| **Assets** - Cash and cash equivalents | **$ 22,471** | **$ -** | **$ 22,471** |
| **Liabilities** | | | |
| Accrued liabilities and other | 4,098 | - | 4,098 |
| Long-term debt | - | 310,000 | 310,000 |
| Total liabilities | 4,098 | 310,000 | 314,098 |
| **Net Position (Deficit)** | 18,373 | (310,000) | (291,627) |
| Total liabilities and net position (deficit) | **$ 22,471** | **$ -** | **$ 22,471** |

DRAFT

## Other Supplemental Information
## Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit)/ Statement of Activities
## Local Development Finance Authority
## Year Ended June 30, 2016

| | Local Development Finance Authority | Adjustments | Total |
|---|---|---|---|
| **Revenue** | | | |
| Property taxes | $ 149,215 | $ - | $ 149,215 |
| Interest | 503 | - | 503 |
| Total revenue | 149,718 | - | 149,718 |
| **Expenditures** | | | |
| Principal repayment | 30,000 | (30,000) | - |
| Interest | 21,245 | - | 21,245 |
| Community development | 80,100 | - | 80,100 |
| Total expenditures | 131,345 | (30,000) | 101,345 |
| **Change in Fund Balance** | 18,373 | 30,000 | 48,373 |
| **Fund Balance/Net Position (Deficit)** - Beginning of year | - | (340,000) | (340,000) |
| **Fund Balance/Net Position (Deficit)** - End of year | **$ 18,373** | **$ (310,000)** | **$ (291,627)** |

DRAFT

# Statistical Section

DRAFT

## Description of Statistical Section

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

The statistical section is organized into the following main categories:

- Financial trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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

- Debt capacity - These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- Demographic and economic information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

- Operating information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

DRAFT

| | As of June 30 | | | |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 |
| **Governmental Activities** | | | | |
| Net investment in capital assets | $ 21,300,214 | $ 20,830,130 | $ 20,539,886 | $ 21,280,993 |
| Restricted | 4,052,527 | 3,437,505 | 3,157,947 | 2,826,733 |
| Unrestricted | 1,964,532 | 923,814 | 481,840 | (514,333) |
| Total net position | 27,317,273 | 25,191,449 | 24,179,673 | 23,593,393 |
| **Business-type Activities** | | | | |
| Net investment in capital assets | 28,592,237 | 27,838,052 | 27,453,406 | 26,290,684 |
| Restricted | - | 283,961 | - | 630,000 |
| Unrestricted | 1,699,459 | 1,376,700 | 1,805,252 | 1,119,981 |
| Total net position | 30,291,696 | 29,498,713 | 29,258,658 | 28,040,665 |
| **Primary Government in Total** | | | | |
| Net investment in capital assets | 49,892,451 | 48,668,182 | 47,681,981 | 47,571,677 |
| Restricted | 4,052,527 | 3,721,466 | 3,157,947 | 3,456,733 |
| Unrestricted | 3,663,991 | 2,300,514 | 2,287,092 | 605,648 |
| Total net position | **$ 57,608,969** | **$ 54,690,162** | **$ 53,127,020** | **$ 51,634,058** |

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

DRAFT

# Net Position by Component
## Last Ten Fiscal Years

| As of June 30 | | | | | |
|---|---|---|---|---|---|
| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| $ 20,780,160 | $ 20,392,406 | $ 19,941,607 | $ 18,878,877 | $ 18,687,470 | $ 19,363,331 |
| 2,559,604 | 2,355,100 | 2,100,973 | 1,899,223 | 1,692,565 | 1,460,894 |
| (625,820) | 850,367 | (1,215,537) | (6,183,721) | (6,611,195) | (7,210,082) |
| 22,713,944 | 23,597,873 | 20,827,043 | 14,594,379 | 13,768,840 | 13,614,143 |
| 26,171,909 | 25,351,552 | 24,760,603 | 24,206,346 | 23,922,458 | 24,109,024 |
| - | - | - | - | - | - |
| 1,152,318 | 1,503,663 | 1,844,621 | 691,925 | 969,664 | 943,480 |
| 27,324,227 | 26,855,215 | 26,605,224 | 24,898,271 | 24,892,122 | 25,052,504 |
| 46,952,069 | 45,743,958 | 44,702,210 | 43,085,223 | 42,609,928 | 43,472,355 |
| 2,559,604 | 663,590 | 2,100,973 | 1,899,223 | 1,692,565 | 1,460,894 |
| 526,498 | 2,344,806 | 629,084 | (5,491,796) | (5,641,531) | (6,266,602) |
| **$ 50,038,171** | **$ 48,752,354** | **$ 47,432,267** | **$ 39,492,650** | **$ 38,660,962** | **$ 38,666,647** |

DRAFT

| | Fiscal Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 |
| **Expenses** | | | | |
| Governmental activities: | | | | |
| General government | $ 2,349,855 | $ 2,878,690 | $ 2,472,165 | $ 2,309,301 |
| Public safety | 2,153,697 | 2,519,047 | 2,410,316 | 2,794,089 |
| Public works | 3,195,010 | 4,426,522 | 4,161,139 | 4,039,665 |
| Community development | 571,655 | 539,752 | 407,174 | 485,429 |
| Interest on long-term debt | 569,394 | 588,639 | 562,972 | 536,291 |
| Total governmental activities expenses | 8,839,611 | 10,952,650 | 10,013,766 | 10,164,775 |
| Business-type activities - Water and sewer | 5,281,661 | 4,280,411 | 4,227,377 | 4,553,297 |
| Total primary government expenses | 14,121,272 | 15,233,061 | 14,241,143 | 14,718,072 |
| **Program Revenue** | | | | |
| Governmental activities: | | | | |
| Charges for services - General government | 585,739 | 432,170 | 397,968 | 487,488 |
| Charges for services - Public safety | 310,987 | 337,470 | 346,522 | 349,657 |
| Charges for services - Public works | - | 35,261 | - | - |
| Charges for services - Community development | - | - | - | - |
| Operating grants and contributions | 416,732 | 402,555 | 446,403 | 1,336,369 |
| Capital grants and contributions | 406,429 | - | 401,761 | - |
| Total governmental activities program revenue | 1,719,887 | 1,207,456 | 1,592,654 | 2,173,514 |
| Business-type activites - Water and sewer: | | | | |
| Charges for services | 3,008,743 | 3,082,028 | 3,322,796 | 3,046,378 |
| Operating grants and contributions | - | - | - | - |
| Capital grants and contributions | 1,198,050 | 357,491 | 646,237 | 283,536 |
| Total business-type activities program revenue | 4,206,793 | 3,439,519 | 3,969,033 | 3,329,914 |
| Total primary government program revenue | 5,926,680 | 4,646,975 | 5,561,687 | 5,503,428 |
| **Net Expenses** | | | | |
| Governmental activities | (7,119,724) | (9,745,194) | (8,421,112) | (7,991,261) |
| Business-type activities | (1,074,868) | (840,892) | (258,344) | (1,223,383) |
| Total primary government net expense | (8,194,592) | (10,586,086) | (8,679,456) | (9,214,644) |
| **General Revenue** | | | | |
| Governmental activities: | | | | |
| Property taxes | 6,108,946 | 6,308,624 | 6,302,824 | 6,204,750 |
| Special assessments | - | - | - | - |
| State-shared revenue | 603,754 | 624,346 | 582,580 | 536,136 |
| Investment earnings | 545,532 | 472,416 | 229,198 | 143,812 |
| Other | 185,217 | 239,642 | 294,734 | 520,283 |
| Gain/Loss on disposal of asset | (12,150) | (25,658) | - | - |
| Total governmental activities revenue | 7,431,299 | 7,619,370 | 7,409,336 | 7,404,981 |
| Business-type activities - Investment income | 78,493 | 47,909 | 18,289 | 5,390 |
| Total primary government | 7,509,792 | 7,667,279 | 7,427,625 | 7,410,371 |
| **Impact of GASB Statement No. 68** | - | - | - | - |
| **Change in Net Position** | **$ (684,800)** | **$ (2,918,807)** | **$ (1,251,831)** | **$ (1,804,273)** |

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

DRAFT

| Fiscal Year Ended June 30 | | | | | |
|---|---|---|---|---|---|
| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| $ 2,087,163 | $ 2,168,443 | $ 1,840,373 | $ 1,802,904 | $ 1,686,985 | $ 1,861,586 |
| 2,698,518 | 2,653,575 | 2,741,069 | 2,818,030 | 3,064,464 | 3,160,650 |
| 3,769,179 | 3,674,221 | 3,695,213 | 3,857,556 | 3,990,950 | 3,606,873 |
| 487,858 | 516,588 | 578,601 | 662,880 | 765,784 | 743,270 |
| 493,284 | 459,547 | 459,104 | 323,283 | 280,040 | 253,091 |
| 9,536,002 | 9,472,374 | 9,314,360 | 9,464,653 | 9,788,223 | 9,625,470 |
| 4,367,994 | 4,325,144 | 4,147,395 | 4,316,231 | 4,209,829 | 4,346,161 |
| 13,903,996 | 13,797,518 | 13,461,755 | 13,780,884 | 13,998,052 | 13,971,631 |
| 505,061 | 496,462 | 523,116 | 446,057 | 784,438 | 394,462 |
| 319,401 | 299,944 | 300,142 | 297,201 | 257,625 | 173,911 |
| 138,847 | 540,188 | 545,503 | 552,101 | 785,228 | 598,394 |
| - | - | - | - | - | 275,466 |
| 402,355 | 446,248 | 457,293 | 475,005 | 494,412 | 518,838 |
| 26,025 | 500 | 1,685 | 28,059 | 79,401 | 660,611 |
| 1,391,689 | 1,783,342 | 1,827,739 | 1,798,423 | 2,401,104 | 2,621,682 |
| 3,361,774 | 3,607,045 | 3,509,474 | 3,401,513 | 3,309,023 | 3,443,717 |
| - | - | - | - | - | 160,501 |
| 285,080 | 245,890 | 384,097 | 242,288 | 887,609 | 889,892 |
| 3,646,854 | 3,852,935 | 3,893,571 | 3,643,801 | 4,196,632 | 4,494,110 |
| 5,038,543 | 5,636,277 | 5,721,310 | 5,442,224 | 6,597,736 | 7,115,792 |
| (8,144,313) | (7,689,032) | (7,486,621) | (7,666,230) | (7,387,119) | (7,003,788) |
| (721,140) | (472,209) | (253,824) | (672,430) | (13,197) | 147,949 |
| (8,865,453) | (8,161,241) | (7,740,445) | (8,338,660) | (7,400,316) | (6,855,839) |
| 6,183,250 | 5,821,413 | 5,458,202 | 5,053,574 | 5,452,696 | 5,735,336 |
| - | - | - | - | 76,007 | - |
| 611,656 | 646,508 | 613,218 | 637,657 | 681,895 | 761,152 |
| 153,275 | 138,431 | 128,178 | 112,530 | 108,836 | 111,027 |
| 286,007 | 257,671 | 212,427 | 301,429 | 242,146 | 241,576 |
| 30,676 | 8,204 | 4,500 | - | - | - |
| 7,264,864 | 6,872,227 | 6,416,525 | 6,105,190 | 6,561,580 | 6,849,091 |
| 4,702 | 3,197 | 3,833 | 4,884 | 7,048 | 12,433 |
| 7,269,566 | 6,875,424 | 6,420,358 | 6,110,074 | 6,568,628 | 6,861,524 |
| - | - | - | (5,711,031) | - | - |
| **$ (1,595,887)** | **$ (1,285,817)** | **$ (1,320,087)** | **$ (7,939,617)** | **$ (831,688)** | **$ 5,685** |

DRAFT

| | Fiscal Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 |
| **General Fund** | | | | |
| Nonspendable | $ 327,659 | $ 327,659 | $ 327,659 | $ 327,659 |
| Restricted | 2,133 | 2,138 | 2,138 | 2,138 |
| Committed | - | - | - | - |
| Assigned | 466,170 | 98,668 | 206,978 | 14,600 |
| Unassigned | 1,710,684 | 1,450,226 | 833,806 | 873,991 |
| Total General Fund | 2,506,646 | 1,878,691 | 1,370,581 | 1,218,388 |
| **All Other Governmental Funds** | | | | |
| Restricted/Assigned - Reported in: | | | | |
| Special Revenue Funds | 1,415,571 | 1,630,305 | 702,459 | 338,210 |
| Capital Project Funds | 129,423 | 62,392 | 129,432 | 973 |
| Unassigned | - | - | - | - |
| Total all other governmental funds | 1,544,994 | 1,692,697 | 831,891 | 339,183 |
| Total | **$ 4,051,640** | **$ 3,571,388** | **$ 2,202,472** | **$ 1,557,571** |

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

DRAFT

| Fiscal Year Ended June 30 | | | | | |
|---|---|---|---|---|---|
| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| $ 327,659 | $ 327,659 | $ 336,244 | $ 364,783 | $ 347,401 | $ 450,008 |
| 2,138 | 2,138 | 2,138 | 2,138 | - | - |
| - | 20,000 | 77,139 | 77,139 | 108,089 | 108,089 |
| 6,988 | 18,746 | 42,133 | 47,582 | 48,773 | 79,973 |
| 1,320,375 | 1,537,954 | 1,477,407 | 1,171,908 | 1,061,125 | 1,211,115 |
| 1,657,160 | 1,906,497 | 1,935,061 | 1,663,550 | 1,565,388 | 1,849,185 |
| 401,557 | 333,793 | 246,848 | 212,369 | 174,523 | 126,551 |
| 1,150 | 8,827 | 3 | - | - | - |
| - | - | - | - | - | (17,310) |
| 402,707 | 342,620 | 246,851 | 212,369 | 174,523 | 109,241 |
| **$ 2,059,867** | **$ 2,249,117** | **$ 2,181,912** | **$ 1,875,919** | **$ 1,739,911** | **$ 1,958,426** |

DRAFT

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 |
| **Revenue** | | | | |
| Property taxes | $ 6,108,946 | $ 6,308,624 | $ 6,302,824 | $ 6,204,750 |
| State-shared | 1,020,486 | 1,026,901 | 970,073 | 1,175,363 |
| Federal grants | - | - | 58,910 | 651,152 |
| Charges for services | 226,681 | 102,677 | 103,810 | 109,980 |
| Special assessment | 300,229 | 246,563 | 285,092 | 180,813 |
| Fines and penalties | 310,987 | 337,470 | 346,522 | 349,657 |
| Licenses and permits | 359,058 | 329,493 | 294,158 | 359,532 |
| Interest | 545,532 | 472,416 | 229,198 | 143,812 |
| Contributions from other funds | | 40,498 | - | - |
| Other | 185,217 | 234,405 | 294,734 | 678,577 |
| Total revenue | 9,057,136 | 9,099,047 | 8,885,321 | 9,853,636 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 2,177,398 | 2,816,783 | 2,434,413 | 2,192,805 |
| Community development | 568,114 | 536,544 | 404,321 | 436,179 |
| Public safety | 2,038,945 | 2,417,734 | 2,316,609 | 2,341,456 |
| Public works - Operating | 2,515,072 | 2,982,939 | 2,809,922 | 2,458,126 |
| Public works - Capital (streets) | 832,093 | 719,029 | 913,778 | 1,283,996 |
| Capital outlay (exclusive of streets) | 323,716 | 297,297 | 116,479 | 384,825 |
| Debt service - Principal | 794,798 | 759,000 | 872,500 | 945,000 |
| Debt service - Interest | 579,822 | 580,923 | 571,215 | 537,125 |
| Total expenditures | 9,829,958 | 11,110,249 | 10,439,237 | 10,579,512 |
| **Excess of Revenue (Under) Over Exepnditures** | (772,822) | (2,011,202) | (1,553,916) | (725,876) |
| **Other Financing Sources (Uses)** | | | | |
| Sale of capital assets | - | - | - | - |
| Transfers in | - | 1,939,909 | 1,895,719 | 1,688,475 |
| Transfers out | - | (1,939,909) | (1,895,719) | (1,688,475) |
| Issuance of debt - Net | - | 1,530,950 | 185,000 | 80,975 |
| Total other financing sources | - | 1,530,950 | 185,000 | 80,975 |
| **Net Change in Fund Balances** | (772,822) | (480,252) | (1,368,916) | (644,901) |
| **Fund Balances** - Beginning of year | 4,824,462 | 4,051,640 | 3,571,388 | 2,202,472 |
| **Fund Balances** - End of year | **$ 4,051,640** | **$ 3,571,388** | **$ 2,202,472** | **$ 1,557,571** |
| **Debt Service as a Percentage of Noncapital Expenditures** | 17% | 13% | 15% | 17% |

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

DRAFT

| Year Ended June 30 | | | | | |
|---|---|---|---|---|---|
| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| $ 6,180,688 | $ 5,828,975 | $ 5,449,204 | $ 5,063,849 | $ 5,431,020 | $ 5,708,220 |
| 1,001,651 | 1,128,580 | 1,062,821 | 1,116,018 | 1,158,474 | 1,338,611 |
| 69,917 | 7,686 | 7,690 | 10,240 | 11,258 | 1,824 |
| 171,232 | 599,823 | 582,888 | 583,690 | 668,770 | 603,077 |
| 336,953 | 166,975 | 167,182 | 167,271 | 242,952 | 237,200 |
| 319,401 | 299,944 | 300,142 | 297,201 | 277,242 | 298,127 |
| 387,032 | 353,208 | 404,228 | 331,631 | 610,114 | 460,886 |
| 153,275 | 138,431 | 128,178 | 112,530 | 108,836 | 111,027 |
| - | - | - | - | - | - |
| 375,961 | 353,011 | 297,104 | 398,729 | 334,470 | 330,469 |
| 8,996,110 | 8,876,633 | 8,399,437 | 8,081,159 | 8,843,136 | 9,089,441 |
| 1,976,725 | 2,057,136 | 1,729,028 | 1,754,250 | 1,773,228 | 1,713,256 |
| 468,415 | 487,279 | 540,049 | 634,650 | 737,652 | 564,041 |
| 2,215,226 | 2,342,799 | 2,453,804 | 2,481,155 | 2,618,172 | 2,765,402 |
| 2,279,711 | 2,213,801 | 2,282,250 | 2,444,233 | 2,625,647 | 2,678,217 |
| - | - | - | - | - | - |
| 40,209 | 173,575 | 77,302 | 91,184 | 207,035 | 128,998 |
| 1,048,447 | 1,097,051 | 962,861 | 749,111 | 736,176 | 766,106 |
| 495,757 | 451,261 | 457,859 | 310,384 | 282,969 | 254,906 |
| 8,524,490 | 8,822,902 | 8,503,153 | 8,464,967 | 8,980,879 | 8,870,926 |
| 471,620 | 53,731 | (103,716) | (383,808) | (137,743) | 218,515 |
| 30,676 | 8,204 | 4,500 | 61,000 | 1,735 | - |
| 1,668,363 | 1,730,517 | 1,519,072 | 1,322,308 | 1,440,901 | 941,921 |
| (1,668,363) | (1,730,517) | (1,547,922) | (1,322,308) | (1,440,901) | (941,921) |
| - | 127,315 | 60,861 | 16,815 | - | - |
| 30,676 | 135,519 | 36,511 | 77,815 | 1,735 | - |
| 502,296 | 189,250 | (67,205) | (305,993) | (136,008) | 218,515 |
| 1,557,571 | 2,059,867 | 2,249,117 | 2,181,912 | 1,875,919 | 1,739,911 |
| **$ 2,059,867** | **$ 2,249,117** | **$ 2,181,912** | **$ 1,875,919** | **$ 1,739,911** | **$ 1,958,426** |
| 18% | 18% | 17% | 13% | 11% | 12% |

DRAFT

| | | Taxable Value by Property Type | | | | | |
|---|---|---|---|---|---|---|---|
| | | Real Property | | | | | |
| Tax Year | Year Ended June 30 | Residential | Commercial | Industrial | Personal Property | IFT Real & Personal | Total Taxable Value |
| 2006 | 2007 | $ 222,088,140 | $ 139,489,820 | $ 22,333,650 | $ 37,381,603 | $ 21,008,240 | $ 442,301,453 |
| 2007 | 2008 | 230,804,660 | 145,831,650 | 23,163,840 | 38,970,715 | 19,067,290 | 457,838,155 |
| 2008 | 2009 | 229,013,040 | 151,805,205 | 28,128,150 | 34,683,080 | 15,268,920 | 458,898,395 |
| 2009 | 2010 | 216,792,630 | 158,577,120 | 27,382,940 | 34,187,245 | 15,448,630 | 452,388,565 |
| 2010 | 2011 | 203,158,330 | 157,961,620 | 23,634,280 | 32,294,152 | 18,087,160 | 435,135,542 |
| 2011 | 2012 | 194,233,278 | 152,897,460 | 19,161,060 | 31,502,940 | 14,483,030 | 412,277,768 |
| 2012 | 2013 | 190,697,314 | 148,301,458 | 16,405,055 | 36,264,060 | 9,563,000 | 401,230,887 |
| 2013 | 2014 | 191,614,956 | 139,343,070 | 16,752,160 | 35,530,296 | 11,246,470 | 394,486,952 |
| 2014 | 2015 | 199,092,840 | 140,907,773 | 17,577,710 | 32,744,850 | 10,811,810 | 401,134,983 |
| 2015 | 2016 | 208,346,880 | 143,167,910 | 17,574,288 | 42,558,068 | 6,219,500 | 417,866,646 |

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

DRAFT

# Taxable Value and Actual Value of Taxable Property
## Last Ten Fiscal Years

| City Tax Millage | Assessed Value | Estimated Actual Value | Value as a Percentage of Assessed Value | Taxable Value as a Percentage of Actual | City Levy |
|---|---|---|---|---|---|
| 15.8217 | $ 537,253,843 | $ 1,074,507,686 | 82 | 41 | $ 6,829,458 |
| 15.8090 | 538,508,255 | 1,077,016,510 | 84 | 42 | 7,086,966 |
| 15.8749 | 516,306,560 | 1,032,613,120 | 89 | 44 | 7,163,561 |
| 15.9582 | 495,101,495 | 990,202,990 | 91 | 46 | 7,096,002 |
| 16.3927 | 469,699,617 | 939,399,234 | 93 | 46 | 6,984,758 |
| 16.4623 | 434,885,628 | 869,771,256 | 95 | 47 | 6,674,434 |
| 16.0487 | 420,390,356 | 840,780,712 | 95 | 48 | 6,362,497 |
| 15.2734 | 411,932,182 | 823,864,364 | 96 | 48 | 5,939,271 |
| 15.6534 | 433,968,889 | 867,937,778 | 92 | 46 | 6,194,710 |
| 15.6534 | 466,376,806 | 932,753,612 | 90 | 45 | 6,680,309 |

DRAFT

| | | Millage Rates - Direct City Taxes | | | | Overlapping Taxes | |
|---|---|---|---|---|---|---|---|
| Tax Year | Year Ended June 30 | City Operating | City Debt | City Law Enforcement / Public Safety | Total Direct City Tax Rates | Livingston County | Brighton District Library |
| 2006 | 2007 | 14.8872 | 0.9345 | - | 15.8217 | 3.8842 | 0.7072 |
| 2007 | 2008 | 14.8872 | 0.9218 | - | 15.8090 | 3.8842 | 1.0392 |
| 2008 | 2009 | 14.8872 | 0.9877 | - | 15.8749 | 3.8842 | 0.8792 |
| 2009 | 2010 | 14.8872 | 1.0710 | - | 15.9582 | 3.8988 | 0.8792 |
| 2010 | 2011 | 15.2734 | 1.1193 | - | 16.3927 | 3.9488 | 0.8892 |
| 2011 | 2012 | 15.2734 | 1.1889 | - | 16.4623 | 3.9543 | 0.8892 |
| 2012 | 2013 | 15.2734 | 0.7753 | - | 16.0487 | 3.9543 | 0.8892 |
| 2013 | 2014 | 15.2734 | - | - | 15.2734 | 3.9543 | 0.8992 |
| 2014 | 2015 | 15.2734 | - | 0.3800 | 15.6534 | 3.9543 | 0.8762 |
| 2015 | 2016 | 15.2734 | - | 0.3800 | 15.6534 | 3.9535 | 0.8892 |

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

DRAFT

# Direct and Overlapping Property Tax Rates
## Last Ten Fiscal Years

| Operating Taxes | | | | | Total Tax Rate | |
|---|---|---|---|---|---|---|
| Brighton Area Fire Authority | State Education Tax | Livingston Educational Service Agency | Brighton Area Schools - Homestead | Brighton Area Schools - Non-homestead | Homestead | Non-homestead |
| 1.2500 | 6.0000 | 2.3361 | 6.1184 | 18.0000 | 36.1176 | 54.1176 |
| 1.2500 | 6.0000 | 2.3361 | 6.1184 | 18.0000 | 36.4369 | 54.4369 |
| 1.2500 | 6.0000 | 2.3361 | 5.2000 | 18.0000 | 35.4244 | 53.4244 |
| 1.2500 | 6.0000 | 2.3361 | 5.2000 | 18.0000 | 35.5223 | 53.5223 |
| 1.2500 | 6.0000 | 2.3361 | 5.8000 | 18.0000 | 36.6168 | 54.6168 |
| 1.2500 | 6.0000 | 2.3361 | 5.7000 | 18.0000 | 36.5919 | 54.5919 |
| 1.2500 | 6.0000 | 2.3361 | 7.1900 | 18.0000 | 37.6683 | 55.6683 |
| 1.2500 | 6.0000 | 2.3361 | 7.1900 | 18.0000 | 36.9030 | 54.9030 |
| 1.2500 | 6.0000 | 2.3361 | 7.1900 | 18.0000 | 37.2600 | 55.2600 |
| 1.2500 | 6.0000 | 2.3334 | 7.1900 | 18.0000 | 37.2695 | 55.2695 |

DRAFT

## Statistical Section
## Revenue Capacity Information
## Principal Property Taxpayers
## Current Year and Nine Years Ago

| | Taxpayer | 2015 Taxable Value | Percentage of Total | 2006 Taxable Value | Percentage of Total | 2005 Rank | |
|---|---|---|---|---|---|---|---|
| 1 | Brighton Holdings LLC | $ 13,137,890 | 3.14% | $ 6,828,420 | 1.54% | 1 | Brighton Holdings LLC |
| 2 | Eberspaecher North America | 12,820,600 | 3.07% | 9,334,880 | 2.11% | 4 | Eberspaecher North America |
| 3 | TG Fluid Systems USA Corp | 11,814,780 | 2.83% | 6,419,530 | 1.45% | 7 | TG Fluid Systems USA Corp |
| 4 | Brighton Mall Associates, LTD | 10,405,040 | 2.49% | 7,847,080 | 1.77% | 2 | Brighton Mall Associates, LTD |
| 5 | BMH Realty, LLC | 7,892,200 | 1.89% | 3,944,310 | 0.89% | 13 | BMH Realty, LLC |
| 6 | Brookdale Senior Living Inc | 5,719,950 | 1.37% | * | * | * | Brookdale Senior Living Inc |
| 7 | MJR Group LLC | 5,012,920 | 1.20% | 4,837,530 | 1.09% | 9 | MJR Group LLC |
| 8 | Good Will Co, INC | 3,860,630 | 0.92% | * | * | * | Good Will Co, INC |
| 9 | Brightland Properties, LLC | 3,342,540 | 0.80% | * | * | * | Brightland Properties, LLC |
| 10 | Aberdeen of Brighton | 3,259,190 | 0.78% | * | * | * | Aberdeen of Brighton |
| | Total taxable value | $ 417,866,646 | | $ 442,301,453 | | | |

* Not available

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

DRAFT

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

| Tax Year | Year Ended June 30 | Total City Levy | Currrent Collections | Percent Collected | Delinquent Collections | Total Tax Collections | Percent of Levy Collected |
|---|---|---|---|---|---|---|---|
| 2006 | 2007 | $ 6,829,458 | $ 6,618,287 | 96.83 | $ 198,070 | $ 6,650,164 | 99.80 |
| 2007 | 2008 | 7,086,966 | 6,776,214 | 95.52 | 286,897 | 6,912,394 | 99.66 |
| 2008 | 2009 | 7,163,561 | 6,914,314 | 96.46 | 195,035 | 6,988,153 | 99.23 |
| 2009 | 2010 | 7,096,002 | 6,788,947 | 95.67 | 278,847 | 7,067,794 | 99.60 |
| 2010 | 2011 | 6,984,758 | 6,745,106 | 96.57 | 227,256 | 6,972,362 | 99.82 |
| 2011 | 2012 | 6,674,434 | 6,420,880 | 96.20 | 241,823 | 6,662,703 | 99.82 |
| 2012 | 2013 | 6,362,497 | 6,159,356 | 96.81 | 183,738 | 6,343,094 | 99.70 |
| 2013 | 2014 | 5,939,251 | 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 | 6,680,309 | 6,585,128 | 98.58 | 81,500 | 6,666,628 | 99.80 |

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

DRAFT

| | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| General obligation bonds | $ 9,544,000 | $ 10,545,950 | $ 9,903,450 | $ 9,133,450 |
| Installment purchase agreements | - | - | - | 80,975 |
| Special assessment bonds | 2,960,000 | 2,730,000 | 2,685,000 | 2,510,000 |
| Total | 12,504,000 | 13,275,950 | 12,588,450 | 11,724,425 |
| **Business-type Activities** | | | | |
| General obligation bonds | 2,903,000 | 3,313,850 | 2,949,150 | 3,211,950 |
| Installment purchase agreements | - | - | - | - |
| Special assessment bonds | 175,000 | 140,000 | 105,000 | 70,000 |
| Revenue bonds | 9,378,080 | 8,963,080 | 8,454,294 | 7,939,294 |
| Total | 12,456,080 | 12,416,930 | 11,508,444 | 11,221,244 |
| **Total Debt of the Primary Government** | 24,960,080 | 25,692,880 | 24,096,894 | 22,945,669 |
| **Total Taxable Value** | 442,301,453 | 457,838,155 | 458,898,395 | 452,388,565 |
| **Ratio of Total Debt to Taxable Value** | 5.64% | 5.61% | 5.25% | 5.07% |
| **Total Population** | 7,517 | 7,268 | 7,173 | 7,702 |
| **Total Debt per Capita** | $ 3,320 | $ 3,535 | $ 3,359 | $ 2,979 |
| **Debt as a Percentage of Personal Income (1)** | 6.93% | 7.38% | 7.01% | 6.38% |

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

DRAFT

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| $ 8,303,450 | $ 7,443,450 | $ 6,766,500 | $ 6,661,279 | $ 6,131,669 | $ 5,572,359 |
| 52,528 | 132,792 | 69,932 | 45,936 | 26,560 | 6,954 |
| 2,320,000 | 2,130,000 | 1,945,000 | 1,735,000 | 1,525,000 | 1,315,000 |
| 10,675,978 | 9,706,242 | 8,781,432 | 8,442,215 | 7,683,229 | 6,894,313 |
| 3,039,750 | 2,827,550 | 2,643,846 | 2,445,109 | 2,182,226 | 1,921,200 |
| - | - | - | - | 247,586 | 212,217 |
| 35,000 | - | - | - | - | - |
| 7,374,294 | 6,928,435 | 6,257,974 | 5,582,514 | 4,873,133 | 4,166,595 |
| 10,449,044 | 9,755,985 | 8,901,820 | 8,027,623 | 7,302,945 | 6,300,012 |
| 21,125,022 | 19,462,227 | 17,683,252 | 16,469,838 | 14,986,174 | 13,194,325 |
| 435,135,542 | 412,277,768 | 401,230,887 | 394,486,952 | 401,134,983 | 417,866,646 |
| 4.85% | 4.72% | 4.41% | 4.18% | 3.74% | 3.16% |
| 7,444 | 7,442 | 7,613 | 7,807 | 7,684 | 7,659 |
| $ 2,838 | $ 2,615 | $ 2,323 | $ 2,110 | $ 1,950 | $ 1,723 |
| 6.07% | 5.60% | 4.97% | 4.51% | 4.17% | 3.69% |

DRAFT

# Statistical Section
## Debt Capacity Information
## Ratios of General Bonded Debt Outstanding
## Last Ten Fiscal Years

| | Governmental Activities | | | Business-type Activities | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year Ended June 30 | 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 |
| 2007 | $ 7,319,000 | $ 2,225,000 | $ 9,544,000 | $ 2,903,000 | $ 12,447,000 | $ 442,301,453 | 2.81% | 7,517 | 1,656 | $ 47,897 | 3.46% |
| 2008 | 8,620,950 | 1,925,000 | 10,545,950 | 3,313,850 | 13,859,800 | 457,838,155 | 3.03% | 7,268 | 1,907 | 47,897 | 3.98% |
| 2009 | 8,328,450 | 1,575,000 | 9,903,450 | 2,949,150 | 12,852,600 | 458,898,395 | 2.80% | 7,173 | 1,792 | 47,897 | 3.74% |
| 2010 | 7,958,450 | 1,175,000 | 9,133,450 | 3,211,950 | 12,345,400 | 452,388,565 | 2.73% | 7,702 | 1,603 | 46,731 | 3.43% |
| 2011 | 7,553,450 | 750,000 | 8,303,450 | 3,039,750 | 11,343,200 | 435,135,542 | 2.61% | 7,444 | 1,524 | 46,731 | 3.26% |
| 2012 | 7,143,450 | 300,000 | 7,443,450 | 2,827,550 | 10,271,000 | 412,277,768 | 2.49% | 7,442 | 1,380 | 46,731 | 2.95% |
| 2013 | 6,766,500 | - | 6,766,500 | 2,643,846 | 9,410,346 | 401,230,887 | 2.35% | 7,613 | 1,236 | 46,731 | 2.65% |
| 2014 | 6,661,279 | - | 6,661,279 | 2,445,109 | 9,106,388 | 394,486,952 | 2.31% | 7,807 | 1,166 | 46,731 | 2.50% |
| 2015 | 6,131,669 | - | 6,131,669 | 2,182,226 | 8,313,895 | 401,134,983 | 2.07% | 7,684 | 1,082 | 46,731 | 2.32% |
| 2016 | 5,572,359 | - | 5,572,359 | 1,921,200 | 7,493,559 | 417,866,646 | 1.79% | 7,659 | 978 | 46,731 | 2.09% |

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 and only available per the decennial census data.

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

DRAFT

## Statistical Section
## Debt Capacity Information
## Direct and Overlapping Governmental Activities Debt
## Year Ended June 30, 2016

| Governmental Unit | Debt Outstanding | Estimated Percent Applicable | Estimated Share of Overlapping Debt |
|---|---|---|---|
| Brighton Area School District | $ 106,921,139 | 19.46 | $ 20,806,854 |
| Livingston Educational Service Agency | 3,080,000 | 5.82 | 179,256 |
| Livingston County | 24,639,000 | 5.11 | 1,259,053 |
| Brighton Area District Library | - | 20.40 | - |
| Total overlapping debt | 134,640,139 | | 22,245,163 |
| Direct net city debt * | 6,894,313 | 100.00 | 6,894,313 |
| Total direct and overlapping debt | **$ 141,534,452** | | **$ 29,139,476** |

* 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

DRAFT

| | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| **Calculation of Debt Limit** | | | | |
| State Equalized Valuation: | | | | |
| Ad Valorem | $ 515,841,893 | $ 519,328,055 | $ 501,000,160 | $ 479,652,865 |
| IFT | 21,411,950 | 19,180,200 | 15,306,400 | 15,448,630 |
| Total valuation | 537,253,843 | 538,508,255 | 516,306,560 | 495,101,495 |
| **Debt Limit** (10 percent of taxable value) | 53,725,384 | 53,850,826 | 51,630,656 | 49,510,150 |
| **Calculation of Debt Subject to Limit** | | | | |
| Total debt* | 29,020,080 | 29,382,880 | 27,386,894 | 26,071,984 |
| Less debt not subject to limit: | | | | |
| Special assessment bonds | 3,135,000 | 2,870,000 | 2,790,000 | 2,580,000 |
| MTF bonds | 220,000 | 195,000 | 170,000 | 140,000 |
| Revenue bonds | 9,378,080 | 8,963,080 | 8,454,294 | 7,939,294 |
| Share of County-issued bonds | 2,507,000 | 2,174,800 | 1,837,600 | 1,500,400 |
| Net debt subject to limit | 13,780,000 | 15,180,000 | 14,135,000 | 13,912,290 |
| **Legal Debt Margin** | **$ 39,945,384** | **$ 38,670,826** | **$ 37,495,656** | **$ 35,597,860** |
| **Net Debt Subject to Limit as Percentage of Debt Limit** | 25.65% | 28.19% | 27.38% | 28.10% |

* Does not include installment loans

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

DRAFT

# Legal Debt Margin
## Last Ten Fiscal Years

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| $ 451,592,957 | $ 420,402,598 | $ 410,827,356 | $ 400,685,712 | $ 423,157,079 | $ 460,157,306 |
| 18,106,660 | 14,483,030 | 9,563,000 | 11,246,470 | 10,811,810 | 6,219,500 |
| 469,699,617 | 434,885,628 | 420,390,356 | 411,932,182 | 433,968,889 | 466,376,806 |
| 46,969,962 | 43,488,563 | 42,039,036 | 41,193,218 | 43,396,889 | 46,637,681 |
| 23,665,936 | 21,628,859 | 19,417,423 | 17,697,420 | 15,694,135 | 13,926,702 |
| 2,355,000 | 2,130,000 | 1,945,000 | 1,735,000 | 1,525,000 | 1,315,000 |
| 110,000 | 75,000 | 40,000 | - | - | - |
| 7,374,294 | 5,969,141 | 5,368,680 | 4,763,220 | 4,123,839 | 3,492,301 |
| 1,358,200 | 959,294 | 889,294 | 819,294 | 749,294 | 674,294 |
| 12,468,442 | 12,495,424 | 11,174,449 | 10,379,906 | 9,296,002 | 8,445,107 |
| **$ 34,501,520** | **$ 30,993,139** | **$ 30,864,587** | **$ 30,813,312** | **$ 34,100,887** | **$ 38,192,574** |
| 26.55% | 28.73% | 26.58% | 25.20% | 21.42% | 18.11% |

DRAFT

| | Water and Sewer Revenue Bonds | | | | | |
|---|---|---|---|---|---|---|
| | | | | Debt Service | | |
| Fiscal Year | Gross Revenue | Applicable Expenses | Net Revenue | Principal | Interest | Coverage* |
| 2007 | $ 3,087,236 | $ 3,127,093 | $ (39,857) | $ 365,000 | $ 415,951 | $ (820,808) |
| 2008 | 3,129,937 | 2,137,874 | 992,063 | 415,000 | 401,719 | 175,344 |
| 2009 | 3,645,288 | 2,106,954 | 1,538,334 | 460,000 | 385,191 | 693,143 |
| 2010 | 3,335,311 | 2,475,618 | 859,693 | 515,000 | 366,213 | (21,520) |
| 2011 | 3,651,556 | 2,315,120 | 1,336,436 | 565,000 | 344,632 | 426,804 |
| 2012 | 3,856,132 | 2,304,646 | 1,551,486 | 565,000 | 321,501 | 664,985 |
| 2013 | 3,897,404 | 2,295,008 | 1,602,396 | 620,000 | 296,691 | 685,705 |
| 2014 | 3,648,685 | 2,497,249 | 1,151,436 | 655,000 | 162,604 | 333,832 |
| 2015 | 4,203,680 | 2,492,502 | 1,711,178 | 690,000 | 145,966 | 875,212 |
| 2016 | 4,346,042 | 2,643,992 | 1,702,050 | 685,000 | 125,976 | 891,074 |

* Shortfalls in revenue coverage have been subsidized by capital contributions from connection fees.

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

DRAFT

| Special Assessment Bonds | | | |
|---|---|---|---|
| Special Assessment Collections | Debt Service | | |
| | Principal | Interest | Coverage |
| $ 426,098 | $ 265,000 | $ 148,660 | $ 12,438 |
| 358,316 | 265,000 | 137,453 | (44,137) |
| 363,160 | 265,000 | 126,417 | (28,257) |
| 343,628 | 210,000 | 124,075 | 9,553 |
| 514,541 | 225,000 | 116,294 | 173,247 |
| 312,179 | 225,000 | 106,393 | (19,214) |
| 268,837 | 185,000 | 96,481 | (12,644) |
| 257,965 | 210,000 | 87,887 | (39,922) |
| 248,049 | 210,000 | 78,499 | (40,450) |
| 238,996 | 210,000 | 68,899 | (39,903) |

DRAFT

## Statistical Section
## Demographic and Economic Information
## Demographic and Economic Statistics
## Last Sixteen Fiscal Years

| Fiscal Year | Estimated Population | Personal Income (in Thousands) | Per Capita Personal Income | Unemployment Rate (Percent) |
|---|---|---|---|---|
| 2000 | 6,701 | $ 47,897 | $ 21,007 | 1.80 |
| 2001 | 6,800 | 47,897 | 21,007 | 2.71 |
| 2002 | 6,900 | 47,897 | 22,487 | 4.10 |
| 2003 | 7,100 | 47,897 | 22,487 | 3.90 |
| 2004 | 7,173 | 47,897 | 22,808 | 3.60 |
| 2005 | 7,182 | 47,897 | 22,917 | * |
| 2006 | 7,263 | 47,897 | 23,251 | * |
| 2007 | 7,483 | 47,897 | 23,364 | * |
| 2008 | 7,268 | 47,897 | 23,595 | * |
| 2009 | 7,173 | 47,897 | 23,711 | * |
| 2010 | 7,702 | 46,731 | 23,134 | * |
| 2011 | 7,444 | 46,731 | 23,249 | * |
| 2012 | 7,442 | 46,731 | 23,366 | * |
| 2013 | 7,613 | 46,731 | 23,602 | * |
| 2014 | 7,807 | 46,731 | 23,721 | * |
| 2015 | 7,684 | 46,731 | 23,842 | * |
| 2016 | 7,659 | 46,731 | 24,088 | * |

* Not available/no longer available

Note: Personal Income is equal to the median household income and only available per the decennial census data.

Source: Southeast Michigan Council of Governments (SEMCOG)

DRAFT

## Statistical Section
## Demographic and Economic Information
## Principal Employers
## Current Year and Nine Years Ago

| | Taxpayer | 2016 Employees | Percentage of Total | 2007 Employees | Percentage of Total | 2007 Rank |
|---|---|---|---|---|---|---|
| 1 | Brighton Area Schools | 927 | 10.60% | 860 | 9.61% | 1 |
| 2 | TG Fluid Systems | 391 | 4.47% | 267 | 2.98% | 4 |
| 3 | Corrigan Oil | 243 | 2.78% | * | - | - |
| 4 | Meijer | 225 | 2.57% | 310 | 3.46% | 2 |
| 5 | Work Skills Corporation | 189 | 2.16% | 150 | 1.68% | 8 |
| 6 | Eberspaecher | 160 | 1.83% | 217 | 2.42% | 5 |
| 7 | Target | 150 | 1.72% | 275 | 3.07% | 3 |
| 8 | March Coatings | 128 | 1.46% | * | - % | - |
| 9 | Home Depot | 132 | 1.51% | 150 | 1.68% | 7 |
| 10 | Brighton Post Office | 81 | 0.93% | 85 | 0.95% | 10 |
| | Total | **2,626** | **30.03%** | **2,314** | **25.85%** | |
| | Estimated total city employment | 8,746 | | 8,949 | | |

* Not available

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

DRAFT

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| General government: | | | | | |
| City manager | 1.00 | 1.50 | 1.50 | 1.50 | 1.00 |
| City clerk/Human resources | 2.63 | 3.13 | 3.13 | 2.50 | 2.50 |
| Finance | 9.00 | 9.25 | 9.25 | 9.25 | 7.63 |
| Total general government | 12.63 | 13.88 | 13.88 | 13.25 | 11.13 |
| Community development | 5.63 | 5.00 | 5.00 | 5.00 | 4.00 |
| Public safety (police) | 18.60 | 20.60 | 19.60 | 19.60 | 19.60 |
| Public services: | | | | | |
| Cemetery | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Facilities and grounds | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Streets | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Utilities | 9.00 | 9.00 | 9.00 | 9.00 | 7.00 |
| Total public services | 22.00 | 22.00 | 22.00 | 22.00 | 20.00 |
| Total | **58.86** | **61.48** | **60.48** | **59.85** | **54.73** |

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

DRAFT

# Full-time Equivalent Government Employees
## Last Ten Fiscal Years

| 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| 7.63 | 7.63 | 7.63 | 7.63 | 7.63 |
| 11.13 | 11.13 | 11.13 | 11.13 | 11.13 |
| 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| 19.60 | 19.00 | 19.00 | 19.00 | 19.60 |
| 2.00 | 2.00 | 1.00 | 1.00 | 1.00 |
| 3.00 | 3.00 | 3.00 | 4.00 | 4.00 |
| 8.00 | 7.00 | 6.00 | 5.00 | 6.00 |
| 7.00 | 7.00 | 7.00 | 8.00 | 8.00 |
| 20.00 | 19.00 | 17.00 | 18.00 | 19.00 |
| **54.73** | **53.13** | **51.13** | **52.13** | **53.73** |

DRAFT

| Function/Program | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Election data: | | | | |
| Registered voters | 5,443 | 5,406 | 5,307 | 5,380 |
| Voters (at the polls or absentee) | 3,239 | 2,307 | 2,970 | 1,013 |
| Percent voting | 59.51% | 42.67% | 55.96% | 18.83% |
| Human resource data - Number of recruitments | 12 | 12 | 2 | - |
| Finance data: | | | | |
| Number of A/P checks | 2,330 | 2,181 | 2,156 | 1,835 |
| Number of property tax parcels | 4,107 | 4,093 | 3,969 | 3,974 |
| Number of utility bill customers | 3,376 | 3,508 | 3,516 | 3,595 |
| Police: | | | | |
| Physical arrests | 1,341 | 1,031 | 944 | 925 |
| Traffic violations | 3,637 | 5,160 | 4,102 | 4,325 |
| Investigations | 12,073 | 11,986 | 12,103 | 12,099 |
| Community development data: | | | | |
| Number of building permits | 326 | 311 | 258 | 249 |
| Value of building permits | $ 15,753,583 | $ 8,003,905 | $ 5,103,742 | $ 5,626,679 |
| Number of building inspections | 789 | 793 | 679 | 459 |
| Public works data: | | | | |
| Miles of street constructed, reconstructed, and resurfaced | 1.00 | 1.25 | 1.00 | 0.90 |
| Road salt used (tons) | 1,250 | 1,250 | 2,300 | 2,100 |
| R.O.W. tree plantings | - | 20 | 10 | - |
| Grave openings | 41 | 64 | 66 | 64 |
| Water data: | | | | |
| Total billed consumption (000s) | 485,455 | 495,863 | 445,079 | 408,123 |
| Avg. billed consump./user (000s) | 144 | 141 | 127 | 114 |
| Number of water main breaks | 3 | 1 | 1 | 2 |
| Sewer data - Avg. daily treatment (MGD) | 1.200 | 1.300 | 1.250 | 1.285 |

* Not available

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

DRAFT

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| 5,575 | 5,900 | 5,927 | 5,889 | 5,671 | 5,686 |
| 2,899 | 3,725 | 3,975 | 1,279 | 1,979 | 2,625 |
| 52.00% | 63.14% | 67.07% | 21.72% | 34.90% | 46.17% |
| - | 1 | 9 | 12 | 12 | 14 |
| 1,552 | 1,588 | 1,601 | 1,418 | 1,211 | 1,210 |
| 4,093 | 4,136 | 4,296 | 4,298 | 4,294 | 4,424 |
| 3,584 | 3,592 | 3,646 | 3,481 | 3,508 | 3,536 |
| 577 | 495 | 421 | 354 | 340 | 484 |
| 3,980 | 2,589 | 2,273 | 1,819 | 1,523 | 1,541 |
| 20,312 | 19,468 | 16,929 | 19,330 | 22,350 | 29,112 |
| 208 | 289 | 332 | 253 | 331 | 348 |
| $ 7,910,371 | $ 7,099,816 | $ 9,143,156 | $ 7,494,230 | $ 26,600,740 | $ 11,824,906 |
| 965 | 551 | 693 | 530 | 709 | 797 |
| - | - | - | - | - | - |
| 1,600 | 1,375 | 1,030 | 2,364 | 1,675 | 1,428 |
| - | - | 4 | 2 | - | - |
| 57 | 56 | 64 | 50 | 51 | 59 |
| 432,962 | 439,746 | 450,317 | 400,702 | 385,893 | 398,439 |
| 121 | 122 | 124 | 115 | 110 | 113 |
| 2 | 6 | 3 | 7 | 6 | 2 |
| 1.200 | 1.250 | 1.110 | 1.190 | 1.060 | 1.070 |

DRAFT

| Function/Program | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Police - Patrol units | 12 | 8 | 8 | 8 |
| Public works: | | | | |
| Streets (miles): | | | | |
| Major streets | 11.32 | 11.32 | 11.32 | 11.32 |
| Local streets | 14.99 | 14.99 | 14.99 | 14.99 |
| Sidewalks | 80 | 80 | 80 | 80 |
| Traffic signals | 9 | 9 | 9 | 9 |
| Water: | | | | |
| Mains (miles) | 52 | 52 | 52 | 52 |
| Fire hydrants | 481 | 484 | 484 | 484 |
| Storage capacity | 1,620,000,000 | 1,620,000,000 | 1,620,000,000 | 1,620,000,000 |
| Sewer: | | | | |
| Miles of sanitary sewers | 45 | 45 | 45 | 45 |
| Miles of storm sewers | 27 | 27 | 27 | 27 |
| Treatment capacity | 2,250,000,000 | 2,250,000,000 | 2,250,000,000 | 2,250,000,000 |

* Not available

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

DRAFT

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| 8 | 8 | 8 | 8 | 9 | 8 |
| | | | | | |
| 11.32 | 11.32 | 11.32 | 11.32 | 11.32 | 11.32 |
| 18.12 | 18.12 | 18.12 | 18.12 | 18.12 | 18.37 |
| 80 | 80 | 80 | 80 | 80 | 80 |
| 9 | 9 | 9 | 9 | 9 | 9 |
| | | | | | |
| 52 | 52 | 52 | 52 | 59 | 60 |
| 484 | 484 | 638 | 648 | 655 | 673 |
| 1,620,000,000 | 1,620,000,000 | 1,620,000,000 | 1,620,000,000 | 1,620,000,000 | 1,620,000 |
| | | | | | |
| 45 | 45 | 45 | 45 | 48 | 58 |
| 27 | 27 | 27 | 27 | 27 | 27 |
| 2,250,000,000 | 2,250,000,000 | 2,250,000,000 | 2,250,000,000 | 2,250,000,000 | 2,250,000 |

DRAFT