
City of Lincoln Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2019**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Position	14
Statement of Revenue, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16-17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Component Units:	
Statement of Net Position	20
Statement of Activities	21-22
Notes to Financial Statements	23-53
Required Supplemental Information	54
Budgetary Comparison Schedule - General Fund	55
Police Officers and Firefighters Retirement System:	
Schedule of Changes in the Net Pension Liability and Related Ratios	56
Schedule of Pension Investment Returns	57
Schedule of City Contributions	58
Municipal Employees' Retirement System:	
Schedule of Changes in the Net Pension Liability and Related Ratios	59
Schedule of City Contributions	60
Stipends - Police Officers and Firefighters Retirement System and Municipal Employees' Retirement System:	
Schedule of Changes in the Net Pension Liability and Related Ratios	61
Schedule of Changes in the Total OPEB Liability and Related Ratios	62
Notes to Required Supplemental Information	63

Other Supplemental Information	64
Nonmajor Governmental Funds:	
Combining Balance Sheet	65-66
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	67-68
Internal Service Funds:	
Combining Statement of Net Position	69
Combining Statement of Revenue, Expenses, and Changes in Net Position	70
Combining Statement of Cash Flows	71
Agency Funds - Combining Statement of Assets and Liabilities	72

Independent Auditor's Report

To the Mayor and City Council
City of Lincoln Park, 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 Lincoln Park, Michigan (the "City") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Lincoln Park, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

To the Mayor and City Council
City of Lincoln Park, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, 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 Lincoln Park, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of the City of Lincoln Park, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lincoln Park, Michigan's internal control over financial reporting and compliance.



December 9, 2019

The following discussion and analysis of the City of Lincoln Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please review it in conjunction with the City's financial statements.

Financial Highlights

- The City terminated retiree health care on July 1, 2015 under the emergency manager's executive order. The benefits were replaced with monthly stipend payments to eligible retirees that could be applied towards health care provided by the City or taken as supplemental income. During 2019, the City offered eligible retirees the option of enrolling in an enhanced benefits agreement, which settled all claims between the eligible retirees and the City. Under this agreement, the retirees receive larger stipends, which increased the City's net OPEB liability and net pension liability by approximately \$6.5 million and \$4.1 million, respectively.

Using This Annual Report

The annual report covers multiple financial statements. The statement of net position and the statement of activities supply data about the activities of the City as a whole and provide information regarding the City's finances. For governmental activities, these statements provide long-term and short-term information about the City's overall status. Financial reporting is similar to that found in the private sector with its basis in full accrual accounting. Fund financial statements show city operations in more detail than government-wide statements, as they provide information about the City's most important funds.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets:						
Cash and investments	\$ 11,715,056	\$ 11,957,938	\$ 579,531	\$ 1,231,786	\$ 12,294,587	\$ 13,189,724
Receivables	1,560,572	1,184,269	5,708,004	5,495,187	7,268,576	6,679,456
Other assets	6,887,840	81,258	2,621,608	3,813,089	9,509,448	3,894,347
Capital assets	29,796,831	27,779,617	43,315,307	37,978,503	73,112,138	65,758,120
Total assets	49,960,299	41,003,082	52,224,450	48,518,565	102,184,749	89,521,647
Deferred Outflows of Resources	2,301,447	2,087,787	370,270	354,005	2,671,717	2,441,792
Liabilities						
Current liabilities	3,114,090	2,232,315	1,396,566	533,371	4,510,656	2,765,686
Noncurrent liabilities	103,309,814	89,473,541	24,108,090	18,893,824	127,417,904	108,367,365
Total liabilities	106,423,904	91,705,856	25,504,656	19,427,195	131,928,560	111,133,051
Deferred Inflows of Resources	1,080,203	959,488	108,380	128,498	1,188,583	1,087,986
Net Position						
Net investment in capital assets	28,997,947	27,174,479	27,966,619	26,407,845	56,964,566	53,582,324
Restricted	3,771,285	4,710,544	1,358,956	2,051,018	5,130,241	6,761,562
Unrestricted	(88,011,593)	(81,459,498)	(2,343,891)	858,014	(90,355,484)	(80,601,484)
Total net position	\$ (55,242,361)	\$ (49,574,475)	\$ 26,981,684	\$ 29,316,877	\$ (28,260,677)	\$ (20,257,598)

The City's governmental activities were in a deficit of \$(55.2) million this year compared to \$(49.6) million last year. Unrestricted net position (deficit) is \$(88.0) million this year compared to \$(81.5) million in the previous year. Unrestricted net position represents financial resources that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations. The negative unrestricted net position amount reflects that restricted position and net investments in capital assets exceeded total net position in the current year. The governmental activities net position decreased \$5.7 million during 2019 as a result of the increase in the net pension and net OPEB liability.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The City's business-type activities net position was \$27.0 million this year compared to \$29.3 million last year. Unrestricted net position (deficit) is \$(2.3) million this year compared to net position of \$0.9 million in the previous year. The business-type activities net position decreased \$2.3 million during 2019 primarily as a result of the increase in the net pension and net OPEB liability.

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 7,630,595	\$ 8,117,611	\$ 10,104,505	\$ 9,737,187	\$ 17,735,100	\$ 17,854,798
Operating grants	5,801,411	4,447,755	492,902	421,574	6,294,313	4,869,329
Capital grants	252,078	190,347	41,405	-	293,483	190,347
General revenue:						
Taxes	10,394,522	10,421,583	292,856	679,895	10,687,378	11,101,478
Intergovernmental	5,212,854	5,111,032	-	-	5,212,854	5,111,032
Investment earnings	51,629	2,059	15,273	15,168	66,902	17,227
Other revenue	821,511	776,412	-	1,940,022	821,511	2,716,434
Total revenue	30,164,600	29,066,799	10,946,941	12,793,846	41,111,541	41,860,645
Expenses						
General government	14,639,704	3,719,875	-	-	14,639,704	3,719,875
District court	1,267,494	1,216,950	-	-	1,267,494	1,216,950
Public safety	13,014,034	14,071,680	-	-	13,014,034	14,071,680
Public works	4,993,092	4,628,956	-	-	4,993,092	4,628,956
Community and economic development	949,824	573,122	-	-	949,824	573,122
Recreation and culture	786,043	996,886	-	-	786,043	996,886
Capital outlay	-	336,602	-	-	-	336,602
Debt service	182,295	13,097	-	-	182,295	13,097
Water and Sewer Fund	-	-	11,584,597	10,461,189	11,584,597	10,461,189
Total expenses	35,832,486	25,557,168	11,584,597	10,461,189	47,417,083	36,018,357
Special item	-	-	(1,697,537)	-	(1,697,537)	-
Change in Net Position	(5,667,886)	3,509,631	(2,335,193)	2,332,657	(8,003,079)	5,842,288
Net Position - Beginning of year	(49,574,475)	(53,084,106)	29,316,877	26,984,220	(20,257,598)	(26,099,886)
Net Position - End of year	\$ (55,242,361)	\$ (49,574,475)	\$ 26,981,684	\$ 29,316,877	\$ (28,260,677)	\$ (20,257,598)

Governmental Activities

The governmental activities revenue increased by approximately \$1.1 million. This increase was primarily a result of additional operating grants related to the CDBG fund. The governmental activities expenses increased by approximately \$10.3 million. This increase was primarily a result of the increase in the City's net pension liability and net OPEB liability.

Business-type Activities

The business-type activities revenue decreased by approximately \$1.8 million. During the prior year, the business-type activities reported approximately \$1.9 million of income from the Downriver Sewage Disposal System (DSDS) joint venture. During 2019, the DSDS was transferred to the Downriver Wastewater Utility Authority. Refer to Note 12 for additional information.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. Total General Fund expenditures were less than budget by approximately \$1,118,000 due to all city departments being fiscally responsible. There were no city departments over budget.

Capital Assets and Debt Administration

At the close of the year, the City had invested \$73.1 million in capital assets, such as land, buildings and improvements, and equipment or infrastructure. A total of \$65.8 million was invested in similar assets last year.

At the close of the year, the City had \$23.8 million in outstanding bonds and notes, as compared to \$12.2 million in the previous year. The City incurred approximately \$6.7 million of debt in the governmental activities for road construction bonds in 2019. The City incurred approximately \$6.5 million of debt in the business-type activities related to the Downriver Utility Wastewater Authority.

Economic Factors and Next Year's Budgets and Rates

The City of Lincoln Park, Michigan's financial position continues to rebound from the financial crisis that occurred in 2013-2014. The General Fund today is in much better fiscal condition than it has been for several years. Due to the actions of the emergency manager in 2014-2015, implementation of strong financial policies, good budgeting practices, and the vigilance of the elected officials and department directors, the City has seen its General Fund fund balance grow to just over \$5.5 million at the end of FY 2019. This turnaround in just five years provides a lot of optimism for the future of the City.

The City of Lincoln Park, Michigan has experienced a growth in the local economy during the last two fiscal years. Ford Motor Company completed a \$14,000,000 investment in its Technical Training Center on Outer Drive in the City, while several businesses either decided to invest in their facilities or locate new operations within the City. The Kroger Company spent over \$2,000,000 to update its store located on Southfield Road, while national chains Sonic Drive-in and Papa John's Pizza located new operations within the City. The City continues to work with the owners of the Sears property and plans to have a new develop there very soon. Fiscal years 2018 and 2019 saw a dramatic increase in construction value of building permits issued. This was mainly due to the investments in commercial and industrial properties. However, investment in residential properties also increased, as the City saw sale prices for the housing stock increase over previous years. These residential values are predicted to continue to increase in the upcoming year.

The City's two pension systems continue to move in a positive direction. Following the changes made to the benefits of the systems, increased annual funding, and a favorable stock market, the funded level of both plans has increased. In the most recent valuations, the Police Officers and Firefighters Retirement System has reached a funded level of 31 percent, while the MERS pension is now at 22 percent. Both systems still rank near the bottom of pension systems in the state of Michigan because of the low funded levels. Additionally, the City is required to contribute a large portion of resources from the General Fund (over 34 percent) to achieve this small but steady improvement. However, the continued improvement is not guaranteed. Should the stock market experience a significant downturn, returns on the small investments would disappear, reducing the funded level and increasing the ARC necessary to sustain the fragile systems.

Being in a better financial position, the City has been able to begin to focus on reinvestment in the infrastructure of the community. The City is completing the fourth year of a road improvement plan that is spending approximately \$1,500,000 per year. At the current rate, the City will see over \$15,000,000 in road investment over the next 10 years. In addition, the City closed on \$6.7 million in road bonds in June of this year. These bonds were approved by the voters in 2014, but, due to the City's poor bond rating, the sale of the bonds was put on hold. These road improvements will occur over the next several years and will only add to the improvements to the City's infrastructure investments. The City has completed a \$2.4 million review of the storm and sanitary sewers system that will guide the City through the improvement process necessary to ensure the reliability of the system and protect the residents from failure. The City is now in the process of applying for an SRF loan through the Michigan Finance Authority to fund those improvements. The City is also developing a vehicle replacement program and building update program that will change out costly systems and improve the reliability and increase the effectiveness of the City's services.

Requests for Further Information

This report has been created to give our citizens, taxpayers, investors, and creditors a summary of city finances and to show how city revenue is used. If you have any questions regarding this report, or if you need additional financial information, please contact:

Ms. Lisa Griggs, Director of Finance
1355 Southfield Road
Lincoln Park, MI 48146
Phone: 313-386-1800
Fax: 313-386-2205
lgriggs@citylp.com

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 11,715,056	\$ 579,531	\$ 12,294,587	\$ 1,572,844
Receivables:				
Special assessments receivable	14,082	-	14,082	-
Customers	394,645	3,253,165	3,647,810	-
Loans receivable	-	-	-	41,999
Other receivables	408,640	-	408,640	-
Due from other governmental units	2,959,748	190,526	3,150,274	20,407
Due from component units (Note 5)	47,770	-	47,770	-
Internal balances (Note 5)	(2,264,313)	2,264,313	-	-
Prepaid expenses and other assets	252,341	-	252,341	-
Restricted assets (Note 8)	6,633,999	2,621,608	9,255,607	-
Land held for resale	1,500	-	1,500	-
Capital assets: (Note 4)				
Assets not subject to depreciation	10,755,721	199,160	10,954,881	284,670
Assets subject to depreciation - Net	19,041,110	43,116,147	62,157,257	1,163,473
Total assets	49,960,299	52,224,450	102,184,749	3,083,393
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 10)	2,301,447	370,270	2,671,717	-
Liabilities				
Accounts payable	2,043,193	1,258,185	3,301,378	47,370
Due to other governmental units	27,628	105,352	132,980	121,032
Due to primary government (Note 5)	-	-	-	47,770
Accrued liabilities and other	612,028	25,744	637,772	2,404
Provision for property tax refunds	192,657	7,285	199,942	5,145
Unearned revenue	238,584	-	238,584	-
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	238,551	-	238,551	-
Compensated absences (Note 6)	233,601	11,239	244,840	-
Current portion of long-term debt (Note 6)	707,325	897,155	1,604,480	-
Due in more than one year:				
Compensated absences (Note 6)	700,804	33,716	734,520	-
Net pension liability (Notes 10 and 11)	85,459,558	6,380,501	91,840,059	-
Net OPEB liability (Note 11)	9,482,968	1,071,294	10,554,262	-
Long-term debt (Note 6)	6,487,007	15,714,185	22,201,192	-
Total liabilities	106,423,904	25,504,656	131,928,560	223,721
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 10)	1,080,203	108,380	1,188,583	-
Net Position				
Net investment in capital assets	28,997,947	27,966,619	56,964,566	1,448,143
Restricted:				
Roads	1,640,106	-	1,640,106	-
Debt service	-	708,956	708,956	-
Sanitation	105,021	-	105,021	-
Grants	143,681	-	143,681	-
Police	620,283	-	620,283	-
Cable	606,020	-	606,020	-
Sewer replacement	-	650,000	650,000	-
Advertising	41,574	-	41,574	-
Construction code	614,600	-	614,600	-
Unrestricted	(88,011,593)	(2,343,891)	(90,355,484)	1,411,529
Total net position	\$ (55,242,361)	\$ 26,981,684	\$ (28,260,677)	\$ 2,859,672

City of Lincoln Park, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 14,639,704	\$ 223,334	\$ -	\$ 251,707
District court	1,267,494	3,334,778	-	-
Public safety	13,014,034	602,566	521,670	-
Public works	4,993,092	1,800,600	4,235,824	371
Community and economic development	949,824	1,276,199	949,411	-
Recreation and culture	786,043	393,118	94,506	-
Interest on long-term debt	182,295	-	-	-
Total governmental activities	35,832,486	7,630,595	5,801,411	252,078
Business-type activities	11,584,597	10,104,505	492,902	41,405
Total primary government	\$ 47,417,083	\$ 17,735,100	\$ 6,294,313	\$ 293,483
Component units:				
Downtown Development Authority	\$ 281,689	\$ 9,712	\$ -	\$ -
Economic Development Corporation	18,362	20,957	-	-
Brownfield Development Area	17,230	-	-	-
Library Authority	312,653	1,620	-	-
Total component units	\$ 629,934	\$ 32,289	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Special items (Note 12)				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (14,164,663)	\$ -	\$ (14,164,663)	\$ -
2,067,284	-	2,067,284	-
(11,889,798)	-	(11,889,798)	-
1,043,703	-	1,043,703	-
1,275,786	-	1,275,786	-
(298,419)	-	(298,419)	-
(182,295)	-	(182,295)	-
(22,148,402)	-	(22,148,402)	-
-	(945,785)	(945,785)	-
(22,148,402)	(945,785)	(23,094,187)	-
-	-	-	(271,977)
-	-	-	2,595
-	-	-	(17,230)
-	-	-	(311,033)
-	-	-	(597,645)
10,394,522	292,856	10,687,378	616,425
5,212,854	-	5,212,854	74,662
51,629	15,273	66,902	4,480
663,773	-	663,773	-
157,738	-	157,738	4,105
16,480,516	308,129	16,788,645	699,672
-	(1,697,537)	(1,697,537)	-
(5,667,886)	(2,335,193)	(8,003,079)	102,027
(49,574,475)	29,316,877	(20,257,598)	2,757,645
\$ (55,242,361)	\$ 26,981,684	\$ (28,260,677)	\$ 2,859,672

City of Lincoln Park, Michigan

Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Road Bond Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 6,236,885	\$ -	\$ 4,340,535	\$ 10,577,420
Receivables:				
Special assessments receivable	-	-	14,082	14,082
Customers	-	-	394,645	394,645
Other receivables	408,640	-	-	408,640
Due from other governmental units	1,811,224	-	896,817	2,708,041
Due from component units (Note 5)	11,270	-	35,000	46,270
Due from other funds (Note 5)	746,827	-	7,148	753,975
Restricted assets	-	6,633,999	-	6,633,999
Land held for resale	-	-	1,500	1,500
	<u>\$ 9,214,846</u>	<u>\$ 6,633,999</u>	<u>\$ 5,689,727</u>	<u>\$ 21,538,572</u>
Total assets				
Liabilities				
Accounts payable	\$ 674,334	\$ -	\$ 1,314,665	\$ 1,988,999
Due to other governmental units	27,445	-	183	27,628
Due to other funds (Note 5)	-	1,000	838,258	839,258
Advances from other funds	2,212,479	-	-	2,212,479
Accrued liabilities and other	556,918	-	12,104	569,022
Provision for property tax refunds	192,657	-	-	192,657
Unearned revenue	-	-	238,584	238,584
Payable from restricted assets	-	238,551	-	238,551
	<u>3,663,833</u>	<u>239,551</u>	<u>2,403,794</u>	<u>6,307,178</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue	<u>40,788</u>	<u>-</u>	<u>14,082</u>	<u>54,870</u>
Total liabilities and deferred inflows of resources	<u>3,704,621</u>	<u>239,551</u>	<u>2,417,876</u>	<u>6,362,048</u>
Fund Balances				
Restricted:				
Roads	1,640	6,394,448	1,638,466	8,034,554
Police	-	-	620,283	620,283
Grants	-	-	143,681	143,681
Advertising	-	-	41,574	41,574
Sanitation	-	-	105,021	105,021
Cable	-	-	606,020	606,020
Construction code	614,600	-	-	614,600
Assigned - Capital projects	-	-	116,806	116,806
Unassigned	4,893,985	-	-	4,893,985
	<u>5,510,225</u>	<u>6,394,448</u>	<u>3,271,851</u>	<u>15,176,524</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,214,846</u>	<u>\$ 6,633,999</u>	<u>\$ 5,689,727</u>	<u>\$ 21,538,572</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 15,176,524
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 (excludes ISF assets)	28,217,389
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	54,870
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(6,700,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(32,895)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities (excludes ISF):	
Employee compensated absences	(934,405)
Pension benefits	(84,136,106)
Retiree healthcare benefits	(9,314,532)
Internal service funds are included as part of governmental activities	<u>2,426,794</u>
Net Position of Governmental Activities	<u><u>\$ (55,242,361)</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Road Bond Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 10,390,931	\$ -	\$ 3,591	\$ 10,394,522
Intergovernmental:				
Federal grants	216,922	-	949,411	1,166,333
State-shared revenue and grants:				
State-shared revenue	4,873,015	-	47,500	4,920,515
Act 51 gas and weight tax	-	-	3,686,884	3,686,884
Local community stabilization authority	292,339	-	-	292,339
State grants	146,263	-	801,578	947,841
Charges for services	3,420,255	-	1,610,993	5,031,248
Fines and forfeitures	3,304,002	-	-	3,304,002
Licenses and permits	667,050	-	120,450	787,500
Investment income	81,406	999	-	82,405
Other revenue	123,162	-	40,500	163,662
Total revenue	23,515,345	999	7,260,907	30,777,251
Expenditures				
Current services:				
General government	5,334,758	-	97,685	5,432,443
District court	1,374,258	-	-	1,374,258
Public safety	14,375,279	-	602,365	14,977,644
Public works	579,185	169,651	7,095,896	7,844,732
Community and economic development	-	-	959,390	959,390
Recreation and culture	765,316	-	254,842	1,020,158
Debt service - Interest and fiscal charges	-	136,900	-	136,900
Total expenditures	22,428,796	306,551	9,010,178	31,745,525
Excess of Revenue Over (Under) Expenditures	1,086,549	(305,552)	(1,749,271)	(968,274)
Other Financing Sources (Uses)				
Transfers in	-	-	980,000	980,000
Transfers out	(180,000)	-	(800,000)	(980,000)
New debt issued (Note 6)	-	6,700,000	-	6,700,000
Total other financing (uses) sources	(180,000)	6,700,000	180,000	6,700,000
Net Change in Fund Balances	906,549	6,394,448	(1,569,271)	5,731,726
Fund Balances - Beginning of year	4,603,676	-	4,841,122	9,444,798
Fund Balances - End of year	\$ 5,510,225	\$ 6,394,448	\$ 3,271,851	\$ 15,176,524

Governmental Funds

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 5,731,726
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 (excludes ISF activity):	
Capital outlay	4,160,089
Depreciation expense	(2,121,659)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	724
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(6,700,000)
Interest expense is recognized in the government-wide statements as it accrues	(32,895)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(6,746,396)
Internal service funds are included as part of governmental activities	<u>40,525</u>
Change in Net Position of Governmental Activities	<u><u>\$ (5,667,886)</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2019

	Enterprise Fund	Governmental
	Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 579,531	\$ 1,137,636
Receivables	3,443,691	251,707
Due from component units (Note 5)	-	1,500
Due from other funds (Note 5)	51,834	33,449
Prepaid expenses and other assets	-	252,341
Total current assets	4,075,056	1,676,633
Noncurrent assets:		
Restricted assets (Note 8)	2,621,608	-
Advances to other funds (Note 5)	2,212,479	-
Capital assets: (Note 4)		
Assets not subject to depreciation	199,160	-
Assets subject to depreciation - Net	43,116,147	1,579,442
Total noncurrent assets	48,149,394	1,579,442
Total assets	52,224,450	3,256,075
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 10)	370,270	-
Liabilities		
Current liabilities:		
Accounts payable	1,258,185	54,194
Due to other governmental units	105,352	-
Accrued liabilities and other	25,744	10,111
Provision for property tax refunds	7,285	-
Compensated absences (Note 6)	11,239	-
Current portion of long-term debt (Note 6)	897,155	92,325
Total current liabilities	2,304,960	156,630
Noncurrent liabilities:		
Compensated absences (Note 6)	33,716	-
Net pension liability (Notes 10 and 11)	6,380,501	102,208
Net OPEB liability (Note 11)	1,071,294	168,436
Long-term debt (Note 6)	15,714,185	402,007
Total noncurrent liabilities	23,199,696	672,651
Total liabilities	25,504,656	829,281
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 10)	108,380	-
Net Position		
Net investment in capital assets	27,966,619	1,085,110
Restricted:		
Debt service	708,956	-
Sewer replacement	650,000	-
Unrestricted	(2,343,891)	1,341,684
Total net position	<u><u>\$ 26,981,684</u></u>	<u><u>\$ 2,426,794</u></u>

City of Lincoln Park, Michigan

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

Year Ended June 30, 2019

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Sale of water	\$ 3,603,293	\$ -
Sewage disposal charges	4,650,319	-
System maintenance charge	1,361,212	-
Other	489,681	-
Charges to other funds	-	1,072,256
	10,104,505	1,072,256
Total operating revenue		
Operating Expenses		
Cost of water	2,487,588	-
Cost of sewage treatment	3,328,731	-
Operating and maintenance costs	390,969	939,898
Billing and administrative costs	2,584,636	-
Depreciation	1,705,560	324,591
	10,497,484	1,264,489
Total operating expenses		
Operating Loss	(392,979)	(192,233)
Nonoperating Revenue (Expense)		
Property tax revenue	292,856	-
Investment income	15,273	-
Interest expense	(537,124)	(18,949)
Grant expenses	(549,989)	-
State grants	492,902	-
	(286,082)	(18,949)
Total nonoperating revenue		
Loss - Before capital contributions	(679,061)	(211,182)
Capital Contributions - Capital grants	41,405	251,707
Special Item (Note 12)	(1,697,537)	-
Change in Net Position	(2,335,193)	40,525
Net Position - Beginning of year	29,316,877	2,386,269
Net Position - End of year	\$ 26,981,684	\$ 2,426,794

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Fund Water and Sewer Fund	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 10,022,214	\$ -
Receipts from interfund services and reimbursements	-	1,068,127
Payments to suppliers	(5,234,503)	(885,240)
Payments to employees and fringes	(1,697,866)	(121,357)
Payments to other funds	(899,218)	-
Claims paid	(682,500)	-
Net cash and cash equivalents provided by operating activities	1,508,127	61,530
Cash Flows from Noncapital Financing Activities		
Operating grants	336,533	-
Repayments of loans made to other funds	60,000	-
Grant expenses	(549,989)	-
Net cash and cash equivalents used in noncapital financing activities	(153,456)	-
Cash Flows from Capital and Related Financing Activities		
Receipt of capital grants	41,405	-
Property taxes restricted for capital items	288,443	-
Purchase of capital assets	(1,034,346)	(303,375)
Principal and interest paid on capital debt	(1,983,560)	(131,371)
Net cash and cash equivalents used in capital and related financing activities	(2,688,058)	(434,746)
Cash Flows Provided by Investing Activities - Interest received on investments	15,273	-
Net Decrease in Cash and Cash Equivalents	(1,318,114)	(373,216)
Cash and Cash Equivalents - Beginning of year	3,232,457	1,510,852
Cash and Cash Equivalents - End of year	\$ 1,914,343	\$ 1,137,636
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 579,531	\$ 1,137,636
Restricted cash	1,334,812	-
Total cash and cash equivalents	\$ 1,914,343	\$ 1,137,636
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (392,979)	\$ (192,233)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,705,560	324,591
Changes in assets and liabilities:		
Receivables	(82,291)	-
Due to and from other funds	-	(4,129)
Prepaid and other assets	-	(251,707)
Accounts payable	129,424	14,940
Estimated claims liability	(682,500)	-
Net pension or OPEB liability	873,092	169,187
Deferrals related to pension or OPEB	(36,383)	-
Accrued and other liabilities	(5,796)	881
Total adjustments	1,901,106	253,763
Net cash and cash equivalents provided by operating activities	\$ 1,508,127	\$ 61,530

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2019

Noncash Capital and Related Financing Activities - On September 27, 2018, the Downriver Sewage Disposal System (DSDS) was transferred to the Downriver Utility Wastewater Authority (DUWA). As a result of this transfer, the City reduced its investment in joint ventures to zero. The loss on the transfer of assets of \$1,697,537 was reported as a special item in the Water and Sewer Fund. In order to fund the transfer and refund the 2007D series bonds, DUWA issued debt on behalf of the City in the amount of \$6,406,898. The City reported a corresponding right-to-use asset in the Water and Sewer Fund's capital assets for this debt issuance. There was also an increase in the City's debt of \$99,307 due to an increase in the City's allocation of the DUWA debt due to a decrease in the City's sewage flow compared to the total sewage flow of the system. In addition, long-term debt was issued on behalf of the City in the amount of \$25,957 for construction related to DSDS. Refer to Note 12 for additional information.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2019

	Police Officers and Firefighters Retirement System	Agency
Assets		
Cash and cash equivalents	\$ 726,906	\$ 414,487
Investments:		
EFT - Equity	6,693,641	-
Mutual funds - Equity	11,569,700	-
Mutual funds - Fixed income	6,086,785	-
Receivables - Accrued interest receivable	23,107	-
Total assets	25,100,139	\$ 414,487
Liabilities		
Accounts payable	-	\$ 1,734
Due to other governmental units	-	270,548
Accrued liabilities and other	-	142,205
Total liabilities	-	\$ 414,487
Net Position Held in Trust for Pension	\$ 25,100,139	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	Police Officers and Firefighters Retirement System
Additions	
Investment income (expense):	
Interest and dividends	\$ 799,191
Net increase in fair value of investments	191,995
Investment-related expenses	(10,704)
Net investment income	980,482
Contributions:	
Employer contributions	6,050,163
Employee contributions	402,106
Total contributions	6,452,269
Total additions	7,432,751
Deductions	
Benefit payments	5,910,856
Administrative expenses	112,548
Total deductions	6,023,404
Net Increase in Net Position Held in Trust	1,409,347
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	23,690,792
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 25,100,139

City of Lincoln Park, Michigan

**Component Units
Statement of Net Position**

June 30, 2019

	Downtown Development Authority	Economic Development Corporation	Brownfield Development Area	Library Authority	Total
Assets					
Cash and cash equivalents	\$ 771,284	\$ 286,765	\$ -	\$ 514,795	\$ 1,572,844
Receivables:					
Loans receivable	-	41,999	-	-	41,999
Due from other governmental units	-	-	-	20,407	20,407
Capital assets:					
Assets not subject to depreciation	284,670	-	-	-	284,670
Assets subject to depreciation - Net	1,163,473	-	-	-	1,163,473
Total assets	2,219,427	328,764	-	535,202	3,083,393
Liabilities					
Accounts payable	41,061	134	-	6,175	47,370
Due to other governmental units	121,032	-	-	-	121,032
Due to primary government	44,569	3,201	-	-	47,770
Accrued liabilities and other	685	553	-	1,166	2,404
Provision for property tax refunds	-	-	-	5,145	5,145
Total liabilities	207,347	3,888	-	12,486	223,721
Net Position					
Net investment in capital assets	1,448,143	-	-	-	1,448,143
Unrestricted	563,937	324,876	-	522,716	1,411,529
Total net position	<u>\$ 2,012,080</u>	<u>\$ 324,876</u>	<u>\$ -</u>	<u>\$ 522,716</u>	<u>\$ 2,859,672</u>

City of Lincoln Park, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	\$ 281,689	\$ 9,712	\$ -	\$ -
Economic Development Corporation	18,362	20,957	-	-
Brownfield Development Area	17,230	-	-	-
Library Authority	312,653	1,620	-	-
Total	\$ 629,934	\$ 32,289	\$ -	\$ -

General revenue:

- Property taxes
- State-shared revenue
- Investment income
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position				
Downtown Development Authority	Economic Development Corporation	Brownfield Development Area	Library Authority	Total
\$ (271,977)	\$ -	\$ -	\$ -	\$ (271,977)
-	2,595	-	-	2,595
-	-	(17,230)	-	(17,230)
-	-	-	(311,033)	(311,033)
(271,977)	2,595	(17,230)	(311,033)	(597,645)
282,649	-	17,230	316,546	616,425
-	-	-	74,662	74,662
1,834	2,646	-	-	4,480
3,794	-	-	311	4,105
288,277	2,646	17,230	391,519	699,672
16,300	5,241	-	80,486	102,027
1,995,780	319,635	-	442,230	2,757,645
\$ 2,012,080	\$ 324,876	\$ -	\$ 522,716	\$ 2,859,672

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Lincoln Park, Michigan (the "City") is governed by an elected six-member council and the mayor. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

Blended Component Units

Building Authority

The Building Authority is a city-created and city-directed authority whose sole business activity is acquiring and leasing property to the City. The Building Authority is governed by a board appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

Police Officers and Firefighters Retirement System

The City of Lincoln Park, Michigan's Police Officers and Firefighters Retirement System has been blended into the City's financial statements. The system is governed by a five-member pension board. The mayor and one member of the City Council sit on the board. Two members of the board are elected by the participants. In addition, the City Council appoints one city resident to the board. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operation of the retirement system.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of eight individuals, is appointed by the City's mayor. The appointment is subject to approval by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Economic Development Corporation

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

Brownfield Development Area

The Brownfield Development Area (the "Area") was created to facilitate the implementation of plans for the identification, treatment, and revitalization of an environmentally distressed area within the City designated as a brownfield development area. The Area's governing body, which consists of nine individuals, is selected by the City Council and the mayor.

Library Authority

The Library Authority was created to provide library services to the City's residents. The library board is governed by a five-member board that is appointed by the mayor and City Council.

The component units above do not issue separate financial statements.

Note 1 - Significant Accounting Policies (Continued)

The City has excluded the Lincoln Park Housing Commission from this report because the City is not able to impose its will on the Lincoln Park Housing Commission.

Accounting and Reporting Principles

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

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. 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, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. 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, if any, are reported as separate columns in the fund financial statements.

Fund Accounting

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

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, and capital project funds. The City has two major governmental funds. The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund. The Road Bond Fund is a capital projects fund that accounts for road construction activity.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (ISF) (which provide goods or services to other funds of the City). The City reports one major enterprise fund, the Water and Sewer Fund, which accounts for the activities of the water distribution system and the sewage collection system.

The City's internal service funds are used to allocate vehicle and information technology purchases and maintenance to the various funds on a full accrual basis so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

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

- The Police Officers and Firefighters Retirement Trust Fund accounts for the activities of the Police Officers and Firefighters Retirement System, which accumulates resources for pension benefit payments to qualified police and fire employees.
- The agency funds account for deposits received by the City that will ultimately be returned to customers, developers, and others once the terms of the deposit arrangement have been satisfied. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Basis of Accounting

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

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

Note 1 - Significant Accounting Policies (Continued)

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Land Held for Resale

The City records an asset for land inventory acquired under the Department of Housing and Urban Development's Neighborhood Stabilization Program 1 and Dollar Home Program. The property is recorded at the lower of cost or market. The homes are sold to eligible individuals based on grant guidelines.

Restricted Assets

The restricted assets in the Water and Sewer Fund consist of cash and cash equivalents related to monies received from a tax levy that are restricted for the payment of outstanding Water and Sewer Fund debt. In addition, restricted assets result from the establishment of debt reserves related to the Downriver Utility Wastewater Authority (DUWA) bonds.

The restricted assets in the governmental activities consist of cash and cash equivalents related to unspent bond proceeds, which are restricted to provide for the replacement of the City's roads.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, 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 \$3,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1 - Significant Accounting Policies (Continued)

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

	Depreciable Life - Years
Roads and sidewalks	25
Water and sewer distribution systems	20 to 75
Buildings and building improvements	10 to 45
Vehicles	5 to 20
Machinery and equipment	10 to 45

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 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 long-term debt in the governmental activities is liquidated by the General Fund and internal service fund through charges for service. The Water and Sewer Fund is used to liquidate business-type activities long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. The governmental activities, business-type activities, and the Water and Sewer Fund report deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the governmental activities, the deferred inflows of resources are related to pensions.

Net Position

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

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed: Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.

Assigned: Intent to spend resources on specific purposes expressed by the City Council or finance director, who is authorized by resolution approved by the City Council to make assignments.

Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The fund balance policy prescribes the minimum fund balance as not less than 20 percent or more than 30 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year. If the unassigned fund balance at fiscal year end falls below the minimum, the City shall develop a restoration plan to achieve and maintain the minimum fund balance. If the unassigned fund balance at fiscal year end exceeds the maximum goal, the City may transfer funds to the Road Bond Fund or other funds, as designated by the City Council.

Note 1 - Significant Accounting Policies (Continued)

Property Tax Revenue

Properties are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. The taxes are due on February 28 before they are added to the county tax rolls. Taxpayers not paying one-third of the tax by August 20, one-third by October 15, and the balance by February 28 are subject to penalties. Property tax receivables are shown net of allowance for uncollectible amounts.

The City's 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The Wayne County treasurer (the "Treasurer") is required by the General Property Tax Law, as amended, to collect delinquent real property taxes levied by the City. Under the act, the Treasurer pays the City in full for delinquent real property taxes owed according to the delinquent tax roll transferred to the Treasurer. Taxes eligible for payment include all delinquent taxes, except on personal property, due and payable to the City. The Treasurer is then responsible for the collection of the outstanding delinquent taxes. Delinquent property taxes not collected within two years after the sale to the county are charged back to the City. A liability for property tax chargebacks has been recorded throughout various funds for approximately \$175,000.

The 2018 taxable valuation of the City totaled \$525 million (a portion of which is captured by the Brownfield Development Area and Downtown Development Authority). Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	15.5209 \$	8,148,000
Police and fire special voted mills	3.4591	1,816,000
Library	0.60000	315,000
Judgment levy - Downriver Sewage Disposal System	0.56763	298,000
Total		<u>\$ 10,577,000</u>

Pension

The City offers a defined benefit pension plan (see Note 10) and a supplemental pension benefit (see Note 11) to certain employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund, internal service funds, and Water and Sewer Fund.

Other Postemployment Benefit Costs

The City offers retiree healthcare benefits to certain retirees, as described in Note 11. The City records a net OPEB liability equal to the total OPEB liability calculated by the actuary since there is no qualifying OPEB trust fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. The net OPEB liability has historically been liquidated from the funds from which the benefits are paid, which are the General Fund, internal service funds, and Water and Sewer Fund.

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and 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. Generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate the obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer 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 enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

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

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

Note 1 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the City's financial statements for the June 30, 2022 fiscal year.

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:

Surplus at July 1, 2018	\$ 322,713
Current year permit revenue	1,264,199
Related expenses - Direct costs	(972,312)
Current year surplus	<u>291,887</u>
Cumulative surplus June 30, 2019	<u><u>\$ 614,600</u></u>

Note 3 - Deposits and Investments

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

Note 3 - Deposits and Investments (Continued)

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated three 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 deposits and investments are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are 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 \$20,221,650 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. At year end, the Downtown Development Authority, Economic Development Corporation, and Library Authority had \$766,169, 288,161, and \$514,795, respectively, of bank deposits that were uninsured and uncollateralized. 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.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
Police Officers and Firefighters Retirement System		
Mutual funds - Fixed income	\$ 3,044,672	4.20
Mutual funds - Fixed income	<u>3,042,113</u>	5.28
Total	<u><u>\$ 6,086,785</u></u>	

June 30, 2019

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2019, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Police Officers and Firefighters Retirement System			
Mutual funds - Fixed income	\$ 6,086,785	Not rated	Not rated

Risk and Uncertainties

The City invests in various securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Fair Value Measurements

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

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

	Assets and Liabilities Measured at Carrying Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Investments by Fair Value Level				
Debt securities - Mutual funds - Fixed income	\$ 6,086,785	\$ -	\$ -	\$ 6,086,785
Equity securities:				
Mutual funds - Equity	11,569,700	-	-	11,569,700
ETF - Equity	6,693,641	-	-	6,693,641
Total equity securities	18,263,341	-	-	18,263,341
Total investments by fair value level	\$ 24,350,126	\$ -	\$ -	\$ 24,350,126

June 30, 2019

Note 3 - Deposits and Investments (Continued)

Debt securities, equity securities, and alternative investments classified in Level 1 are valued using prices quoted in active markets for those securities.

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 9,614,700	\$ -	\$ -	\$ -	\$ 9,614,700
Construction in progress	573,829	(573,830)	1,141,022	-	1,141,021
Subtotal	10,188,529	(573,830)	1,141,022	-	10,755,721
Capital assets being depreciated:					
Roads and sidewalks	106,715,861	573,830	2,193,024	-	109,482,715
Buildings and improvements	6,229,403	-	164,574	-	6,393,977
Equipment	11,200,739	-	661,467	-	11,862,206
Machinery and equipment - ISF	305,444	-	67,523	-	372,967
Vehicles - ISF	4,262,017	-	235,854	(142,576)	4,355,295
Subtotal	128,713,464	573,830	3,322,442	(142,576)	132,467,160
Accumulated depreciation:					
Roads and sidewalks	93,328,830	-	1,441,276	-	94,770,106
Buildings and improvements	5,759,635	-	51,714	-	5,811,349
Equipment	9,067,108	-	628,669	-	9,695,777
Machinery and equipment - ISF	193,488	-	10,813	-	204,301
Vehicles - ISF	2,773,315	-	313,778	(142,576)	2,944,517
Subtotal	111,122,376	-	2,446,250	(142,576)	113,426,050
Net capital assets being depreciated	17,591,088	573,830	876,192	-	19,041,110
Net governmental activities capital assets	\$ 27,779,617	\$ -	\$ 2,017,214	\$ -	\$ 29,796,831

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 16,540	\$ -	\$ -	\$ -	\$ 16,540
Construction in progress	2,370,981	(2,370,970)	182,609	-	182,620
Subtotal	2,387,521	(2,370,970)	182,609	-	199,160
Capital assets being depreciated:					
Buildings and improvements	1,683,467	-	-	-	1,683,467
Machinery and equipment	6,237,743	-	92,835	-	6,330,578
Water and sewer distribution systems	58,921,261	2,370,970	6,766,920	-	68,059,151
Subtotal	66,842,471	2,370,970	6,859,755	-	76,073,196
Accumulated depreciation:					
Buildings and improvements	1,558,476	-	14,994	-	1,573,470
Machinery and equipment	2,563,677	-	141,681	-	2,705,358
Water and sewer distribution systems	27,129,336	-	1,548,885	-	28,678,221
Subtotal	31,251,489	-	1,705,560	-	32,957,049
Net capital assets being depreciated	35,590,982	2,370,970	5,154,195	-	43,116,147
Net business-type activities capital assets	\$ 37,978,503	\$ -	\$ 5,336,804	\$ -	\$ 43,315,307

June 30, 2019

Note 4 - Capital Assets (Continued)

Component Unit - Downtown Development Authority

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 284,670	\$ -	\$ -	\$ -	\$ 284,670
Capital assets being depreciated:					
Infrastructure	1,203,456	-	-	-	1,203,456
Equipment	495,853	-	19,372	-	515,225
Vehicles	25,134	-	-	-	25,134
Subtotal	1,724,443	-	19,372	-	1,743,815
Accumulated depreciation:					
Infrastructure	298,015	-	48,138	-	346,153
Equipment	171,390	-	37,665	-	209,055
Vehicles	25,134	-	-	-	25,134
Subtotal	494,539	-	85,803	-	580,342
Net capital assets being depreciated	1,229,904	-	(66,431)	-	1,163,473
Net capital assets	\$ 1,514,574	\$ -	\$ (66,431)	\$ -	\$ 1,448,143

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

Governmental activities:	
General government	\$ 293,817
Public safety	259,178
Public works	1,510,474
Economic development	58,190
Internal service funds depreciation is charged to the various functions based on their usage of the asset	324,591
Total governmental activities	<u>\$ 2,446,250</u>
Business-type activities - Water and sewer	<u>\$ 1,705,560</u>
Component unit activities - DDA	<u>\$ 85,803</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 745,827
	Road Bond Fund	1,000
	Total General Fund	746,827
Water and Sewer Fund	Nonmajor governmental funds	51,834
Nonmajor governmental funds	Nonmajor governmental funds	7,148
Internal service funds	Nonmajor governmental funds	33,449
	Total	<u>\$ 839,258</u>

June 30, 2019

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The City has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
Water and Sewer Fund	General Fund	\$ 2,212,479

The balance of amounts loaned to (borrowed from) discretely presented component units is as follows:

Receivable	Payable	Amount
Nonmajor governmental fund - Local Streets Fund	Downtown Development Authority	\$ 35,000
General Fund	Economic Development Corporation	3,201
	Downtown Development Authority	<u>8,069</u>
	Total General Fund	11,270
Internal Service Fund	Downtown Development Authority	<u>1,500</u>
	Total	<u><u>\$ 47,770</u></u>

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental fund - Capital Improvement Fund	\$ 180,000
Nonmajor governmental fund - Major Streets Fund	Nonmajor governmental fund - Local Streets Fund	<u>800,000</u>
	Total	<u><u>\$ 980,000</u></u>

The interfund receivables balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The long-term advance from the Water and Sewer Fund to the General Fund represents monies advanced to provide cash flow for normal operating expenditures. The advance is to be repaid, with interest of 0.5 percent, over 10 years.

The interfund transfer reported from the Major Streets Fund to the Local Streets Fund for \$800,000 was to finance a portion of the cost of the City's Local Streets Fund road programs. The interfund transfers from the General Fund to the Capital Improvement Fund were to finance the cost of the City's road programs.

June 30, 2019

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings:							
Installment purchase -							
Vortex machine:							
Amount of issue - \$81,540							
Maturing through 2019	N/A	N/A	\$ 21,537	\$ -	\$ (21,537)	\$ -	\$ -
Capital lease - Vehicles:							
Amount of issue - \$682,913							
Maturing through 2024 (Note 7)	3.2%	\$92,325-\$105,632	583,601	-	(89,269)	494,332	92,325
2019 UTGO Road Construction Bonds:							
Amount of issue - \$6,700,000							
Maturing through 2029	3.5%	\$585,000 - \$775,000	-	6,700,000	-	6,700,000	615,000
Total bonds and contracts payable			605,138	6,700,000	(110,806)	7,194,332	707,325
Compensated absences			901,136	258,553	(225,284)	934,405	233,601
Total governmental activities long-term debt			\$ 1,506,274	\$ 6,958,553	\$ (336,090)	\$ 8,128,737	\$ 940,926

June 30, 2019

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings:							
Wayne County - Downriver Sewage Disposal System Bonds							
Amount of issue: Various		\$56,547 -					
Maturing through 2028	2.0%-5.7%	\$169,111	\$ 8,020,791	\$ 125,263	\$ (7,422,466)	\$ 723,588	\$ 169,111
Downriver Utility Wastewater Authority Bonds							
Amount of Issue: Various		\$423,854-					
Maturing through 2042	1.63% - 5.0%	\$978,082	-	13,101,776	(573,866)	12,527,910	528,044
Michigan Finance Authority - Clean Water Loan (SRF)							
Amount of issue -		\$50,000-					
\$1,043,784		\$70,000					
Maturing through 2035	2.5%		1,009,842	-	(50,000)	959,842	50,000
Total direct borrowings principal outstanding			9,030,633	13,227,039	(8,046,332)	14,211,340	747,155
Other debt:							
Water and Sewer System Improvement Bonds -							
Amount of issue -		\$150,000-					
\$3,445,000 maturing through 2030	3.0%- 4.125%	\$275,000	2,550,000	-	(150,000)	2,400,000	150,000
Total bonds and contracts payable			11,580,633	13,227,039	(8,196,332)	16,611,340	897,155
Compensated absences			51,988	5,963	(12,996)	44,955	11,239
Total business-type activities long-term debt			\$ 11,632,621	\$ 13,233,002	\$ (8,209,328)	\$ 16,656,295	\$ 908,394

On September 27, 2018, the Downriver Sewage Disposal System (the "System") transferred from the County of Wayne, Michigan to the Downriver Utility Wastewater Authority (DUWA). As part of the System's transfer, DUWA issued bonds of \$58,725,000 and assumed \$62 million of the System's debt. The City is a participant of DUWA and has an obligation to cover an allocation of the outstanding debt. In the current year, the City recorded \$6,406,898 for DUWA's \$58,725,000 bond proceeds issued in the current year. The City recorded the transfer of the System's debt to DUWA as a debt addition of \$6,694,878 for the DUWA bonds and as a debt reduction of \$6,694,878 to the System's bonds.

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities				
	Direct Borrowings				
	Principal	Interest	Total		
2020	\$ 707,325	\$ 199,964	\$ 907,289		
2021	680,486	226,738	907,224		
2022	708,755	202,994	911,749		
2023	732,135	178,263	910,398		
2024	755,631	152,716	908,347		
2025-2029	3,610,000	387,800	3,997,800		
2030-2034	-	-	-		
2035-2039	-	-	-		
Thereafter	-	-	-		
Total	\$ 7,194,332	\$ 1,348,475	\$ 8,542,807		

Years Ending June 30	Business-type Activities				
	Direct Borrowings		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 747,155	\$ 482,795	\$ 150,000	\$ 88,669	\$ 1,468,619
2021	687,398	460,412	175,000	84,169	1,406,979
2022	666,776	417,110	200,000	78,831	1,362,717
2023	692,059	417,435	200,000	72,331	1,381,825
2024	1,095,283	395,197	200,000	65,531	1,756,011
2025-2029	3,875,277	1,650,278	1,200,000	204,188	6,929,743
2030-2034	3,165,506	1,011,420	275,000	11,344	4,463,270
2035-2039	2,031,601	577,521	-	-	2,609,122
Thereafter	1,250,285	127,129	-	-	1,377,414
Total	\$ 14,211,340	\$ 5,539,297	\$ 2,400,000	\$ 605,063	\$ 22,755,700

Assets Pledged as Collateral

Direct Borrowings and Direct Placements

The City's outstanding installment purchase agreements are secured with collateral of the related assets purchased with the installment purchase agreement proceeds.

Note 7 - Leases

Capital Leases

During 2018, the City entered into a lease agreement as lessee for financing the purchase of three vehicles. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date (see Note 6). The cost of the vehicles totaled \$682,913. Accumulated depreciation as of June 30, 2019 on the leased assets is approximately \$195,000. The future minimum lease obligations for the years ending June 30 and the net present value are as follows:

Years Ending	Amount
2020	\$ 109,248
2021	109,248
2022	109,248
2023	109,248
2024	109,248
Total	546,240
Less amount representing interest	51,908
Present value	<u>\$ 494,332</u>

Note 8 - Restricted Assets

The restricted assets in the business-type activities consist of cash and cash equivalents and receivables restricted to provide for the replacement of enterprise fund assets. Also, monies received from a tax levy are restricted for the payment of outstanding enterprise fund debt related to the Wayne County Sewage Disposal System bonds. In addition, restricted assets result from the establishment of debt reserves and unspent bond proceeds related to the Downriver Utility Wastewater Authority bonds.

The restricted assets in the governmental activities consist of unspent bond proceeds.

At June 30, 2019, restricted assets are composed of the following:

	Governmental Activities	Business-type Activities
Cash and cash equivalents:		
Ecorse Creek replacement reserve	\$ -	\$ 650,000
Tax funds for Wayne County Downriver Sewage Disposal System bonds	-	684,812
Road Bonds - Unspent bond proceeds	6,633,999	-
Cash and cash equivalents	6,633,999	1,334,812
Restricted receivable - Tax funds for Wayne County Downriver Sewage Disposal System bonds	-	24,144
Downriver Utility Wastewater Authority - Assets held at the Authority for future debt service and capital projects	-	1,262,652
Total restricted assets	<u>\$ 6,633,999</u>	<u>\$ 2,621,608</u>

The cash reserves held at the Downriver Utility Wastewater Authority were not restricted net position, as the cash reserves were generated from unspent bond proceeds. The Ecorse Creek replacement reserve is dictated by the EPA.

Note 9 - Risk Management

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

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

Note 10 - Pension Plans

Plan Description

The City of Lincoln Park, Michigan provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Police Officers and Firefighters Retirement System (P&F Retirement System), a single-employer plan administered by the pension commission, and the Municipal Employees' Retirement System (MERS), an agent multiple-employer plan administered by the retirement board.

The financial statements of the Police Officers and Firefighters Retirement System are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

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, MI 48917.

Management of the P&F Retirement System is vested in the pension commission, which consists of five members - the mayor, a City Council member appointed by the City Council, a resident appointed by the City Council, and two members of the P&F Retirement System elected by plan members.

The City of Lincoln Park, Michigan also contributes to the City of Lincoln Park Defined Contribution Plan, a defined contribution pension plan for certain employees who meet the eligibility requirements. The City established the defined contribution plan under Section 401(a) and covers all full-time employees (with the exception of elected officials and commission or board members) hired on or after December 1, 2004. The benefits are administered by the Municipal Employees' Retirement System.

Benefits Provided

The Police Officers and Firefighters Retirement System and the Municipal Employees' Retirement System provide retirement, disability, and death benefits to plan members and beneficiaries. The P&F Retirement System's benefit terms are established by contractual agreements between the City and various employee union representation; amendments are subject to the same process. 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.

Note 10 - Pension Plans (Continued)

Police Officers and Firefighters Retirement System

Final Average Compensation

Police Patrol and Police Command Officers

Hired before April 21, 2010 - Average of base compensation (at current pay rates) for ranks held during five years before retirement. Equivalent to one-year average if no promotions during that period.

Hired on or after April 21, 2010 - Highest five-consecutive-year average of compensation of employee's last year of service before retirement.

Firefighters

Average of base compensation (at current pay rates) for ranks held during five years before retirement. Equivalent to one-year average if no promotion during that period.

Voluntary Retirement

Police Patrol and Police Command Officers

Hired before April 21, 2010 - Eligible for voluntary retirement at age 50 with 25 years of service or 28 years of service regardless of age. The annual amount is calculated as 2.80 percent of FAC times service accrued to June 1, 2014; 2.50 percent of FAC times service accrued from June 1, 2014 to November 1, 2014; and 2.00 percent of FAC times service accrued after November 1, 2014, reverting to 2.50 percent if the member meets the voluntary retirement eligibility conditions.

Hired on or after April 21, 2010 - Eligible for voluntary retirement at age 55 with 25 years of service. The annual amount is calculated as 2.25 percent of FAC times service.

Hired on or after January 1, 2014 (Police Patrol Only) - Eligible for voluntary retirement at age 55 with 25 years of service. The annual amount is calculated as 2.00 percent of FAC times service.

Firefighters

Hired before July 1, 2013 - Eligible for voluntary retirement at age 50 with 25 years of service, or 28 years of service regardless of age. The annual amount is calculated as 2.80 percent of FAC times service accrued to July 1, 2013; 2.50 percent of FAC times service accrued from July 1, 2013 to March 1, 2015; and 2.00 percent of FAC times service accrued after March 1, 2015, reverting to 2.50 percent if the member meets the voluntary retirement eligibility conditions.

Hired on or after July 1, 2013 - Eligible for voluntary retirement at age 55 with 25 years of service. Maximum benefit is 78.4 percent of final average base compensation.

Mandatory Retirement - Age 60 with 18 years of service.

Early Retirement - 20 or more years of service. The annual amount is computed as a voluntary retirement benefit described above, but reduced by a certain percentage for each year prior to the voluntary retirement date. The annual percentage reduction is 7.2 percent for the first two years, 6.0 percent for the next three years, and 4.8 percent thereafter.

Postretirement Death Benefit - Annual Amount: Effective July 1, 1979, all members whose retirement benefits commenced after June 30, 1975 shall be covered by an automatic 50 percent spouse (or dependent children under age 18) benefit at no cost to the members.

The benefits also include nonduty disability benefits and disability retirement benefits, in limited situations. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest. Police patrol and police command members hired after January 1, 2014 will not receive an annuity refund as an option.

Note 10 - Pension Plans (Continued)

Postretirement Cost of Living Adjustments - A one-time increase for retirees on the rolls was enacted on July 1, 1975. The annual amount of the increase was \$50 (\$25 for beneficiaries) for each year since retirement. For fire retirees after July 1, 1995 and police retirees after September 6, 1996 (and their eventual beneficiaries), retirement benefits will increase \$300 annually (\$150 for beneficiaries) each January 1, beginning with the January 1 that is at least one year after retirement. Beginning on July 1, 1980, the minimum benefit for retirees was gradually raised to \$7,500 (\$3,750 for survivors). For fire retirees, the minimum was raised to \$9,683 (\$4,842 for survivors). For police retirees, the minimum was raised to \$9,683 (two persons) or \$7,570 (one person).

Municipal Employees' Retirement System

Retirement benefits for employees are calculated as 2.5 percent (70 percent maximum) of the employee's best three-year average salary times the employee's years of service. Normal retirement age is 60 with 10 years of service. Early retirement is available at age 50 with 28 years of service, with reduced benefit at age 50 with 25 years of service, or age 55 with 15 years of service. The vesting period is 10 years.

Hired after November 2, 2004 - Retirement benefits for employees are calculated as 1.0 percent of the employee's best three-year average salary times the employee's years of service. Normal retirement age is 60. The vesting period is six years.

The benefits also include nonduty disability benefits and disability retirement benefits, in limited situations. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are \$300.

Benefit terms, including contribution requirements, for the City of Lincoln Park Defined Contribution Plan are established and may be amended by the mayor and City Council. For each employee in the defined contribution plan, the City is required to contribute 7 percent of annual earnings. Employees are permitted to make contributions to the pension plan up to applicable Internal Revenue Code limits. Employees are immediately vested in their own contributions and employee contributions and earnings on those contributions.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>Police Officers and Firefighters Retirement System</u>	<u>Municipal Employees' Retirement System</u>
Date of member count	June 30, 2018	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	145	137
Inactive plan members entitled to but not yet receiving benefits	7	12
Active plan members	67	59
Total employees covered by the plan	<u>219</u>	<u>208</u>

Note 10 - Pension Plans (Continued)

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The P&F Retirement System requires contributions from employees of 10.68 percent for police patrol and 10.18 percent for police command and firefighters. MERS requires contributions from employees of 8.41 percent. For the year ended June 30, 2019, the City contributed the actuarially determined contribution of \$6,050,163 for the P&F Retirement System. For the year ended June 30, 2018, the City contributed \$3,261,473, which exceeds the actuarially determined contribution of \$2,563,452 for MERS.

Net Pension Liability

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	<u>Police Officers and Firefighters Retirement System</u>	<u>Municipal Employees' Retirement System</u>
Measurement date used for the City's net pension liability	June 30, 2019	December 31, 2018
Based on a comprehensive actuarial valuation as of	June 30, 2018	December 31, 2018

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

Police Officers and Firefighters Retirement System

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at July 1, 2018	\$ 80,403,636	\$ 23,690,792	\$ 56,712,844
Changes for the year:			
Service cost	1,005,910	-	1,005,910
Interest	5,066,826	-	5,066,826
Changes in benefits	(237,679)	-	(237,679)
Differences between expected and actual experience	(474,395)	-	(474,395)
Contributions - Employer	-	6,050,163	(6,050,163)
Contributions - Employee	-	402,106	(402,106)
Net investment income	-	896,322	(896,322)
Benefit payments, including refunds	(5,910,856)	(5,910,856)	-
Administrative expenses	-	(28,388)	28,388
Net changes	<u>(550,194)</u>	<u>1,409,347</u>	<u>(1,959,541)</u>
Balance at June 30, 2019	<u>\$ 79,853,442</u>	<u>\$ 25,100,139</u>	<u>\$ 54,753,303</u>

The plan's fiduciary net position represents 31.4 percent of the total pension liability.

Note 10 - Pension Plans (Continued)

Municipal Employees' Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2018	\$ 40,056,718	\$ 8,580,604	\$ 31,476,114
Changes for the year:			
Service cost	212,473	-	212,473
Interest	3,072,222	-	3,072,222
Changes in benefits	(143,057)	-	(143,057)
Differences between expected and actual experience	(382,669)	-	(382,669)
Contributions - Employer	-	3,835,370	(3,835,370)
Contributions - Employee	-	67,568	(67,568)
Net investment loss	-	(334,671)	334,671
Benefit payments, including refunds	(3,520,328)	(3,520,328)	-
Administrative expenses	-	(16,499)	16,499
Net changes	(761,359)	31,440	(792,799)
Balance at December 31, 2018	\$ 39,295,359	\$ 8,612,044	\$ 30,683,315

The plan's fiduciary net position represents 21.9 percent of the total pension liability.

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

For the year ended June 30, 2019, the City recognized pension expense of \$6,441,374 from all plans, which includes defined contribution plan expense of \$2,827.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 68,173	\$ (1,188,583)
Net difference between projected and actual earnings on pension plan investments	1,298,140	-
Employer contributions to the plan subsequent to the measurement date	1,305,404	-
Total	\$ 2,671,717	\$ (1,188,583)

Note 10 - Pension Plans (Continued)

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

Years Ending June 30	Amount
2020	\$ (58,191)
2021	(173,706)
2022	92,681
2023	316,946
Total	<u>\$ 177,730</u>

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Police Officers and Firefighters Retirement System	Municipal Employees' Retirement System
Inflation	3.0%	2.5%
Salary increases (including inflation)	3.0% - 6.8%	3.75% - 14.75%
Investment rate of return (net of investment expenses)	6.50%	7.75%
Mortality rates	RP-2014 Mortality Table	RP-2014 Mortality Table

The actuarial assumptions used in the MERS December 31, 2018 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

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

	Police Officers and Firefighters Retirement System	Municipal Employees' Retirement System
Assumed investment rate of return	6.5%	8.0%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure the total pension liability	6.5%	8.0%

June 30, 2019

Note 10 - Pension Plans (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 for the P&F Retirement System and as of December 31, 2018 for MERS, are summarized in the following tables:

Police Officers and Firefighters Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	68.00 %	6.60 %
Global fixed income	25.00	3.20
Real estate	7.00	6.50

Municipal Employees' Retirement System

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.5 percent for P&F Retirement Systems and 8.0 percent for MERS 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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (P&F - 5.5%, MERS - 7.0%)	Current Discount Rate (P&F - 6.5%, MERS - 8.0%)	1 Percent Increase (P&F - 7.5%, MERS - 9.0%)
Net pension liability of the Police Officers and Firefighters Retirement System	\$ 62,818,448	\$ 54,753,303	\$ 46,106,040
Net pension liability of the Municipal Employees' Retirement System	34,328,568	30,683,315	27,615,522

Investment Policy

The P&F Retirement System's policy in regard to the allocation of invested assets is established and may be amended by the pension commission by a majority vote of its members. It is the policy of the pension commission to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The P&F Retirement System's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The pension commission's adopted asset allocation policy as of June 30, 2019 is included in the table above.

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on P&F Retirement System plan investments, net of pension plan investment expense, was 3.68 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 - Pension Plans (Continued)

Pension Plan Reserves

In accordance with the pension commission, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, but does not credit the contributions with any interest. For any employee who terminates before vesting in the P&F Retirement System, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2019 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 62,171,000	\$ 19,879,546
Employee reserve	5,220,593	5,220,593
Total	\$ 67,391,593	\$ 25,100,139

Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits

Plan Description

The City provides OPEB and supplemental pension benefits (collectively, the "benefits") for all retirees who retired from the City of Lincoln Park, Michigan on or before April 22, 2015 and received city-provided retiree health care. The emergency manager issued an executive order to terminate retiree health care effective July 1, 2015, as provided under Sections 12(1)k and 12(2) of PA 436 of 2012. Effective April, 1, 2019, the City offered eligible retirees the option of enrolling in an enhanced benefits agreement (the "Enhanced Benefits"), which settled all claims between the eligible retiree and the City.

Regardless of whether the eligible retiree enrolled in the Enhanced Benefits, eligible retirees have the option of a monthly stipend used toward the purchase of health insurance through the City's plan, with the retiree contributing the difference between the premium and the stipend (in effect, an OPEB benefit), or a monthly stipend may be taken by the retiree as a supplement to income (in effect, a supplemental pension benefit). Additionally, the City provides Medicare supplemental coverage options to Medicare-eligible retirees that enrolled in the Enhanced Benefits. The total cost of the benefits may not exceed 6 percent of the City's General Fund revenue. If this should occur, the benefits may be reduced by the City. For the year ended June 30, 2019, the total cost of the benefits did not exceed 6 percent of the City's General Fund revenue.

The benefits are provided by the City of Lincoln Park, Michigan's primary government.

No assets are accumulated in a trust that meet the criteria the criteria in GASB 68 or GASB 75.

The benefits are provided only to retirees who retired from the City of Lincoln Park, Michigan on or before April 22, 2015.

**Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits
(Continued)**

Benefits Provided

Non-Enhanced Benefit

The City will pay the following stipend amounts based on health insurance coverage being offered to the retiree:

Non-Medicare-eligible Retirees:

Single: \$150 per month
Couple: \$350 per month
Family: \$425 per month

Medicare-eligible Retirees:

\$50 per month

Enhanced Benefit

The City will pay the following stipend amounts based on health insurance coverage being offered to the retiree:

Non-Medicare-eligible Retirees:

Single: \$400 per month
Couple: \$600 per month
Family: \$800 per month

Medicare-eligible Retirees:

The City provides eligible retirees who are eligible for Medicare with Medicare Supplemental Coverage as follows:

- Option 1: The City offers eligible retirees the option to enroll in Option 1 or its plan equivalent. An eligible retiree who enrolls in Option 1 shall be responsible for contributing 40 percent of the monthly cost of the coverage.
- Option 2: The City offers to eligible retirees a Medicare Supplement Plan that shall be based on the benefits contained in the healthcare plan offered to active employees of the City, which may change from time to time. The City shall pay the full cost of this Medicare Supplement Plan.
- Option 3: The City offers to eligible retirees the option to enroll in Option 3 or its plan equivalent. An eligible retiree who enrolls in Option 3 shall be responsible for contributing 10 percent of the monthly cost of the coverage.
- Opt-out - Medicare eligible retirees who do not choose one of the options above receive a \$200 per month stipend.

Other Benefits

The City also provides an additional subsidy for retirees who have elected to purchase health insurance through the City's plan. The monthly stipend payment amounts are approved annually and are reevaluated each budget year by the City Council.

June 30, 2019

**Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits
(Continued)**

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>OPEB</u>	<u>Supplemental Pension Benefit</u>
Date of member count	June 30, 2019	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	187	122

Contributions

Benefits are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the stipends are due for payment. For the fiscal year ended June 30, 2019, the City made payments for OPEB and supplemental pension benefits of \$730,638 and \$244,831, respectively.

Total OPEB Liability and Total Pension Liability

The City chooses a date to measure its total OPEB liability and net pension liability. This is based on the measurement date, which is the City's fiscal year end, June 30, 2019.

Changes in the total OPEB liability and total pension liability during the measurement year were as follows:

OPEB

<u>Changes in Total OPEB Liability</u>	<u>Total OPEB Liability</u>
Balance at July 1, 2018	\$ 4,074,570
Changes for the year:	
Interest	134,275
Changes in benefits	6,389,705
Differences between expected and actual experience	21,448
Changes in assumptions	664,902
Benefit payments	<u>(730,638)</u>
Net changes	<u>6,479,692</u>
Balance at June 30, 2019	<u>\$ 10,554,262</u>

Supplemental Pension Benefits

<u>Changes in Net Pension Liability</u>	<u>Total Pension Liability</u>
Balance at July 1, 2018	\$ 2,282,442
Changes for the year:	
Interest	78,194
Changes in benefits	3,828,232
Differences between expected and actual experience	77,480
Changes in assumptions	381,924
Benefit payments	<u>(244,831)</u>
Net changes	<u>4,120,999</u>
Balance at June 30, 2019	<u>\$ 6,403,441</u>

June 30, 2019

Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits (Continued)

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

For the year ended June 30, 2019, the City recognized OPEB and supplemental pension expense of \$7,210,330 and \$4,365,829, respectively.

At June 30, 2019, the City did not report deferred outflows of resources and deferred inflows of resources related to OPEB or the supplemental pension benefits.

Actuarial Assumptions

The total OPEB liability and total pension liability in each actuarial valuation were determined using the following actuarial assumptions:

	OPEB	Supplemental Pension Benefits
Mortality rates	PuBS-2010 Health Retiree Mortality Table with the MP 2018 Mortality Improvement Scales	PuBS-2010 Health Retiree Mortality Table with the MP 2018 Mortality Improvement Scales
Healthcare cost trend rate	3.5% in all future years	N/A

Other OPEB Assumption - The most recent subsidy paid for retiree premiums was approximately \$200,972. For the purpose of computing the total OPEB liability, it is being estimated that this amount will reduce to \$0 gradually over the next 15 years.

Inactive plan members share in the cost of OPEB by contributing the difference between the premium and the stipend

Discount Rate

The discount rate used to measure the total OPEB liability and total pension liability was the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 3.13 percent (as referenced by Fidelity "20-Year Municipal GO AA Index" at June 30, 2019).

Sensitivity of the Total OPEB Liability and Net Pension Liability to Changes in the Discount Rate

The following presents the total OPEB liability and net pension liability of the City, calculated using the discount rate of 3.13 percent, as well as what the City's total OPEB liability and net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (2.13%)	Current Discount Rate (3.13%)	1 Percent Increase (4.13%)
Total OPEB liability of the OPEB	\$ 11,858,947	\$ 10,554,262	\$ 9,488,781
Total pension liability of the supplemental pension benefits	7,159,841	6,403,440	5,784,963

June 30, 2019

Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits (Continued)

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

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate 3.50 percent, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (2.5%)	Current Healthcare Cost Trend Rate (3.5%)	1 Percent Increase (4.5%)
Total OPEB liability of the OPEB	\$ 9,549,592	\$ 10,554,262	\$ 11,769,215

Assumption Changes

The discount rate used to measure the total OPEB liability and the total pension liability as of June 30, 2019 was changed from 3.62 percent to 3.13 percent. The discount rate changed due to changes in the municipal bond rate.

Benefit Changes

Effective April 1, 2019, the City offered eligible retirees the option of enrolling in the Enhanced Benefits, described above, which settled all claims between the eligible retiree and the City. The Enhanced Benefits provide eligible retirees with increased benefits, specifically Medicare supplemental coverage options, and increased monthly stipend payments.

Note 12 - Joint Venture

Downriver Utility Wastewater Authority

The City, along with 12 other communities, jointly participated in the Downriver Sewage Disposal System (the "System"). On September 27, 2018, the System transferred from the County of Wayne, Michigan (the "County") to the Downriver Utility Wastewater Authority (DUWA). DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the System. The transfer price was \$54 million, which was paid at closing with \$55.225 million in revenue bonds (Senior Lien bond proceeds) issued by DUWA, plus an obligation for an additional payment of \$3.5 million to be paid in September 2023.

Existing county debt related to the System was handled as follows:

- Judgment levy debt of \$23.2 million remains as an obligation of the County and will continue to be paid directly from the communities to the County.
- 2007D series bonds were refunded and reissued as part of the \$55 million Senior Lien bond issuance.
- The outstanding State Revolving Fund (SRF) debt of \$62 million was exchanged into DUWA's name and has now become a liability of DUWA.

Note 12 - Joint Venture (Continued)

At the time of the system transfer on September 27, 2018, in addition to transferring the treatment plant, distribution system, and other capital assets with a net book value of approximately \$190 million, the County also transferred approximately \$40 million of cash. In exchange for these assets, DUWA is obligated for the exchanged SRF debt in the principal amount of approximately \$62 million, the new 2018 Senior Lien debt issuance with a face amount of \$55 million, and the \$3.5 million remaining transfer obligation. All DUWA debt is revenue bond debt that will be paid by the communities through rates and charges.

The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer Fund. During the year, the City paid a total of \$(28,260,677) for operations and \$1,651,300 for debt service to the System and DUWA. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial statements for the joint venture can be obtained from the administrative offices at 25605 Northline Road, Taylor, MI 48180.

Special Item

In previous years, the City recorded an investment in joint ventures for its participation in the Downriver Sewage Disposal System. The investment in joint ventures represented unrestricted net position of the System that would be returned to the communities if the System were to be dissolved or replaced. On September 27, 2018, the System was transferred to DUWA. The City does not have an explicit equity interest in DUWA. As a result of the transfer of assets, the City reduced its investment in joint ventures to zero. The loss on the transfer of assets of \$1,697,537 was reported as a special item on the Water and Sewer Fund's statement of revenue, expenses, and changes in net position.

25th District Court

The City is a member of the 25th District Court (the "District Court"). The City appoints one member to the joint venture's governing board, which then approves the annual budget. The District Court receives its operating revenue principally through contributions from the member communities. During the year ended June 30, 2019, the City received fines and forfeitures of approximately \$3,304,000 and paid approximately \$1,375,000 for operations. The City is unaware of any circumstances that would cause additional financial benefit or burden to the participating governments in the near future. The City does not have an equity interest in the District Court.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 10,655,858	\$ 10,660,358	\$ 10,390,931	\$ (269,427)
Intergovernmental	5,656,337	5,777,796	5,528,539	(249,257)
Charges for services	3,144,690	3,358,386	3,420,255	61,869
Fines and forfeitures	3,162,000	3,162,000	3,304,002	142,002
Licenses and permits	728,000	678,000	667,050	(10,950)
Investment income	1,500	46,776	81,406	34,630
Other revenue	108,000	154,995	123,162	(31,833)
Total revenue	23,456,385	23,838,311	23,515,345	(322,966)
Expenditures				
Current services:				
General government:				
Mayor and City Council	64,025	64,026	61,785	2,241
Finance	264,877	264,877	253,496	11,381
Treasury department	173,175	173,174	129,196	43,978
City assessor	119,779	119,779	122,327	(2,548)
Clerk	151,276	149,822	122,726	27,096
Municipal building and grounds	652,987	668,352	671,282	(2,930)
City attorney	176,500	176,500	183,558	(7,058)
Election commission	96,732	95,584	80,227	15,357
City manager	302,855	300,514	295,534	4,980
General government	3,397,685	3,460,909	3,414,627	46,282
District Court - Costs	1,688,690	1,688,690	1,374,258	314,432
Public safety:				
Police	9,081,592	9,134,837	9,028,679	106,158
Fire and EMS	4,372,813	4,372,814	4,006,229	366,585
Police/Fire clerical	493,242	492,919	423,879	69,040
Animal shelter	-	24,288	24,788	(500)
Building department	724,519	827,240	891,704	(64,464)
Public works:				
Planning commission	33,875	58,091	80,608	(22,517)
Street lighting	550,264	540,000	492,086	47,914
Department of public services	6,441	6,441	6,491	(50)
Recreation and culture:				
Recreation and culture	253,494	256,178	214,468	41,710
Social services	255,000	255,000	165,555	89,445
Community center	311,269	311,269	297,711	13,558
Parks	105,295	105,295	87,582	17,713
Total expenditures	23,276,385	23,546,599	22,428,796	1,117,803
Excess of Revenue Over Expenditures	180,000	291,712	1,086,549	794,837
Other Financing Uses - Transfers out	(180,000)	(180,000)	(180,000)	-
Net Change in Fund Balance	-	111,712	906,549	794,837
Fund Balance - Beginning of year	4,596,736	4,596,736	4,596,736	-
Fund Balance - End of year	\$ 4,596,736	\$ 4,708,448	\$ 5,503,285	\$ 794,837

Required Supplemental Information
 Schedule of Changes in the Net Pension Liability and Related Ratios
 Police Officers and Firefighters Retirement System

Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,005,910	\$ 992,045	\$ 908,542	\$ 886,933	\$ 1,082,063	\$ 1,259,975
Interest	5,066,826	5,072,185	5,013,052	4,976,226	4,454,414	4,444,635
Changes in benefit terms	(237,679)	-	-	444,641	-	-
Differences between expected and actual experience	(474,395)	(478,047)	386,840	(418,001)	(680,675)	-
Changes in assumptions	-	-	-	-	5,363,010	-
Benefit payments, including refunds	(5,910,856)	(5,440,265)	(5,440,649)	(5,227,430)	(4,967,651)	(5,949,555)
Net Change in Total Pension Liability	(550,194)	145,918	867,785	662,369	5,251,161	(244,945)
Total Pension Liability - Beginning of year	80,403,636	80,257,718	79,389,933	78,727,564	73,476,403	73,721,348
Total Pension Liability - End of year	\$ 79,853,442	\$ 80,403,636	\$ 80,257,718	\$ 79,389,933	\$ 78,727,564	\$ 73,476,403
Plan Fiduciary Net Position						
Contributions - Employer	\$ 6,050,163	\$ 6,027,815	\$ 6,937,765	\$ 5,475,223	\$ 3,464,682	\$ 3,363,725
Contributions - Member	402,106	369,980	283,385	253,631	272,176	395,148
Net investment income	896,322	1,182,368	1,879,693	126,371	284,004	2,254,104
Administrative expenses	(28,388)	(40,689)	(65,266)	(22,241)	(20,512)	(42,135)
Benefit payments, including refunds	(5,910,856)	(5,440,265)	(5,440,649)	(5,227,430)	(4,967,651)	(5,949,555)
Other	-	-	-	-	51,401	(72,793)
Net Change in Plan Fiduciary Net Position	1,409,347	2,099,209	3,594,928	605,554	(915,900)	(51,506)
Plan Fiduciary Net Position - Beginning of year	23,690,792	21,591,583	17,996,655	17,391,101	18,307,001	18,358,507
Plan Fiduciary Net Position - End of year	\$ 25,100,139	\$ 23,690,792	\$ 21,591,583	\$ 17,996,655	\$ 17,391,101	\$ 18,307,001
City's Net Pension Liability - Ending	\$ 54,753,303	\$ 56,712,844	\$ 58,666,135	\$ 61,393,278	\$ 61,336,463	\$ 55,169,402
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	31.43 %	29.46 %	26.90 %	22.67 %	22.09 %	24.92 %
Covered Payroll	\$ 3,837,215	\$ 3,784,325	\$ 3,307,029	\$ 3,124,496	\$ 3,551,594	\$ 4,119,461
City's Net Pension Liability as a Percentage of Covered Payroll	1,426.90 %	1,498.63 %	1,773.98 %	1,964.90 %	1,727.01 %	1,339.24 %

City of Lincoln Park, Michigan

Required Supplemental Information
Schedule of Pension Investment Returns
Police Officers and Firefighters Retirement System

	Last Six Fiscal Years Years Ended June 30					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	3.68 %	5.17 %	10.60 %	0.60 %	2.80 %	13.40 %

City of Lincoln Park, Michigan

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Municipal Employees' Retirement System

	Last Five Plan Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 212,473	\$ 196,534	\$ 177,412	\$ 177,514	\$ 174,572
Interest	3,072,222	3,153,514	3,172,540	3,126,379	3,180,992
Changes in benefit terms	(143,057)	-	-	-	-
Differences between expected and actual experience	(382,669)	(879,895)	21,683	548,992	-
Changes in assumptions	-	-	-	1,842,225	-
Benefit payments, including refunds	<u>(3,520,328)</u>	<u>(3,468,155)</u>	<u>(3,769,911)</u>	<u>(4,097,689)</u>	<u>(3,940,357)</u>
Net Change in Total Pension Liability	(761,359)	(998,002)	(398,276)	1,597,421	(584,793)
Total Pension Liability - Beginning of year	<u>40,056,718</u>	<u>41,054,720</u>	<u>41,452,996</u>	<u>39,855,575</u>	<u>40,440,368</u>
Total Pension Liability - End of year	<u>\$ 39,295,359</u>	<u>\$ 40,056,718</u>	<u>\$ 41,054,720</u>	<u>\$ 41,452,996</u>	<u>\$ 39,855,575</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 3,835,370	\$ 3,621,661	\$ 3,744,948	\$ 3,082,910	\$ 2,043,176
Contributions - Member	67,568	61,693	62,881	71,069	483,626
Net investment (loss) income	(334,671)	962,450	714,299	(85,856)	515,455
Administrative expenses	(16,499)	(15,203)	(14,096)	(14,746)	(18,297)
Benefit payments, including refunds	<u>(3,520,328)</u>	<u>(3,468,155)</u>	<u>(3,769,911)</u>	<u>(4,097,689)</u>	<u>(3,940,357)</u>
Net Change in Plan Fiduciary Net Position	31,440	1,162,446	738,121	(1,044,312)	(916,397)
Plan Fiduciary Net Position - Beginning of year	<u>8,580,604</u>	<u>7,418,158</u>	<u>6,680,037</u>	<u>7,724,349</u>	<u>8,640,746</u>
Plan Fiduciary Net Position - End of year	<u>\$ 8,612,044</u>	<u>\$ 8,580,604</u>	<u>\$ 7,418,158</u>	<u>\$ 6,680,037</u>	<u>\$ 7,724,349</u>
City's Net Pension Liability - Ending	<u>\$ 30,683,315</u>	<u>\$ 31,476,114</u>	<u>\$ 33,636,562</u>	<u>\$ 34,772,959</u>	<u>\$ 32,131,226</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	21.92 %	21.42 %	18.07 %	16.11 %	19.38 %
Covered Payroll	\$ 2,806,083	\$ 2,293,608	\$ 1,954,573	\$ 1,778,320	\$ 1,455,328
City's Net Pension Liability as a Percentage of Covered Payroll	1,093.46 %	1,372.34 %	1,720.92 %	1,955.38 %	2,207.83 %

City of Lincoln Park, Michigan

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

	Last Two Fiscal Years	
	2019	2018
Total Pension Liability		
Interest	\$ 78,194	\$ 82,332
Changes in benefit terms	3,828,232	-
Differences between expected and actual experience	77,480	-
Changes in assumptions	381,924	11,464
Benefit payments, including refunds	(244,831)	(248,100)
Net Change in Total Pension Liability	4,120,999	(154,304)
Total Pension Liability - Beginning of year	2,282,442	2,436,746
Total Pension Liability - End of year	\$ 6,403,441	\$ 2,282,442
City's Net Pension Liability - Ending	\$ 6,403,441	\$ 2,282,442
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	- %	- %

Contributions to the pension plan are not based on a measure of pay; therefore, no covered payroll is presented.

City of Lincoln Park, Michigan

Required Supplemental Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
City of Lincoln Park Retiree Healthcare

	Last Two Fiscal Years	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Interest	\$ 134,275	\$ 148,590
Changes in benefit terms	6,389,705	-
Differences between expected and actual experience	21,448	-
Changes in assumptions	664,902	16,166
Benefit payments, including refunds	<u>(730,638)</u>	<u>(528,100)</u>
Net Change in Total OPEB Liability	6,479,692	(363,344)
Total OPEB Liability - Beginning of year	<u>4,074,570</u>	<u>4,437,914</u>
Total OPEB Liability - End of year	<u>\$ 10,554,262</u>	<u>\$ 4,074,570</u>

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget process begins with goals and objectives meetings in April with the City Council and administrative staff. Based upon presentations by the City's staff and discussion between the mayor and the City Council, goals and objectives are prioritized by the City Council for the next fiscal year. The budget is scheduled for adoption at the first regular City Council meeting in June.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
Amounts per operating statement	\$ 23,515,345	\$ 22,428,796	\$ 5,510,225
Compensated Absences Fund	-	-	(5,300)
Street Improvement Fund	-	-	(1,640)
Amounts per budget statement	<u>\$ 23,515,345</u>	<u>\$ 22,428,796</u>	<u>\$ 5,503,285</u>

During the year, the General Fund incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
City assessor	\$ 119,779	\$ 122,327	\$ (2,548)
Municipal building and grounds	668,352	671,282	(2,930)
City attorney	176,500	183,558	(7,058)
Animal shelter	24,288	24,788	(500)
Building department	827,240	891,704	(64,464)
Planning commission	58,091	80,608	(22,517)
Department of public services	6,441	6,491	(50)

Pension Information

Benefit Changes - Supplemental Pension Benefits

Effective April 1, 2019, the City offered eligible retirees the option of enrolling in the Enhanced Benefits, which settled all claims between the eligible retiree and the City. Eligible retirees that enrolled in the Enhanced Benefits were provided increased monthly stipends as a supplement to income.

OPEB Information

Benefit Changes

Effective April 1, 2019, the City offered eligible retirees the option of enrolling in the Enhanced Benefits, which settled all claims between the eligible retiree and the City. The non-Medicare-eligible retirees who enrolled in the Enhanced Benefits were provided an increased monthly stipend used toward the purchase of health insurance through the City's plan, with the retiree contributing the difference between the premium and the stipend. The Medicare-eligible retirees who enrolled in the Enhanced Benefits were offered Medicare supplemental coverage options.

Other Supplemental Information

City of Lincoln Park, Michigan

	Special Revenue Funds				
	Major Streets Fund	Local Streets Fund	Sanitation Fund	Drug Forfeiture Fund	Cable Fund
Assets					
Cash and cash equivalents	\$ 1,723,957	\$ 146,736	\$ -	\$ 633,579	\$ 617,124
Receivables:					
Special assessments receivable	-	-	-	-	-
Customers	-	-	394,645	-	-
Due from other governmental units	478,028	163,596	10,237	-	-
Due from component units	-	35,000	-	-	-
Due from other funds	-	7,148	-	-	-
Land held for resale	-	-	-	-	-
Total assets	\$ 2,201,985	\$ 352,480	\$ 404,882	\$ 633,579	\$ 617,124
Liabilities					
Accounts payable	\$ 632,323	\$ 274,583	\$ 74,371	\$ 13,296	\$ 11,104
Due to other governmental units	-	-	-	-	-
Due to other funds	-	-	225,490	-	-
Accrued liabilities and other	5,265	3,828	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	637,588	278,411	299,861	13,296	11,104
Deferred Inflows of Resources -					
Unavailable revenue	-	-	-	-	-
Fund Balances					
Restricted:					
Roads	1,564,397	74,069	-	-	-
Police	-	-	-	620,283	-
Grants	-	-	-	-	-
Advertising	-	-	-	-	-
Sanitation	-	-	105,021	-	-
Cable	-	-	-	-	606,020
Assigned - Capital projects	-	-	-	-	-
Total fund balances	1,564,397	74,069	105,021	620,283	606,020
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,201,985	\$ 352,480	\$ 404,882	\$ 633,579	\$ 617,124

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

Special Revenue Funds				
Advertising Fund	CDBG Fund	Indigent Defense Fund	Capital Improvement Fund	Total
\$ 41,757	\$ 725,587	\$ 265,296	\$ 186,499	\$ 4,340,535
-	-	-	14,082	14,082
-	-	-	-	394,645
-	244,956	-	-	896,817
-	-	-	-	35,000
-	-	-	-	7,148
-	1,500	-	-	1,500
\$ 41,757	\$ 972,043	\$ 265,296	\$ 200,581	\$ 5,689,727
\$ -	\$ 212,583	\$ 26,712	\$ 69,693	\$ 1,314,665
183	-	-	-	183
-	612,768	-	-	838,258
-	3,011	-	-	12,104
-	-	238,584	-	238,584
183	828,362	265,296	69,693	2,403,794
-	-	-	14,082	14,082
-	-	-	-	1,638,466
-	-	-	-	620,283
-	143,681	-	-	143,681
41,574	-	-	-	41,574
-	-	-	-	105,021
-	-	-	-	606,020
-	-	-	116,806	116,806
41,574	143,681	-	116,806	3,271,851
\$ 41,757	\$ 972,043	\$ 265,296	\$ 200,581	\$ 5,689,727

City of Lincoln Park, Michigan

	Special Revenue Funds				
	Major Streets Fund	Local Streets Fund	Sanitation Fund	Drug Forfeiture Fund	Cable Fund
Revenue					
Property taxes	\$ -	\$ -	\$ 3,418	\$ -	\$ -
Intergovernmental:					
Federal grants	-	-	-	-	-
State-shared revenue and grants:					
State-shared revenue	20,000	27,500	-	-	-
Act 51 gas and weight tax	2,746,636	940,248	-	-	-
State grants	-	433,043	-	208,481	-
Charges for services	-	-	1,599,146	-	-
Licenses and permits - Cable franchise fees	-	-	-	-	120,450
Other revenue - Other miscellaneous income	-	37,000	-	-	-
Total revenue	2,766,636	1,437,791	1,602,564	208,481	120,450
Expenditures					
Current services:					
General government	-	-	-	-	-
Public safety	-	-	-	267,601	-
Public works	2,533,772	2,581,321	1,904,525	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	-	-	85,390
Total expenditures	2,533,772	2,581,321	1,904,525	267,601	85,390
Excess of Revenue Over (Under) Expenditures	232,864	(1,143,530)	(301,961)	(59,120)	35,060
Other Financing Sources (Uses)					
Transfers in	-	800,000	-	-	-
Transfers out	(800,000)	-	-	-	-
Total other financing (uses) sources	(800,000)	800,000	-	-	-
Net Change in Fund Balances	(567,136)	(343,530)	(301,961)	(59,120)	35,060
Fund Balances - Beginning of year	2,131,533	417,599	406,982	679,403	570,960
Fund Balances - End of year	\$ 1,564,397	\$ 74,069	\$ 105,021	\$ 620,283	\$ 606,020

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

Year Ended June 30, 2019

Special Revenue Funds				
Advertising Fund	CDBG Fund	Indigent Defense Fund	Capital Improvement Fund	Total
\$ 173	\$ -	\$ -	\$ -	\$ 3,591
-	949,411	-	-	949,411
-	-	-	-	47,500
-	-	-	-	3,686,884
-	-	160,054	-	801,578
-	11,847	-	-	1,610,993
-	-	-	-	120,450
<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,500</u>
3,673	961,258	160,054	-	7,260,907
-	-	-	97,685	97,685
-	-	160,054	174,710	602,365
-	-	-	76,278	7,095,896
41,306	918,084	-	-	959,390
<u>-</u>	<u>-</u>	<u>-</u>	<u>169,452</u>	<u>254,842</u>
<u>41,306</u>	<u>918,084</u>	<u>160,054</u>	<u>518,125</u>	<u>9,010,178</u>
(37,633)	43,174	-	(518,125)	(1,749,271)
-	-	-	180,000	980,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(800,000)</u>
-	-	-	180,000	180,000
(37,633)	43,174	-	(338,125)	(1,569,271)
<u>79,207</u>	<u>100,507</u>	<u>-</u>	<u>454,931</u>	<u>4,841,122</u>
<u>\$ 41,574</u>	<u>\$ 143,681</u>	<u>\$ -</u>	<u>\$ 116,806</u>	<u>\$ 3,271,851</u>

City of Lincoln Park, Michigan

**Other Supplemental Information
Combining Statement of Net Position
Internal Service Funds**

June 30, 2019

	Motor Pool Fund	Information Technology Fund	Total Internal Service Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,080,082	\$ 57,554	\$ 1,137,636
Receivables	251,707	-	251,707
Due from component units	1,500	-	1,500
Due from other funds	-	33,449	33,449
Prepaid expenses and other assets	251,707	634	252,341
Total current assets	1,584,996	91,637	1,676,633
Noncurrent assets - Capital assets - Assets subject to depreciation - Net	1,502,265	77,177	1,579,442
Total assets	3,087,261	168,814	3,256,075
Liabilities			
Current liabilities:			
Accounts payable	51,587	2,607	54,194
Accrued liabilities and other	10,111	-	10,111
Current portion of long-term debt	92,325	-	92,325
Total current liabilities	154,023	2,607	156,630
Noncurrent liabilities:			
Net pension liability	102,208	-	102,208
Net OPEB liability	168,436	-	168,436
Long-term debt	402,007	-	402,007
Total liabilities	826,674	2,607	829,281
Net Position			
Net investment in capital assets	1,007,933	77,177	1,085,110
Unrestricted	1,252,654	89,030	1,341,684
Total net position	\$ 2,260,587	\$ 166,207	\$ 2,426,794

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds

Year Ended June 30, 2019

	Motor Pool Fund	Information Technology Fund	Total Internal Service Funds
Operating Revenue - Changes to other funds	\$ 906,000	\$ 166,256	\$ 1,072,256
Operating Expenses			
Operating and maintenance costs	748,387	191,511	939,898
Depreciation	313,778	10,813	324,591
Total operating expenses	1,062,165	202,324	1,264,489
Operating Loss	(156,165)	(36,068)	(192,233)
Nonoperating Expense - Interest expense	(18,949)	-	(18,949)
Loss - Before capital contributions	(175,114)	(36,068)	(211,182)
Capital Contributions - Capital grants	251,707	-	251,707
Change in Net Position	76,593	(36,068)	40,525
Net Position - Beginning of year	2,183,994	202,275	2,386,269
Net Position - End of year	<u>\$ 2,260,587</u>	<u>\$ 166,207</u>	<u>\$ 2,426,794</u>

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2019

	Motor Pool Fund	Information Technology Fund	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 905,000	\$ 163,127	\$ 1,068,127
Payments to suppliers	(690,423)	(194,817)	(885,240)
Payments to employees and fringes	(121,357)	-	(121,357)
Net cash and cash equivalents provided by (used in) operating activities	93,220	(31,690)	61,530
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(235,852)	(67,523)	(303,375)
Principal and interest paid on capital debt	(131,371)	-	(131,371)
Net cash and cash equivalents used in capital and related financing activities	(367,223)	(67,523)	(434,746)
Net Decrease in Cash and Cash Equivalents	(274,003)	(99,213)	(373,216)
Cash and Cash Equivalents - Beginning of year	1,354,085	156,767	1,510,852
Cash and Cash Equivalents - End of year	\$ 1,080,082	\$ 57,554	\$ 1,137,636
Classification of Cash and Cash Equivalents - Cash and cash equivalents	\$ 1,080,082	\$ 57,554	\$ 1,137,636
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (156,165)	\$ (36,068)	\$ (192,233)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	313,778	10,813	324,591
Changes in assets and liabilities:			
Due to and from other funds	(1,000)	(3,129)	(4,129)
Prepaid and other assets	(251,707)	-	(251,707)
Accounts payable	18,246	(3,306)	14,940
Net pension or OPEB liability	169,187	-	169,187
Accrued and other liabilities	881	-	881
Total adjustments	249,385	4,378	253,763
Net cash and cash equivalents provided by (used in) operating activities	\$ 93,220	\$ (31,690)	\$ 61,530

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds

June 30, 2019

	Current Tax Collection	Payroll	Total Agency Funds
Assets - Cash and cash equivalents	\$ 270,548	\$ 143,939	\$ 414,487
Liabilities			
Accounts payable	\$ -	\$ 1,734	\$ 1,734
Due to other governmental units	270,548	-	270,548
Accrued liabilities and other	-	142,205	142,205
Total liabilities	\$ 270,548	\$ 143,939	\$ 414,487