

# **City of Saline, Michigan**

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## **Financial Report with Supplemental Information June 30, 2017**

# City of Saline, Michigan

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# City of Saline, Michigan

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## Independent Auditor's Report

To the City Council  
City of Saline, 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 Saline, Michigan (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Saline, Michigan's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Saline, Michigan as of June 30, 2017 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council  
City of Saline, Michigan

**Required Supplemental Information**

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

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saline, 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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

September 19, 2017

# City of Saline, Michigan

## Management's Discussion and Analysis

Our discussion and analysis of the City of Saline, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2017:

- The City fulfilled the requirements for eligibility for the City, Village, and Township Revenue Share (CVTRS).
- The City began the Michigan Ave/US-12 MDOT project in April 2016. The majority of the project was completed in late fall 2016 with crews continuing to address open items at this time. The City's cost includes a portion for water and sewer lines and the streetscape portion that was reduced by grant dollars, with no additional debt incurred.
- The City received excess personal property revenue from the Local Community Stabilization Authority (LCSA). Extra funds in the amount of \$314,432 were recommended to be assigned for future legislative changes. The FY18 MERS pension obligation reflected a substantial increase resulting from assumption changes to the pension. The City prefunded the MERS pension difference of \$114,352 between original assumptions and new. The balance of the LCSA \$200,080 funds has been assigned for legislative changes.
- In other major funds, the Rec Center hired a consultant to review a major roof area and a temporary fix was completed; recommendations for a new roof were designed for bid to be completed late 2017.
- Sale of City-owned land (207 Monroe Street) for residential redevelopment
- Completed Phase II improvements at the WWTP in late FY17, with one item remaining open (filters)
- The City realized a reduction in the net pension liability this year of \$493,085 as well as an asset recorded for \$117,878 for overpayment of the other postemployment benefits (OPEB) annual required contributions.
- During the fiscal year ended June 30, 2017, the City had 1.4842 mills of excess capacity available by vote of the City Council.

# City of Saline, Michigan

## Management's Discussion and Analysis (Continued)

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can provide an approximate measure of the cost of providing services during the current year and estimate how closely the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they reflect how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### The City as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current assets	\$ 6,992	\$ 5,949	\$ 6,142	\$ 6,085	\$ 13,134	\$ 12,034
Noncurrent assets	25,270	25,591	32,175	31,968	57,445	57,559
Total assets	32,262	31,540	38,317	38,053	70,579	69,593
<b>Deferred Outflows of Resources</b>	1,538	2,287	283	372	1,821	2,659
<b>Liabilities</b>						
Current liabilities	2,458	2,369	1,418	2,928	3,876	5,297
Long-term liabilities	14,994	16,648	10,513	9,575	25,507	26,223
Total liabilities	17,452	19,017	11,931	12,503	29,383	31,520
<b>Deferred Inflows of Resources</b>	488	-	89	-	577	-
<b>Net Position</b>						
Invested in capital assets - Net of related debt	17,821	17,164	22,357	22,861	40,178	40,025
Restricted	1,970	1,599	2,674	2,397	4,644	3,996
Unrestricted	(3,931)	(3,953)	1,549	664	(2,382)	(3,289)
Total net position	<u>\$ 15,860</u>	<u>\$ 14,810</u>	<u>\$ 26,580</u>	<u>\$ 25,922</u>	<u>\$ 42,440</u>	<u>\$ 40,732</u>

# City of Saline, Michigan

## Management's Discussion and Analysis (Continued)

As we look at the governmental activities separately from the business-type activities, we note that unrestricted net position of the government activities (the part of net position that can be used to finance day-to-day operations) increased by approximately \$22,000. The current level of unrestricted net position for all of our governmental activities stands at a deficit of approximately \$3,931,000. This number reflects the additional liability for pension as required by GASB No. 68 of approximately \$8,478,000.

The following table shows the changes of the net position during the year ended June 30, 2017 as compared to the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,006	\$ 2,736	\$ -	\$ -	\$ 3,006	\$ 2,736
Operating grants and contributions	771	602	-	-	771	602
Capital grants and contributions	350	751	409	268	759	1,019
General revenue:			-	-		
Property taxes	6,442	6,532	-	-	6,442	6,532
State-shared revenue	1,467	839	-	-	1,467	839
Unrestricted investment earnings	44	28	20	9	64	37
Miscellaneous	1,185	703	-	-	1,185	703
Water and sewer	-	-	4,743	4,077	4,743	4,077
Total revenue	13,265	12,191	5,172	4,354	18,437	16,545
<b>Program Expenses</b>						
General government	3,531	2,924	-	-	3,531	2,924
Legislative	66	57	-	-	66	57
Public safety	2,821	3,106	-	-	2,821	3,106
Building department	177	176	-	-	177	176
Highways and streets	1,491	1,455	-	-	1,491	1,455
Public works	1,644	1,877	-	-	1,644	1,877
Health and welfare	65	70	-	-	65	70
Parks, recreation, and culture	2,107	2,240	-	-	2,107	2,240
Interest on long-term debt	186	213	-	-	186	213
Unallocated	127	125	-	-	127	125
Water and sewer	-	-	4,514	3,691	4,514	3,691
Total program expenses	12,215	12,243	4,514	3,691	16,729	15,934
<b>Change in Net Position</b>	<b>\$ 1,050</b>	<b>\$ (52)</b>	<b>\$ 658</b>	<b>\$ 663</b>	<b>\$ 1,708</b>	<b>\$ 611</b>

The City experienced an overall increase in revenue in a number of different areas including but not limited to the recording of the excess personal property tax and the contribution from TIFA for the streetscape project. The increase in revenue in the enterprise funds is due to an increase in sales and connection fee charges.



# City of Saline, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

Table 2 reflects the breakout of revenue and expenditures compared to the prior year. The overall revenue categories show an increase over the prior year. Additionally, the City's governmental expenses decreased slightly due to lower capital improvement costs which offset the increase in pension cost.

### Business-type Activities

The City's business-type activities consist of the Water Fund and the Sewer Fund. The City provides drinking water to City residents from its municipal water system from underground wells. The City provides sewage treatment through a City-owned and operated sewage treatment plant.

The municipality ensures adequate funding for its business-type water and sewer activities by annually reviewing the utility rates to cover all projects, operations, and maintenance of the utility systems. Annually reviewing the water and sewer rates more accurately reflects current projects and trends that drive the rates. The second phase of the sewer treatment plant rehabilitation project was mostly completed during the year, with the exception of issues with the filters resulting in a hold on the final payment. The project is being funded with a low interest State Revolving Fund (SRF) loan. During the year, the City hired a consultant to address the odors coming from the Wastewater Treatment Plant; consideration and funding will be included in future budgets.

### The City's Funds

Our analysis of the City's major funds begins with the governmental funds balance sheet, following the government-wide financial statements that immediately follow this discussion. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2016-2017 include the General Fund and the Saline Recreation Complex Fund.

The General Fund pays for most of the City's governmental services. The most significant are general government, public safety (police and fire), and public works. These services are primarily supported by property taxes and state-shared revenue, as well as various charges for services.

### General Fund Budgetary Highlights

General Fund revenue changes over the prior year included increased delinquent tax collection, recording of the excess personal property tax revenue, receipts from TIFA for the streetscape project, and increased interest. Additional revenue was received as a result of the economic boost including one property sale, increased building permits, and planning and rezoning fees.

# City of Saline, Michigan

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## Management's Discussion and Analysis (Continued)

Expenses decreased slightly from last year's larger equipment purchases which offset the increase in pension cost related to assumption changes.

Over the course of the year, the City has amended the budget to take into account events during the year. Overall revenue was higher than budgeted and expenses came in lower.

The combined General Fund end of year fund balance increased from \$2,400,643 a year ago to \$2,830,351 at June 30, 2017, with \$2,785,718 as the year-end fund balance for the General Fund and \$44,633 for Fire Special Assessment.

### **Capital Asset and Debt Administration**

At the end of the 2017 fiscal year, the City had more than \$57 million (more than half debt-free) invested in a broad range of noncurrent assets, including land, buildings, streets, police and fire equipment, and water and sewer lines. In addition, the City was planning to budget approximately \$4.4 million in additional infrastructure and capital improvements in the subsequent year (the majority to be funded with a State S.A.W. Grant, utility reserves, Act 51 state road funds, county millage for street projects, bonds, or from tax increment capture funds of the economic development component units).

The last table is a summary of debt, various debt ratios, and the legal debt margin. The City now has debt of lower than one-half of its legal limit. For the previously issued sewer and water capital bonds and the new SRF sewer bond, the utility rates have already been adjusted accordingly to ensure sufficient utility revenue to cover the future debt service at least through the fiscal year ending June 30, 2018. The City is considering additional financing in 2017 or 2018 as an option to fund street projects and the WWTP odor control project.

# City of Saline, Michigan

## Management's Discussion and Analysis (Continued)

<b>DEBT STATEMENT (as of 06/30/17)</b>	<b>Outstanding</b>	<b>Totals</b>
09/25/03 Water \$6,840,000 UTGO, Bond Bank DWRF III (100% Water Utility Charges)	3,129,782	
11/01/07 Sewer \$1,700,000 LTGO Bonds (100% Sewer Utility Charges)	1,195,000	
10/29/09 Water \$1,000,000 Capital Improvement Bond	765,000	
10/29/09 Water & Sewer \$1,325,000 Refunding 7/1/98 \$2,335,000 Bond	0	
02/25/10 Streets portion of \$4,230,000 Refunding 2001 \$6,040,000 UTGO Bonds	864,239	
02/25/10 Water & Sewer portion of \$4,230,000 Refunding 2001 \$6,040,000 UTGO Bonds	432,119	
02/25/10 Sewer Odor Abatement portion of \$4,230,000 Refd'g 2001 \$6,040,000 UTGO Bonds	443,643	
12/21/12 Street portion of \$3,210,000 Refunding 2004 \$4,660,000 UTGO Bond	2,206,544	
12/21/12 Sewer portion of \$3,210,000 Refunding 2004 \$4,660,000 UTGO Bond	78,455	
12/04/14 DPW Facility \$3,775,000 LTGO Bonds Refunding 2005 \$4.5M of \$6M	2,328,750	
12/04/14 Recreation Facility \$3,775,000 LTGO Bonds Refunding 2005 \$1.5M of \$6M	776,250	
06/25/15 Sewer SRF \$3,300,000 Bond	3,387,141	\$15,606,923
03/26/92 Water & Sewer \$840,000 Revenue Refunding, Bond Bank (50% TIFA 50% LDFA1)	0	
06/17/93 Sewer \$350,000 Revenue, Bond Bank Sludge Tank (100% Sewer Utility Charges)	0	
07/01/98 Water & Sewer \$2,335,000 Revenue Bonds (73.5321% LDFA2)	0	\$0
08/01/98 Michigan Transportation Fund \$1,075,000 LTGO (100% LDFA2)	0	\$0
8/01/05 City Hall/Police \$2,815,000 Refunding of 4/01/00 \$4,000,000 LTGO Authority Bond	0	
3/26/15 City Hall/Police \$1,480,000 Refunding of 8/1/05 \$2,815,000 LTGO Authority Bond	915,000	\$915,000
<b>TOTAL DIRECT DEBT</b>		<b>\$16,521,923</b>
07/02/98 DWRF I \$1,375,000 LTGO (County Issued Bonds, 100% Water Utility Charges)	170,000	
06/24/99 DWRF II \$1,420,000 LTGO (County Issued Bonds, 100% Water Utility Charges)	217,279	\$387,279
<b>TOTAL INDIRECT DEBT</b>		<b>\$387,279</b>
Less: Michigan Transportation Fund Bonds/Notes	0	
Revenue Bonds	0	\$0
<b>NET DIRECT PLUS INDIRECT DEBT</b>		<b>\$16,909,202</b>

<b>DEBT RATIOS (Net Direct plus indirect Debt, using 2017 Tax Year Values)</b>	
Per Capita (8,897 estimated current population based on 8,810 in 2010 Census)	\$1,900.55
Ratio to June 30, 2017 Ad Valorem Taxable Value (\$398,280,878) as updated July 2017	4.25%
Ratio to June 30, 2017 Ad Valorem State Equalized Valuation (\$483,513,900) as updated July 2017	3.50%
Ratio to June 30, 2017 Ad Valorem Estimated True Cash Value (\$967,027,800)	1.75%

<b>LEGAL DEBT MARGIN (including above Bonds, per Michigan P.A. 279 of 1909 as amended, Using 2017 Equalized Values)</b>	
State Equalized 2017 Valuation - excluding IFT values	\$483,513,900
Plus 2017 Act 198 Industrial Facilities Tax State Equalized Valuation (counted at half)	14,411,562
Total Valuation	\$497,925,462
<b>Debt Limit - 10% of State Equalized Valuation</b>	\$48,351,390
Amount of Direct Debt Outstanding	\$16,521,923
Less: Transportation Fund Bonds	0
Revenue Bonds	0
Total Subject to Debt Limit	\$16,521,923
<b>Additional Debt Which Could Be Legally Incurred</b>	<b>\$31,829,467</b>

<b>ADDITIONAL FINANCING (Including Installment Purchase)</b>	<b>Outstanding</b>
11/01/04 Recreational Facilities \$413,400 Installment Purchase	\$0

<b>DEBT HISTORY &amp; FUTURE FINANCING</b>
The city has no record of default. The City may consider additional financing for Street improvements for Fiscal Year 2018.

# City of Saline, Michigan

## Management's Discussion and Analysis (Continued)

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

The projected taxable values presented during budget reflected an increase in all real property values, with consideration given for the veterans' exemption for real property as well as the anticipated personal property tax loss due to the small business taxpayers' exemption (STE) and the eligible manufacturing personal property exemption (EMPP).

Careful consideration was given to the existing tax rate and the excess capacity, as the City's 15-mill City Charter limit may be reduced each year by the Headlee tax-cap legislation. The remaining excess levy capacity is the result of subtracting the general operating millage rate from the rollback maximum and then adding back the fire portion of the operating millage that could (at slightly lower efficiency) be levied separately. The three types of taxes that can be levied beyond the City Charter limit (as reduced in the rollback maximum column) are voted refuse, voted debt, and voted fire special assessment.

	Total City Mills Levied	Refuse Tax Portion	Debt Portion	General Operating	Fire Portion	Rollback Maximum	Excess Levy Capacity
FY 2011	15.5300	1.4920	0.5140	13.5240	0.7696	14.6281	1.8737
FY 2012	15.5300	1.5600	0.5290	13.4410	0.7759	14.6281	1.9630
FY 2013	15.5300	1.6266	0.5490	13.3544	0.8835	14.6281	2.1572
FY 2014	16.2800	1.5476	0.5206	14.2118	0.8905	14.6281	1.3068
FY 2015	16.2800	1.6324	0.5206	14.1270	0.9168	14.6281	1.4179
FY 2016	16.2800	1.6030	0.5206	14.1564	0.8835	14.6281	1.3552
FY 2017	16.2800	1.6439	0.5206	14.1155	1.0887	14.5110	1.4842
FY 2018	16.2800	1.6420	0.5206	14.1174	1.0286	14.4050	1.3162

The City continues to review cost savings each year during the budget process, including reviewing debt and researching options for street and sidewalk repairs and unfunded liability cost.

### Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the city clerk's office at (734) 429-4907, extension 2209.

# City of Saline, Michigan

## Statement of Net Position June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 6,315,790	\$ 2,244,706	\$ 8,560,496	\$ 411,371
Receivables:				
Receivables - Net (Note 4)	414,635	1,329,793	1,744,428	-
Due from other governmental units	131,039	-	131,039	-
Due from component units (Note 6)	8,898	-	8,898	-
Internal balances	121,405	(121,405)	-	-
Inventories	-	15,365	15,365	-
Restricted assets	-	2,673,791	2,673,791	-
Investment in joint ventures - Saline area fire department (Note 11)	240,158	-	240,158	-
Net OPEB asset (Note 9)	117,878	-	117,878	-
Capital assets (Note 5):				
Nondepreciated	2,381,161	4,492,872	6,874,033	40,749
Depreciated - Net	22,530,937	27,682,176	50,213,113	-
Total assets	32,261,901	38,317,298	70,579,199	452,120
<b>Deferred Outflows of Resources -</b>				
Deferred outflows related to pension (Note 10)	1,538,394	283,021	1,821,415	-
<b>Liabilities</b>				
Accounts payable	594,810	268,266	863,076	5,077
Due to other governmental units	-	-	-	6,915
Due to primary government (Note 6)	-	-	-	8,898
Accrued liabilities and other	182,373	100,438	282,811	-
Noncurrent liabilities:				
Due within one year -				
Current portion of long-term debt and compensated absences (Note 7)	1,681,687	1,049,313	2,731,000	-
Due in more than one year:				
Net pension liability (Note 10)	8,477,793	1,579,395	10,057,188	-
Long-term debt and compensated absences (Note 7)	6,515,831	8,934,034	15,449,865	-
Total liabilities	17,452,494	11,931,446	29,383,940	20,890
<b>Deferred Inflows of Resources -</b>				
Deferred inflows related to pension (Note 10)	487,735	88,970	576,705	-
<b>Net Position</b>				
Net investment in capital assets	17,821,315	22,356,629	40,177,944	40,749
Restricted for:				
Law enforcement training and other	24,079	-	24,079	-
Recreation	256,535	-	256,535	-
Solid waste	129,925	-	129,925	-
Roads	1,559,048	-	1,559,048	-
Capital replacement reserve	-	2,673,791	2,673,791	-
Unrestricted	(3,930,836)	1,549,483	(2,381,353)	390,481
Total net position	\$ 15,860,066	\$ 26,579,903	\$ 42,439,969	\$ 431,230

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

# City of Saline, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 3,531,314	\$ 1,082,303	\$ -	\$ -
Legislative	65,513	-	-	-
Police, fire, and EMS	2,821,475	83,133	-	-
Building department	177,131	272,696	-	-
Highways and streets	1,490,965	-	677,415	-
Public works	1,643,533	-	-	-
Health and welfare	65,009	51,114	-	-
Parks, recreation, and culture	2,107,316	1,516,296	93,744	-
Interest and fees on long-term debt	185,607	-	-	350,038
Unallocated depreciation	127,297	-	-	-
<b>Total governmental activities</b>	<b>12,215,160</b>	<b>3,005,542</b>	<b>771,159</b>	<b>350,038</b>
Business-type activities:				
Water	1,946,575	2,550,089	-	289,340
Sewer	2,567,036	2,193,320	-	119,340
<b>Total business-type activities</b>	<b>4,513,611</b>	<b>4,743,409</b>	<b>-</b>	<b>408,680</b>
<b>Total primary government</b>	<b>\$ 16,728,771</b>	<b>\$ 7,748,951</b>	<b>\$ 771,159</b>	<b>\$ 758,718</b>
Component units:				
Economic Development Corporation	\$ 73,621	\$ 24,429	\$ -	\$ -
Tax Increment Finance Authority	845,526	-	-	-
Local Development Finance Authority	694,334	-	-	-
<b>Total component units</b>	<b>\$ 1,613,481</b>	<b>\$ 24,429</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,449,011)	\$ -	\$ (2,449,011)	\$ -
(65,513)	-	(65,513)	-
(2,738,342)	-	(2,738,342)	-
95,565	-	95,565	-
(813,550)	-	(813,550)	-
(1,643,533)	-	(1,643,533)	-
(13,895)	-	(13,895)	-
(497,276)	-	(497,276)	-
164,431	-	164,431	-
(127,297)	-	(127,297)	-
(8,088,421)	-	(8,088,421)	-
-	892,854	892,854	-
-	(254,376)	(254,376)	-
-	638,478	638,478	-
(8,088,421)	638,478	(7,449,943)	-
-	-	-	(49,192)
-	-	-	(845,526)
-	-	-	(694,334)
-	-	-	(1,589,052)
6,441,873	-	6,441,873	1,237,799
1,466,626	-	1,466,626	-
44,094	19,872	63,966	2,495
1,185,923	-	1,185,923	22,500
9,138,516	19,872	9,158,388	1,262,794
1,050,095	658,350	1,708,445	(326,258)
14,809,971	25,921,553	40,731,524	757,488
<b>\$ 15,860,066</b>	<b>\$ 26,579,903</b>	<b>\$ 42,439,969</b>	<b>\$ 431,230</b>

# City of Saline, Michigan

## Governmental Funds Balance Sheet June 30, 2017

	Combining General Fund	Saline Recreation Complex Fund	Nonmajor Funds	Total
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 2,583,623	\$ 921,969	\$ 2,810,198	\$ 6,315,790
Receivables - Net (Note 4)	367,851	43,937	2,847	414,635
Due from other governmental units	-	-	131,039	131,039
Due from component units (Note 6)	8,486	-	412	8,898
Due from other funds (Note 6)	448,586	127	24,603	473,316
Total assets	<u>\$ 3,408,546</u>	<u>\$ 966,033</u>	<u>\$ 2,969,099</u>	<u>\$ 7,343,678</u>
<b>Liabilities</b>				
Accounts payable	\$ 450,269	\$ 81,685	\$ 62,856	\$ 594,810
Due to other funds (Note 6)	24,730	102,181	225,000	351,911
Accrued liabilities and other	103,196	38,568	6,859	148,623
Total liabilities	578,195	222,434	294,715	1,095,344
<b>Fund Balances</b>				
Restricted (Note 12)	32,860	247,754	1,688,973	1,969,587
Committed (Note 12)	4,870	495,845	985,411	1,486,126
Assigned (Note 12)	678,206	-	-	678,206
Unassigned	2,114,415	-	-	2,114,415
Total fund balances	<u>2,830,351</u>	<u>743,599</u>	<u>2,674,384</u>	<u>6,248,334</u>
Total liabilities and fund balances	<u>\$ 3,408,546</u>	<u>\$ 966,033</u>	<u>\$ 2,969,099</u>	<u>\$ 7,343,678</u>



# City of Saline, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

<b>Fund Balance Reported in Governmental Funds</b>	\$ 6,248,334
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	24,912,098
Investment in joint venture is not a financial resource and is not reported in the funds	240,158
Net pension liability is not due and payable in the current period and is not reported in the funds	(8,477,793)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	1,538,394
Certain changes in pension plan net position are reported as deferred inflows of resources in the statement of net position, but are reported as reductions of expenses in the governmental funds	(487,735)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(8,197,518)
Interest amounts on long-term liabilities are not payable until due in the funds	(33,750)
Net prepayments of retiree healthcare obligations relate to expenses of future periods; however, they are recognized in the funds when paid	<u>117,878</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 15,860,066</u></b>

# City of Saline, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	Combining General Fund	Saline Recreation Complex Fund	Nonmajor Funds	Total
<b>Revenue</b>				
Property taxes	\$ 5,582,999	\$ -	\$ 852,705	\$ 6,435,704
Licenses and permits	391,148	-	-	391,148
Federal sources	29,204	-	-	29,204
State and local sources	1,422,371	47,955	721,670	2,191,996
Charges for services	733,130	1,496,689	50,743	2,280,562
Fines and court costs	39,072	-	-	39,072
Interest earnings	33,916	-	15,023	48,939
Other revenue:				
Land sales	141,479	-	-	141,479
Local donations	8,025	32,279	-	40,304
Cable royalties	242,393	-	-	242,393
Other miscellaneous income	835,655	-	244,798	1,080,453
Total revenue	<u>9,459,392</u>	<u>1,576,923</u>	<u>1,884,939</u>	<u>12,921,254</u>
<b>Expenditures - Current</b>				
General government	3,750,510	-	15,876	3,766,386
Legislative	65,513	-	-	65,513
Public safety	2,321,315	-	-	2,321,315
Public works	1,507,600	-	1,282,356	2,789,956
Cemetery	46,042	-	-	46,042
Engineering department	112,763	-	-	112,763
Recreation and culture	322,563	1,433,101	-	1,755,664
Capital outlay	31,806	125,681	-	157,487
Debt service	310,809	103,603	539,837	954,249
Total expenditures	<u>8,468,921</u>	<u>1,662,385</u>	<u>1,838,069</u>	<u>11,969,375</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	990,471	(85,462)	46,870	951,879
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	11,399	253,603	518,559	783,561
Transfers out (Note 6)	(572,162)	-	(211,399)	(783,561)
Total other financing (uses) sources	<u>(560,763)</u>	<u>253,603</u>	<u>307,160</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	429,708	168,141	354,030	951,879
<b>Fund Balances - Beginning of year</b>	<u>2,400,643</u>	<u>575,458</u>	<u>2,320,354</u>	<u>5,296,455</u>
<b>Fund Balances - End of year</b>	<u><u>\$ 2,830,351</u></u>	<u><u>\$ 743,599</u></u>	<u><u>\$ 2,674,384</u></u>	<u><u>\$ 6,248,334</u></u>

# City of Saline, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

**Net Change in Fund Balances - Total Governmental Funds** \$ 951,879

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	1,578,106
Depreciation expense	(1,754,665)
Net book value of assets disposed of	(279,486)

Repayment of bonds payable and other long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,113,409
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Change in net pension liability is not a financial resource and is not reported in the governmental funds	(661,419)
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Accrued interest payable is recorded when due in governmental funds	5,271
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Changes in compensated absences are recorded when earned in the statement of activities	(38,750)
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Change in joint venture equity interest is not a financial resource and is not reported in the governmental funds	17,872
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Net prepayments of healthcare obligations relate to expenditures in the funds and are not reported in the statement of activities	<u>117,878</u>
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**Change in Net Position of Governmental Activities** **\$ 1,050,095**

# City of Saline, Michigan

## Proprietary Funds Statement of Net Position June 30, 2017

	Enterprise Funds - Major Funds		
	Water	Sewer	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,508,020	\$ 736,686	\$ 2,244,706
Customer receivables (Note 4)	670,088	659,705	1,329,793
Inventories	15,365	-	15,365
Total current assets	2,193,473	1,396,391	3,589,864
Noncurrent assets:			
Restricted assets	1,317,026	1,356,765	2,673,791
Capital assets (Note 5):			
Nondepreciated	108,474	4,384,398	4,492,872
Depreciated - Net	13,411,674	14,270,502	27,682,176
Total noncurrent assets	14,837,174	20,011,665	34,848,839
Total assets	17,030,647	21,408,056	38,438,703
<b>Deferred Outflows of Resources -</b>			
Deferred outflows related to pension (Note 10)	90,793	192,228	283,021
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	122,599	145,667	268,266
Due to other funds (Note 6)	48,562	72,843	121,405
Accrued liabilities and other	45,335	55,103	100,438
Current portion of long-term debt (Note 7)	634,540	414,773	1,049,313
Total current liabilities	851,036	688,386	1,539,422
Noncurrent liabilities:			
Net pension liability (Note 10)	370,501	1,208,894	1,579,395
Long-term debt and compensated absences (Note 7)	3,929,552	5,004,482	8,934,034
Total noncurrent liabilities	4,300,053	6,213,376	10,513,429
Total liabilities	5,151,089	6,901,762	12,052,851
<b>Deferred Inflows of Resources -</b>			
Deferred inflows related to pensions (Note 10)	33,806	55,164	88,970
<b>Net Position</b>			
Net investment in capital assets	9,022,027	13,334,602	22,356,629
Restricted - Capital replacement reserve	1,317,026	1,356,765	2,673,791
Unrestricted	1,597,492	(48,009)	1,549,483
Total net position	<b>\$ 11,936,545</b>	<b>\$ 14,643,358</b>	<b>\$ 26,579,903</b>

# City of Saline, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Enterprise Funds - Major Funds		
	Water	Sewer	Total
<b>Operating Revenue</b>			
Sale of water	\$ 2,436,679	\$ -	\$ 2,436,679
Sewage disposal charges	-	2,096,838	2,096,838
Charges for services	113,410	96,482	209,892
Total operating revenue	2,550,089	2,193,320	4,743,409
<b>Operating Expenses</b>			
Cost of water	912,350	-	912,350
Cost of sewage treatment	-	1,479,106	1,479,106
Operation and maintenance	173,444	122,129	295,573
General and administrative	201,105	299,434	500,539
Depreciation	517,388	531,828	1,049,216
Total operating expenses	1,804,287	2,432,497	4,236,784
<b>Operating Income (Loss)</b>	745,802	(239,177)	506,625
<b>Nonoperating Revenue (Expenses)</b>			
Investment income	10,822	9,050	19,872
Interest expense	(142,288)	(134,539)	(276,827)
Total nonoperating expenses	(131,466)	(125,489)	(256,955)
<b>Income (Loss) - Before contributions</b>	614,336	(364,666)	249,670
<b>Capital Contributions</b>			
Lines donated by developers	170,000	-	170,000
Contributions from LDFA and TIFA	119,340	119,340	238,680
Total capital contributions	289,340	119,340	408,680
<b>Change in Net Position</b>	903,676	(245,326)	658,350
<b>Net Position - Beginning of year</b>	11,032,869	14,888,684	25,921,553
<b>Net Position - End of year</b>	<b>\$ 11,936,545</b>	<b>\$ 14,643,358</b>	<b>\$ 26,579,903</b>

# City of Saline, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Enterprise Funds - Major Funds		
	Water	Sewer	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,380,758	\$ 1,986,204	\$ 4,366,962
Payments to suppliers	(394,878)	(590,544)	(985,422)
Payments to employees	(723,956)	(1,060,628)	(1,784,584)
Internal activity - Payments (to) from other funds	(5,029)	15,072	10,043
Other receipts	113,410	103,047	216,457
Payments to the General Fund for administrative costs	(120,000)	(120,000)	(240,000)
Net cash provided by operating activities	1,250,305	333,151	1,583,456
<b>Cash Flows from Capital and Related Financing Activities</b>			
Contributions from financing authorities	119,340	119,340	238,680
Contributions from other sources	170,000	-	170,000
Purchase of capital assets	(226,298)	(2,307,621)	(2,533,919)
Proceeds from issuance of long-term debt	-	1,853,279	1,853,279
Principal, interest, and fees paid on capital debt	(817,364)	(600,442)	(1,417,806)
Net cash used in capital and related financing activities	(754,322)	(935,444)	(1,689,766)
<b>Cash Flows from Investing Activities -</b>			
Interest received on investments	4,945	9,050	13,995
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	500,928	(593,243)	(92,315)
<b>Cash and Cash Equivalents - Beginning of year</b>	2,324,118	2,686,694	5,010,812
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,825,046</u>	<u>\$ 2,093,451</u>	<u>\$ 4,918,497</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 1,508,020	\$ 736,686	\$ 2,244,706
Restricted cash	1,317,026	1,356,765	2,673,791
Total cash and cash equivalents	<u>\$ 2,825,046</u>	<u>\$ 2,093,451</u>	<u>\$ 4,918,497</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 745,802	\$ (239,177)	\$ 506,625
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	517,388	531,828	1,049,216
Changes in assets and liabilities:			
Receivables	(55,921)	(104,069)	(159,990)
Accounts payable	26,304	151,190	177,494
Due to others	(5,029)	15,072	10,043
Accrued and other liabilities	21,761	(21,693)	68
Net cash provided by operating activities	<u>\$ 1,250,305</u>	<u>\$ 333,151</u>	<u>\$ 1,583,456</u>

# City of Saline, Michigan

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## Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2017

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 100,544
Receivables	<u>101,526</u>
Total assets	<u><u>\$ 202,070</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 11,969
Due to other governmental units	112,861
Accrued liabilities and other	<u>77,240</u>
Total liabilities	<u><u>\$ 202,070</u></u>

# City of Saline, Michigan

## Component Units Statement of Net Position June 30, 2017

	Economic Development Corporation	Tax Increment Finance Authority	Local Development Finance Authority	Total
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 4,430	\$ 241,858	\$ 165,083	\$ 411,371
Capital assets (Note 5)	-	-	40,749	40,749
Total assets	4,430	241,858	205,832	452,120
<b>Liabilities</b>				
Accounts payable	5,077	-	-	5,077
Due to other governmental units	-	6,894	21	6,915
Due to primary government (Note 6)	-	8,898	-	8,898
Total liabilities	5,077	15,792	21	20,890
<b>Net Position (Deficit)</b>				
Net investment in capital assets	-	-	40,749	40,749
Unrestricted	(647)	226,066	165,062	390,481
Total net position (deficit)	<u>\$ (647)</u>	<u>\$ 226,066</u>	<u>\$ 205,811</u>	<u>\$ 431,230</u>



# City of Saline, Michigan

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	<u>Program Revenue</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Functions/Programs</b>			
Economic Development Corporation	\$ 73,621	\$ 24,429	\$ -
Tax Increment Finance Authority	845,526	-	-
Local Development Finance Authority	694,334	-	-
	<u>\$ 1,613,481</u>	<u>\$ 24,429</u>	<u>\$ -</u>
Total component units			
	General revenue:		
	Property taxes		
	Interest earnings		
	Other miscellaneous income		
	Total general revenue		
	<b>Change in Net Position</b>		
	<b>Net Position - Beginning of year</b>		
	<b>Net Position (Deficit) - End of year</b>		

**Component Units  
Statement of Activities  
Year Ended June 30, 2017**

Net Revenue (Expense) and Changes in Net Position			
Economic Development Corporation	Tax Increment Finance Authority	Local Development Finance Authority	Total
\$ (49,192)	\$ -	\$ -	\$ (49,192)
-	(845,526)	-	(845,526)
-	-	(694,334)	(694,334)
(49,192)	(845,526)	(694,334)	(1,589,052)
-	583,325	654,474	1,237,799
8	959	1,528	2,495
22,500	-	-	22,500
22,508	584,284	656,002	1,262,794
(26,684)	(261,242)	(38,332)	(326,258)
26,037	487,308	244,143	757,488
<b>\$ (647)</b>	<b>\$ 226,066</b>	<b>\$ 205,811</b>	<b>\$ 431,230</b>

### Note I - Nature of Business and Significant Accounting Policies

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

#### **Reporting Entity**

The City of Saline, Michigan is governed by an elected mayor and six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

**Blended Component Units** - The Building Authority is a City-created and directed authority whose sole business activity is acquiring and leasing property to the City. The Building Authority was created during the fiscal year ended June 30, 1990. Building Authority operations consist of the issuance and repayment of debt and the construction of facilities. 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.

**Discretely Presented Component Units** - The following component units are reported within the component units column in the financial statements. They are reported in a separate column to emphasize that they are legally separate from the City. There are no separately issued financial statements for each component unit; however, more detailed information on each component unit is disclosed in the other supplemental information section of these financial statements.

- a. The Local Development Finance Authority (LDFA) and the Tax Increment Finance Authority (TIFA) (collectively, the "Authorities") were created to promote economic growth and business development within the community. The Authorities' governing bodies each consist of 11 individuals who are selected by the City Council. In addition, each Authority's budget is subject to approval by the City Council.
- b. The Economic Development Corporation (EDC) and Economic Development Trust (ED Trust) were 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 and the ED Trust's governing bodies each consist of 11 individuals who are selected by the City Council.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

During the fiscal year ended June 30, 2017, the Economic Development Trust had no activity.

#### **Report Presentation**

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

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

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

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

#### **Basis of Accounting**

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

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. The City does not have any revenue sources that will be collected after the period of availability.

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.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary 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.

#### **Fund Accounting**

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

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

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

- **The General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Saline Recreation Complex Fund** - The Saline Recreation Complex Fund accounts for recreation and culture activities within the City which are financed through various user charges and miscellaneous local sources.

**Proprietary Funds** include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as “major” enterprise funds:

- **Water Fund** - The Water Fund is used to account for the results of operations that provide water services to citizens that are financed primarily by a user charge for the provision of that service.
- **Sewer Fund** - The Sewer Fund is used to account for the results of operations that provide sewer service to citizens that are financed primarily by a user charge for the provision of that service.

**Agency Fiduciary Fund** - The Agency Fiduciary Fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Interfund activity: During the course of operations, the government 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.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

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

#### **Specific Balances and Transactions**

**Cash, Cash Equivalents, and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average.

**Inventories** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Restricted Assets** - Within the enterprise funds, city code and a financing agreement with the State of Michigan require amounts to be set aside for future capital replacements of the water and sewer systems. These amounts have been classified as restricted assets.

**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 \$5,000 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 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. During the current year, there was no interest expense that was capitalized as part of the cost of assets under construction.

### Note I - Nature of Business and Significant Accounting Policies (Continued)

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

Capital Asset Class	Lives
Governmental activities:	
Infrastructure	10 to 50 years
Building and improvements	8 to 50 years
Vehicles and equipment	3 to 20 years
Business-type activities:	
Land improvements	5 to 25 years
Water and sewer lines and laterals	75 to 100 years
Wellsite	50 years
Buildings, treatment plant, and equipment	4 to 40 years

**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. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The General Fund and debt service funds are generally used to liquidate governmental 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources relate to the defined benefit pension plan which are reported in the government-wide financial statements and the Water and Sewer Funds. The deferred outflows of resources result from several transactions: contributions to the defined benefit plan subsequent to the plan's year end through the City's fiscal year end, differences between expected and actual experience, the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, and changes in assumptions.



### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, which is the deferred inflows of resources related to the defined benefit plan. The deferred inflows result from differences between projected and actual experience as related to the plan.

#### **Net Position Flow Assumption**

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

#### **Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the 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. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

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

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

The fund balance policy prescribes the minimum fund balance as maintaining the General Fund's unassigned fund balance at 15-20 percent of the preceding year's audited expenditures. 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 this fund balance drops below 15 percent, attempts will be made to adjust budgets to restore the desired fund balance. If this fund balance exceeds 20 percent, the City Council will consider using a portion of the unassigned fund balance for purposes such as the following, in suggested priority order: fund the MERS pension fund, assign for capital projects, advance-fund the OPEB trust, and assign to pay down debt including employee compensated absences.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. The property taxes become a lien on July 1. Taxes are due by September 1 (summer taxes) and February 14 (winter taxes). Taxes are considered delinquent on September 1 (summer taxes) and March 1 (winter taxes), at which time penalties and interest are assessed.

The City's 2016 tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended June 30, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

The 2016 taxable valuation of the City totaled approximately \$417 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 14.1155 mills for operating purposes, 1.6439 mills for refuse services, and 0.5206 mills for debt service. This resulted in approximately \$5.3 million for operating, \$618,000 for refuse services, and \$209,000 for debt service. These amounts are recognized in the respective General, special revenue, and debt service fund financial statements as tax revenue. Note that the financial statement reported amounts are inclusive of "property tax revenue" related to interest, penalties, and administrative fees not reflected in the above figures.

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

**Other Postemployment Benefit Costs** - The City offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning-of-year underpaid amount, if any.

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. Claims and judgments liability will generally be liquidated through the City's General Fund. The net pension and net OPEB costs have generally been liquidated from the funds from which the individual employees' salaries are paid, which are primarily the General Fund and Water and Sewer Funds.

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and internal service funds are 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.

### 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, 2001 is as follows:

Shortfall at July 1, 2016		\$ (1,434,132)
Current year permit revenue		272,696
Related expenses:		
Direct costs	\$ 186,705	
Estimated indirect costs	47,150	233,855
		<u>38,841</u>
Current year surplus		<u>38,841</u>
Cumulative shortfall at June 30, 2017		<u>\$ (1,395,291)</u>

### Note 3 - Deposits and Investments

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

The City has designated seven banks for the deposit of its funds. The investment policy adopted by the board 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 investment policies 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 has a deposit policy for custodial credit risk, requiring diversification among banks to increase FDIC coverage (which totaled \$2,109,525 at year end) and depositing beyond FDIC insurance only in banks that have better financial ratios listed by the rating agencies. At year end, the City had \$9,689,707 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Of the \$11,799,232 in total deposits, \$413,028 relates to component unit accounts; however, for the purpose of FDIC coverage, the component units are combined with that of the City. 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.

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has a policy for custodial credit risk, requiring diligence and prudence of investment officials when considering investments in obligations other than those of an agency of the United States. At year end, the City had no investments securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**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.

**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. The City avoids any one investment which exceeds 10 percent of the City's total investments.

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The City restricts the amount of investments in foreign currency and thus at year end had no securities subject to foreign currency risk.

**Pool and Sweep Accounts that Are 2a7-like Investments** - At year end, the City had investments in two government investment funds that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These funds are fully liquid for withdrawal at any time and the price per unit does not fluctuate with interest earned according to the amount and duration of investment. One of these pools is not rated and the GASB Statement No. 40 disclosures do not otherwise apply, but each of the two funds fully comply with Michigan's Public Act 20 of 1943 as amended.

At year end, the City had \$171,169 in such a fund at Comerica Bank (J Fund which has an AI/PI/FI rating), plus \$3,449,196 in such a fund with MBIA Asset Management Group (Michigan CLASS which is rated AAAM by Standard & Poor's). The Comerica J Fund is recorded at amortized cost. There are no limitations or restrictions on participant withdrawals for that investment pool.

# City of Saline, Michigan

## Notes to Financial Statements June 30, 2017

### Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Saline		Total		Water	Sewer	Total Business-type	Total
	Combining General Fund	Recreation Complex Fund	Nonmajor Funds	Governmental Activities				
Receivables:								
Accounts	\$ 177,201	\$ -	\$ -	\$ 177,201	\$ 670,088	\$ 659,705	\$ 1,329,793	\$ 1,506,994
Taxes	49,666	-	-	49,666	-	-	-	49,666
Other	140,984	43,937	2,847	187,768	-	-	-	187,768
Net receivables	<u>\$ 367,851</u>	<u>\$ 43,937</u>	<u>\$ 2,847</u>	<u>\$ 414,635</u>	<u>\$ 670,088</u>	<u>\$ 659,705</u>	<u>\$ 1,329,793</u>	<u>\$ 1,744,428</u>

### Note 5 - Capital Assets

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

	Balance July 1, 2016	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2017
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,593,508	\$ -	\$ -	\$ (112,245)	\$ 1,481,263
Construction in progress	204,172	(54,185)	749,911	-	899,898
Subtotal	1,797,680	(54,185)	749,911	(112,245)	2,381,161
Capital assets being depreciated:					
Infrastructure - Streets, sidewalks, curbs, storm sewers, and lighting	35,698,506	54,185	419,297	(553,500)	35,618,488
Buildings and improvements	20,456,660	-	97,780	(33,000)	20,521,440
Vehicles and equipment	4,423,070	-	311,118	(31,804)	4,702,384
Subtotal	60,578,236	54,185	828,195	(618,304)	60,842,312
Accumulated depreciation:					
Infrastructure - Streets, sidewalks, curbs, storm sewers, and lighting	22,784,636	-	1,133,175	(401,287)	23,516,524
Buildings and improvements	11,072,053	-	387,747	(20,900)	11,438,900
Vehicles and equipment	3,151,084	-	233,743	(28,876)	3,355,951
Subtotal	37,007,773	-	1,754,665	(451,063)	38,311,375
Net capital assets being depreciated	23,570,463	54,185	(926,470)	(167,241)	22,530,937
Net capital assets	<u>\$ 25,368,143</u>	<u>\$ -</u>	<u>\$ (176,559)</u>	<u>\$ (279,486)</u>	<u>\$ 24,912,098</u>

# City of Saline, Michigan

## Notes to Financial Statements June 30, 2017

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2016	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 186,933	\$ -	\$ -	\$ -	\$ 186,933
Construction in progress	3,271,795	-	1,034,144	-	4,305,939
Subtotal	3,458,728	-	1,034,144	-	4,492,872
Capital assets being depreciated:					
Water and sewer lines and laterals	22,813,844	-	170,000	-	22,983,844
Wellsite	226,746	-	-	-	226,746
Building, treatment plant, and equipment	19,038,489	-	5,302	-	19,043,791
Land improvements	3,966,718	-	46,588	-	4,013,306
Subtotal	46,045,797	-	221,890	-	46,267,687
Accumulated depreciation:					
Water and sewer lines and laterals	5,379,729	-	267,084	-	5,646,813
Wellsite	86,112	-	4,535	-	90,647
Building, treatment plant, and equipment	11,057,843	-	564,397	-	11,622,240
Land improvements	1,012,611	-	213,200	-	1,225,811
Subtotal	17,536,295	-	1,049,216	-	18,585,511
Net capital assets being depreciated	28,509,502	-	(827,326)	-	27,682,176
Net capital assets	\$ 31,968,230	\$ -	\$ 206,818	\$ -	\$ 32,175,048

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

#### Governmental activities:

General government	\$ 92,148
Public safety	56,601
Public works	140,865
Cemetery	5,525
Recreation and culture	194,477
Highways and streets	1,137,752
Unallocated	127,297
Total governmental activities	<u>\$ 1,754,665</u>

**Construction Commitments** - The Township has active construction projects at year end. The projects include the bond issue and the project. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Major and local streets projects	\$ 834,553	\$ 135,364
Water and sewer improvements	4,267,364	85,362
Total	<u>\$ 5,101,917</u>	<u>\$ 220,726</u>



# City of Saline, Michigan

## Notes to Financial Statements June 30, 2017

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

Interfund balances and amounts due between the City and its component units represent routine and temporary cash flow assistance resulting from interfund activity until the amounts can be reimbursed.

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Saline Recreation Complex Fund	\$ 102,181
	Major Streets Fund	225,000
	Sewer Fund	72,843
	Water Fund	48,562
	Total General Fund	448,586
Municipal Streets Fund	General Fund	24,603
Saline Recreation Complex Fund	General Fund	127
	Total	<u>\$ 473,316</u>

Receivable Fund	Payable Fund	Amount
<b>Due to/from Primary Government and Component Units/Fiduciary Funds</b>		
Primary government - General Fund	Component unit - Tax Increment Finance Authority	\$ 8,486
Primary government - Solid Waste and Reclamation	Component unit - Tax Increment Finance Authority	412
	Total	<u>\$ 8,898</u>

Fund Transferred From	Fund Transferred To	Amount
General Fund	Capital Projects - Building Authority (3)	\$ 318,559
	Saline Recreation Complex Fund (2)	150,000
	Saline Recreation Complex Fund (3)	103,603
	Total General Fund	572,162
Major Streets Fund	Local Streets Fund (1)	200,000
Cemetery Perpetual Care Fund	General Fund (2)	11,399
	Total	<u>\$ 783,561</u>

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The following describes the nature of the transfers:

- (1) Transfers for capital improvements
- (2) Transfers of discretionary funds to be used for the benefit of the community
- (3) Transfer for debt service

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt activity can be summarized as follows:

	Principal Ranges Due in Future Years	Interest Rate Ranges in Future Years	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligations:							
2010 Refunding 2001 UTGO:							
Amount of issue - \$2,100,993	\$201,159 -	3.25% -					
Maturing through 2021	\$233,444	3.625%	\$ 1,057,948	\$ -	\$ 193,709	\$ 864,239	\$ 201,159
2012 Refunding 2004 UTGO:							
Amount of issue - \$3,099,785	\$294,528 -	2.00% -					
Maturing through 2024	\$333,155	2.50%	2,496,244	-	289,700	2,206,544	294,528
2014 Refunding 2005 GO Capital Improvement Bonds (DPW):							
Amount of issue - \$2,831,250	\$262,500 -						
Maturing through 2025	\$318,750	2.16%	2,583,750	-	255,000	2,328,750	262,500
2014 Refunding 2005 GO Capital Improvement Bonds (Recreation):							
Amount of issue - \$943,750	\$87,500 -						
Maturing through 2025	\$106,250	2.16%	861,250	-	85,000	776,250	87,500
2015 Refunding 2005 Building Authority Bonds:							
Amount of issue - \$1,480,000	\$295,000 -						
Maturing through 2020	\$315,000	2.37%	1,205,000	-	290,000	915,000	295,000
Total bonds payable			8,204,192	-	1,113,409	7,090,783	1,140,687
Accumulated compensated absences			1,067,985	541,129	502,379	1,106,735	541,000
Total governmental activities			\$ 9,272,177	\$ 541,129	\$ 1,615,788	\$ 8,197,518	\$ 1,681,687

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

	Principal Ranges Due in Future Years	Interest Rate Ranges in Future Years	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds:							
1999 General Obligation Limited Tax							
Water Bonds:							
Amount of issue - \$1,197,279	\$70,000 -						
Maturing through 2018	\$77,279	2.50%	\$ 282,279	\$ -	\$ 65,000	\$ 217,279	\$ 70,000
1998 General Obligation Limited Tax							
Water Bonds:							
Amount of issue - \$1,375,000							
Maturing through 2019	\$85,000	2.50%	250,000	-	80,000	170,000	85,000
2004 General Obligation Water Bonds:							
Amount of issue - \$6,840,000	\$360,000 -						
Maturing through 2025	\$420,000	2.50%	3,479,782	-	350,000	3,129,782	360,000
2007 General Obligation Sewer Bonds:							
Amount of issue - \$1,700,000	\$75,000 -						
Maturing through 2028	\$140,000	4.00%	1,270,000	-	75,000	1,195,000	75,000
2009 Multipurpose LTGO:							
Amount of issue - \$1,000,000	\$40,000 -						
Maturing through 2030	\$75,000	3.9% - 5.0%	805,000	-	40,000	765,000	40,000
2009 Multipurpose LTGO:							
Amount of issue - \$1,325,000							
Maturing through 2017			195,000	-	195,000	-	-
2010 Refunding 2001 UTGO:							
Amount of issue - \$2,129,007	\$203,841 -	3.25% -					
Maturing through 2021	\$236,557	3.625%	1,072,053	-	196,291	875,762	203,841
2012 Refunding 2004 UTGO:							
Amount of issue - \$110,215	\$10,472 -	2.00% -					
Maturing through 2024	\$11,846	2.50%	88,756	-	10,301	78,455	10,472
2015 Sewer SRF Loan							
Amount of issue - \$3,300,000	\$130,000 -						
Maturing through 2036	\$217,141	2.50%	1,663,862	1,853,279	130,000	3,387,141	130,000
Total bonds payable			9,106,732	1,853,279	1,141,592	9,818,419	974,313
Accumulated compensated absences			164,993	74,800	74,865	164,928	75,000
Total business-type activities			\$ 9,271,725	\$ 1,928,079	\$ 1,216,457	\$ 9,983,347	\$ 1,049,313

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,140,687	\$ 179,059	\$ 1,319,746	\$ 974,313	\$ 265,514	\$ 1,239,827
2019	1,185,277	147,714	1,332,991	1,004,723	237,769	1,242,492
2020	1,207,728	114,158	1,321,886	969,551	209,502	1,179,053
2021	937,112	79,833	1,016,945	937,888	180,653	1,118,541
2022	723,326	56,681	780,007	716,674	151,998	868,672
2023-2027	1,896,653	77,236	1,973,889	2,953,130	461,216	3,414,346
2028-2032	-	-	-	1,255,000	144,812	1,399,812
2033-2037	-	-	-	1,007,140	12,309	1,019,449
Total	\$ 7,090,783	\$ 654,681	\$ 7,745,464	\$ 9,818,419	\$ 1,663,773	\$ 11,482,192

# City of Saline, Michigan

## Notes to Financial Statements June 30, 2017

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

**Additional Resources** - The Local Development and Tax Increment Finance Authorities have committed to pay certain obligations of the City of Saline to the extent that future property tax captures are sufficient to do so. The estimated amounts that may be paid under these commitments are as follows:

Years Ending June 30	Tax Increment Finance Authority	Local Development Finance Authority - Shelton District and Sauk Trail	Total
2018	\$ 230,044	\$ 236,575	\$ 466,619
2019	233,148	239,701	472,849
2020	231,851	238,035	469,886
2021	238,558	244,811	483,369
2022	76,953	97,941	174,894
2023-2024	149,594	190,392	339,986
Total	<u>\$ 1,160,148</u>	<u>\$ 1,247,455</u>	<u>\$ 2,407,603</u>

In addition, the Sauk Trail LDFA District has committed to repay the City monies advanced for projects performed within the district during its initial startup. As of June 30, 2017, the commitments payable to the City's General and Major Streets Funds totaled \$774,445 and \$172,998, respectively.

During June 2015, the City issued \$3,600,000 of Sanitary Sewer System Junior Lien Revenue Bonds and simultaneously sold them to the Michigan Finance Authority. These bond proceeds will be drawn by the City to fund upgrades to the sewer system. Bonds payable will be due from the City as funds are drawn down. As of June 30, 2017, the City had begun work on these sewer upgrades, had drawn \$3,517,141 of these funds, and had paid back \$130,000, which resulted in the liability of \$3,387,141 recorded on the City's June 30, 2017 financial statements.

**Defeased Debt** - In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's schedule of debt obligations. At June 30, 2017, \$8,040,000 of bonds outstanding are considered defeased.

### **Note 8 - Risk Management**

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

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

### **Note 9 - Other Postemployment Benefits**

**Plan Description** - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agency multiple-employer healthcare benefits plan. The City provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts as well as an established personnel policy. Several former employees also continue to be provided life insurance, dental, or vision benefits. Effective July 1, 2008, in the agreements of the police bargaining units and as of April 6, 2009 for nonunion employees through adoption of a revised Personnel Policies Manual, the life insurance will no longer be a retirement benefit. The City includes pre-Medicare retirees and their dependents in its insurance healthcare plan, with no contribution required by those participants who attained full retirement status. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Of the 60 current retirees, 27 are eligible for the healthcare benefits due to full retirement status, and some of these receive a combination of the other benefits. MERS issues a publicly available financial report that includes financial statements and required supplemental information for MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

### Note 9 - Other Postemployment Benefits (Continued)

**Funding Policy** - The City offers three healthcare plan options to current employees who are required to pay a set percentage of total cost if they choose a more expensive plan (a requirement that continues throughout retirement). Additionally, the City implemented the provisions of Public Act 152 of 2011 (PA 152) effective January 1, 2012 for nonunion employees (14 in total). Pursuant to this legislation, the City will contribute toward healthcare costs for current employees not to exceed the limitations set forth by PA 152 (the "hard-cap"), with employees being responsible to cover excess amounts. For the employer-funded postemployment benefits, the City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined through the City Council through annual budget resolutions.

**Funding Progress** - The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). For the year ended June 30, 2017, the City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution (recommended)	\$ (667,807)
Amounts contributed:	
Payments of current premiums	404,685
Advance funding	<u>381,000</u>
Total amounts contributed	<u>785,685</u>
Increase in net OPEB asset	117,878
OPEB asset - Beginning of year	<u>-</u>
OPEB asset - End of year	<u><u>\$ 117,878</u></u>

### Note 9 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB asset for the current and prior years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed	Net OPEB Asset
6/30/15	6/30/14	\$ 700,059	100	-
6/30/16	6/30/15	674,409	100	-
6/30/17	6/30/16	667,807	100	117,878.0

\* The required contribution is expressed to the City as a percentage of payroll.

The funding progress of the plan as of the most recent valuation date (June 30, 2016) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/14	\$ 2,548,768	\$ 10,878,659	\$ 8,329,891	23.4	\$ 3,458,856	240.8
6/30/15	2,938,039	10,789,843	7,851,804	27.2	3,652,043	215.0
6/30/16	3,308,676	11,043,587	7,734,911	30.0	3,542,932	218.3

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

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

### Note 9 - Other Postemployment Benefits (Continued)

The following simplifying assumptions were made:

**Retirement Age for Active Employees** - Based on historical average retirement age for the covered group, active plan members were assumed to retire at age 62.

**Marital Status** - Marital status of members is taken into effect as costs for married members differ with unmarried members.

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

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

**Healthcare Costs and Inflation** - Healthcare cost increases are based on the National Healthcare Expenditures Projections for years 2016-2025, as published by the actuary at the Centers for Medicare and Medicaid Services.

**Health Insurance Premiums** - Fiscal year 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

In the June 30, 2016 valuation, the entry age actuarial cost method was used. The assumptions included a 6.15 percent investment rate of return (net of administrative expenses) and an inflation rate of 2.0 percent. The value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016 was 25 years.



### Note 10 - Agent Defined Benefit Pension Plan Description

**Plan Description** - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), which covers employees hired prior to June 30, 2008, plus union employees hired prior to June 30, 2008. Effective as of July 1, 2008, all of the collective bargaining agreements now require that any new union employees hired be enrolled in the Defined Contribution Under MERS Plan (MERS DC Plan) in the form of the ICMA Retirement Corporation Money Purchase Plan and Trust through the Declaration of Trust of Vantage Trust. All full-time nonunion employees hired after May 21, 2012 are eligible for this plan, which incorporates defined benefits and defined contributions. The defined benefit is exclusively funded by the City. The employee is required to contribute 0-10 percent annually to the defined contribution portion of their retirement not to exceed \$49,000. The MERS plan provides retirement, disability, and death benefits to the various plan members and their beneficiaries. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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

The MERS plan covers employees hired prior to June 30, 2008, plus union employees hired prior to June 30, 2008.

Retirement benefits for general union employees hired prior to June 30, 2008 are calculated as 2.25 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Early retirement age with reduced benefits is 50 with 25 years of service or 55 with 15 years of service. Vesting period is six years. Employees are eligible for non-duty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 80 percent of the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

### **Note 10 - Agent Defined Benefit Pension Plan Description (Continued)**

Retirement benefits for general administrative employees hired prior to June 30, 2008 are calculated as 2.25 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 20 years of service. Early retirement age with reduced benefits is 50 with 25 years of service or 55 with 15 years of service. Vesting period is six years. Employees are eligible for nonduty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 80 percent of the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for general nonunion employees hired prior to June 30, 2008 are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Early retirement age with reduced benefits is 50 with 25 years of service or 55 with 15 years of service. Vesting period is six years. Employees are eligible for non-duty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 80 percent of the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for police employees hired prior to June 30, 2008 are calculated as 2.50 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. Early retirement age with reduced benefits is 55 with 15 years of service. Vesting period is six years. Employees are eligible for non-duty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 80 percent of the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 3 percent, noncompounding.

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

### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

**Employees Covered by Benefit Terms** - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	72
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	<u>40</u>
Total employees covered by MERS	<u><u>122</u></u>

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

For the year ended June 30, 2017, the average active employee contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 29.5 percent of annual payroll.

#### **Net Pension Liability**

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

# City of Saline, Michigan

## Notes to Financial Statements June 30, 2017

### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2015</b>	\$ 25,924,631	\$ 15,374,358	\$ 10,550,273
Service cost	324,151	-	324,151
Interest	2,024,122	-	2,024,122
Differences between expected and actual experience	(252,310)	-	(252,310)
Contributions - Employer	-	826,095	(826,095)
Contributions - Employee	-	84,072	(84,072)
Net investment income	-	1,712,804	(1,712,804)
Benefit payments, including refunds	(1,570,430)	(1,570,430)	-
Administrative expenses	-	(33,923)	33,923
Net changes	525,533	1,018,618	(493,085)
<b>Balance at December 31, 2016</b>	<u>\$ 26,450,164</u>	<u>\$ 16,392,976</u>	<u>\$ 10,057,188</u>

Of the net total pension liability, \$8,477,793 has been allocated to governmental activities, and \$370,501 and \$1,208,894 have been allocated to the Water and Sewer Funds, respectively.

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

For the year ended June 30, 2017, the City recognized pension expense of \$921,958. At June 30, 2017, 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	\$ 214,179	\$ (168,207)
Changes in assumptions	428,798	-
Net difference between projected and actual earnings on pension plan investments	600,183	-
Employer contributions to the plan subsequent to the measurement date	169,757	-
Total	<u>\$ 1,412,917</u>	<u>\$ (168,207)</u>

### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

The difference between projected and actual earnings on pension plan investments is disclosed above on a net basis. If it were disclosed on a gross basis, the balance of the deferred outflows and inflows would increase by \$408,498 for total gross deferred outflows and inflows of \$1,821,415 and \$576,705, respectively. Of the gross deferred outflows of resources, \$1,538,394 has been allocated to governmental activities, and \$90,793 and \$192,228 have been allocated to the Water and Sewer Funds, respectively. Of the gross deferred inflows of resources, \$487,735 has been allocated to governmental activities, and \$33,806 and \$55,164 have been allocated to the Water and Sewer Funds, respectively.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$169,757), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

Years Ending June 30	Amount
2018	\$ 811,843
2019	168,866
2020	196,285
2021	(102,041)

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	
Salary increases	3.75 %	Long-term wage inflation
Investment rate of return	8.00 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the rates were based on the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study in 2015 covering the period from January 1, 2009 through December 31, 2013.

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

### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

#### Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	56 %	6.7 %
Global fixed income	19 %	1.8 %
Real assets	13 %	7.7 %
Diversifying strategies	12 %	5.5 %

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability of the City	\$ 12,845,278	\$ 10,057,188	\$ 7,674,095

### Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### Note 11 - Joint Venture

The City participates as a member of the Saline area fire department, which provides fire protection services to the residents of the City of Saline and Lodi, York, and Saline townships. The participating communities provide annual funding for its operations, fire runs, and capital improvements. During the current year, the City contributed the following:

Operations	\$ 384,192
Fire runs	4,788
Capital improvements	17,800
Total	<u>\$ 406,780</u>

The City's equity interest in this joint venture is \$240,158.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Saline area fire department can be obtained from the administrative offices at the City of Saline, 100 North Harris, Saline, Michigan.

### Note 12 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

Fund Balances	Combining General Fund	Saline Recreational Complex	Nonmajor Funds	Total
<b>Restricted:</b>				
State 911 dispatch training	\$ 10,132	\$ -	\$ -	\$ 10,132
Recreation	8,781	247,754	-	256,535
Solid waste	-	-	129,925	129,925
Roads	-	-	1,559,048	1,559,048
Cadets	3,605	-	-	3,605
Drug forfeitures	6,704	-	-	6,704
Brecon Park Equipment	3,638	-	-	3,638
Total restricted	32,860	247,754	1,688,973	1,969,587
<b>Committed:</b>				
DARE	1,735	-	-	1,735
TIFA business area	3,135	-	-	3,135
Recreation	-	495,845	-	495,845
Cemetery perpetual care	-	-	956,580	956,580
Building authority	-	-	28,831	28,831
Total committed	4,870	495,845	985,411	1,486,126
<b>Assigned:</b>				
Legislative changes	200,080	-	-	200,080
Sauk Trail	461,154	-	-	461,154
Streetscape	14,674	-	-	14,674
Culture and arts	2,298	-	-	2,298
Total assigned	678,206	-	-	678,206
Unassigned *	2,114,415	-	-	2,114,415
Total	<u>\$ 2,830,351</u>	<u>\$ 743,599</u>	<u>\$ 2,674,384</u>	<u>\$ 6,248,334</u>

\* Unassigned fund balance contains \$44,633 related to the Fire Department Special Assessment component of the General Fund.

### Note 13 - Fair Value Measurement

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

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



### Note 13 - Fair Value Measurement (Continued)

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

#### Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share of the investment companies as a practical expedient.

At the year ended June 30, 2017, the fair value of those investments is as follows:

	<u>Fair Value</u>
Michigan CLASS investment pool	\$ 3,449,196
Comerica J Fund	<u>171,169</u>
Total investments measured at NAV	<u>\$ 3,620,365</u>

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated 'A 1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Comerica J Fund is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

### Note 14 - Tax Abatements

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property for up to 12 years.

For the fiscal year ended June 30, 2017, the City abated \$199,923 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

### Note 15 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the MERS OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. 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 2019-2020 fiscal year.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). 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 2017-2018 fiscal year.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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 2017-2018 fiscal year.

### **Note 15 - Upcoming Accounting Pronouncements (Continued)**

In June 2017, the Governmental Accounting Standards Board issued GASB 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 2020-2021 fiscal year.

## **Required Supplemental Information**

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# City of Saline, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 5,834,722	\$ 5,564,382	\$ 5,582,999	\$ 18,617
Licenses and permits	238,100	358,100	391,148	33,048
Federal grants	-	29,204	29,204	-
State sources	829,080	1,406,368	1,422,371	16,003
Charges for services	708,700	711,870	733,130	21,260
Fines and court costs	35,100	25,100	39,072	13,972
Interest earnings	15,200	28,200	33,916	5,716
Special assessments	-	141,478	141,479	1
Local donations	-	8,000	8,025	25
Franchise fees	228,000	228,000	242,393	14,393
Other miscellaneous income	903,500	838,505	835,655	(2,850)
Total revenue	8,792,402	9,339,207	9,459,392	120,185
<b>Expenditures - Current</b>				
General government	3,286,395	3,824,009	3,750,510	73,499
Legislative	80,126	73,920	65,513	8,407
Public safety	2,641,722	2,429,853	2,321,315	108,538
Public works	1,584,165	1,570,059	1,507,600	62,459
Health and welfare	40,955	35,473	46,042	(10,569)
Engineering department	127,330	120,244	112,763	7,481
Parks, recreation, and culture	383,730	317,272	322,563	(5,291)
Capital outlay	86,000	78,000	31,806	46,194
Debt service	311,372	310,809	310,809	-
Total expenditures	8,541,795	8,759,639	8,468,921	290,718
<b>Excess of Revenue Over Expenditures</b>	250,607	579,568	990,471	410,903
<b>Other Financing Sources (Uses)</b>				
Transfers in	63,000	63,000	11,399	(51,601)
Transfers out	(65,068)	(572,162)	(572,162)	-
Total other financing uses	(2,068)	(509,162)	(560,763)	(51,601)
<b>Net Change in Fund Balance</b>	248,539	70,406	429,708	359,302
<b>Fund Balance - Beginning of year</b>	2,400,643	2,400,643	2,400,643	-
<b>Fund Balance - End of year</b>	<u>\$ 2,649,182</u>	<u>\$ 2,471,049</u>	<u>\$ 2,830,351</u>	<u>\$ 359,302</u>

# City of Saline, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Saline Recreational Complex Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 10,262	\$ 47,955	\$ 47,955	\$ -
Charges for services	1,384,470	1,437,112	1,496,689	59,577
Other miscellaneous income	11,000	29,100	32,279	3,179
Total revenue	1,405,732	1,514,167	1,576,923	62,756
<b>Expenditures</b>				
Current - Recreation and culture	1,495,087	1,498,315	1,433,101	65,214
Capital outlay	210,435	97,700	125,681	(27,981)
Debt service	103,791	103,603	103,603	-
Total expenditures	1,809,313	1,699,618	1,662,385	37,233
<b>Excess of Expenditures Over Revenue</b>	(403,581)	(185,451)	(85,462)	99,989
<b>Other Financing Sources -</b>				
Transfers in	253,791	253,603	253,603	-
<b>Net Change in Fund Balance</b>	(149,790)	68,152	168,141	99,989
<b>Fund Balance - Beginning of year</b>	575,458	575,458	575,458	-
<b>Fund Balance - End of year</b>	<b>\$ 425,668</b>	<b>\$ 643,610</b>	<b>\$ 743,599</b>	<b>\$ 99,989</b>

# City of Saline, Michigan

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## **Note to Required Supplemental Information Year Ended June 30, 2017**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds.

The annual budget is prepared by city management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2016 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis as provided in Section 19 of Public Act 621 of 1978 as amended. The General Appropriations Act, as drafted by the city attorney and adopted by the City Council, authorizes the city manager to transfer up to a total of 10 percent of the appropriations without further approval of the City Council. All expenditures made during the fiscal year fell well within these limits.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City had budget overruns in the General Fund and Saline Recreation Complex Fund. These overruns relate to the overall timing of expenditures that came in subsequent to year end that pertained to the fiscal year ended June 30, 2017.

# City of Saline, Michigan

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Year Ended June 30, 2017

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 324,151	\$ 356,277	\$ 362,829
Interest	2,024,122	1,868,660	1,805,002
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(252,310)	642,537	-
Changes in assumptions	-	1,286,394	-
Benefit payments, including refunds	(1,570,430)	(1,403,057)	(1,382,798)
<b>Net Change in Total Pension Liability</b>	525,533	2,750,811	785,033
<b>Total Pension Liability - Beginning of year</b>	25,924,631	23,173,820	22,388,787
<b>Total Pension Liability - End of year</b>	<b>\$ 26,450,164</b>	<b>\$ 25,924,631</b>	<b>\$ 23,173,820</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 826,095	\$ 1,019,116	\$ 618,561
Contributions - Member	84,072	178,104	129,388
Net investment income	1,712,804	(233,403)	971,540
Administrative expenses	(33,923)	(34,370)	(35,601)
Benefit payments, including refunds	(1,570,430)	(1,403,057)	(1,382,798)
Other	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	1,018,618	(473,610)	301,090
<b>Plan Fiduciary Net Position - Beginning of year</b>	15,374,358	15,847,968	15,546,878
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 16,392,976</b>	<b>\$ 15,374,358</b>	<b>\$ 15,847,968</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 10,057,188</b>	<b>\$ 10,550,273</b>	<b>\$ 7,325,852</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	61.98 %	59.30 %	68.39 %
<b>Covered Employee Payroll</b>	\$ 2,797,436	\$ 3,163,992	\$ 3,209,773
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	359.5 %	333.4 %	228.2 %





# City of Saline, Michigan

## Required Supplemental Information OPEB System Schedule of Funding Progress Year Ended June 30, 2017

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 1,954,537	\$ 9,767,577	\$ 7,813,040	20.0	\$ 3,397,290	230.0
6/30/12	2,222,631	10,211,942	7,989,311	21.8	3,291,325	242.7
6/30/14	2,548,768	10,878,659	8,329,891	23.4	3,458,856	240.8
6/30/15	2,938,039	10,789,843	7,851,804	27.2	3,652,043	215.0
6/30/16	3,308,676	11,043,587	7,734,911	30.0	3,542,932	218.3

## **Other Supplemental Information**

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# City of Saline, Michigan

		Special Revenue Funds				
		Major	Local Streets	Cemetery	Solid Waste	
		Streets Fund	Fund	Perpetual	and	Total
				Care	Reclamation	
<b>Assets</b>						
Cash and cash equivalents		\$ 1,301,702	\$ 331,206	\$ 953,733	\$ 182,500	\$ 2,769,141
Receivables:						
Receivables - Net		-	-	2,847	-	2,847
Due from other governmental units		97,014	34,025	-	-	131,039
Due from component units		-	-	-	412	412
Due from other funds		-	-	-	-	-
	<b>Total assets</b>	<b>\$ 1,398,716</b>	<b>\$ 365,231</b>	<b>\$ 956,580</b>	<b>\$ 182,912</b>	<b>\$ 2,903,439</b>
<b>Liabilities</b>						
Accounts payable		\$ 10,303	\$ 677	\$ -	\$ 51,876	\$ 62,856
Due to other funds		225,000	-	-	-	225,000
Accrued liabilities and other		3,625	1,767	-	1,111	6,503
	<b>Total liabilities</b>	<b>238,928</b>	<b>2,444</b>	<b>-</b>	<b>52,987</b>	<b>294,359</b>
<b>Fund Balances</b>						
Restricted		1,159,788	362,787	-	129,925	1,652,500
Committed		-	-	956,580	-	956,580
	<b>Total fund balances</b>	<b>1,159,788</b>	<b>362,787</b>	<b>956,580</b>	<b>129,925</b>	<b>2,609,080</b>
	<b>Total liabilities and fund balances</b>	<b>\$ 1,398,716</b>	<b>\$ 365,231</b>	<b>\$ 956,580</b>	<b>\$ 182,912</b>	<b>\$ 2,903,439</b>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

Debt Service Funds			Total Nonmajor Governmental Funds
Municipal Streets Fund	Building Authority	Total	
\$ 12,226	\$ 28,831	\$ 41,057	\$ 2,810,198
-	-	-	2,847
-	-	-	131,039
-	-	-	412
24,603	-	24,603	24,603
<b>\$ 36,829</b>	<b>\$ 28,831</b>	<b>\$ 65,660</b>	<b>\$ 2,969,099</b>
\$ -	\$ -	\$ -	\$ 62,856
-	-	-	225,000
356	-	356	6,859
356	-	356	294,715
36,473	-	36,473	1,688,973
-	28,831	28,831	985,411
36,473	28,831	65,304	2,674,384
<b>\$ 36,829</b>	<b>\$ 28,831</b>	<b>\$ 65,660</b>	<b>\$ 2,969,099</b>

# City of Saline, Michigan

	Special Revenue Funds				Total
	Major Streets Fund	Local Streets Fund	Cemetery Perpetual Care	Solid Waste and Reclamation	
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ -	\$ 618,728	\$ 618,728
State-shared revenue and grants	545,778	175,892	-	-	721,670
Charges for services	-	-	50,518	225	50,743
Interest earnings	6,037	906	4,468	3,469	14,880
Other revenue	25,000	219,798	-	-	244,798
<b>Total revenue</b>	<b>576,815</b>	<b>396,596</b>	<b>54,986</b>	<b>622,422</b>	<b>1,650,819</b>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public works	184,147	526,310	-	571,899	1,282,356
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b>184,147</b>	<b>526,310</b>	<b>-</b>	<b>571,899</b>	<b>1,282,356</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>392,668</b>	<b>(129,714)</b>	<b>54,986</b>	<b>50,523</b>	<b>368,463</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	200,000	-	-	200,000
Transfers out	(200,000)	-	(11,399)	-	(211,399)
<b>Total other financing (uses) sources</b>	<b>(200,000)</b>	<b>200,000</b>	<b>(11,399)</b>	<b>-</b>	<b>(11,399)</b>
<b>Net Change in Fund Balances</b>	<b>192,668</b>	<b>70,286</b>	<b>43,587</b>	<b>50,523</b>	<b>357,064</b>
<b>Fund Balances - Beginning of year</b>	<b>967,120</b>	<b>292,501</b>	<b>912,993</b>	<b>79,402</b>	<b>2,252,016</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,159,788</b>	<b>\$ 362,787</b>	<b>\$ 956,580</b>	<b>\$ 129,925</b>	<b>\$ 2,609,080</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2017**

Debt Service Funds			Total Nonmajor Governmental Funds
Municipal Streets Fund	Building Authority	Total	
\$ 233,977	\$ -	\$ 233,977	\$ 852,705
-	-	-	721,670
-	-	-	50,743
143	-	143	15,023
-	-	-	244,798
<u>234,120</u>	<u>-</u>	<u>234,120</u>	<u>1,884,939</u>
15,876	-	15,876	15,876
-	-	-	1,282,356
<u>221,279</u>	<u>318,558</u>	<u>539,837</u>	<u>539,837</u>
<u>237,155</u>	<u>318,558</u>	<u>555,713</u>	<u>1,838,069</u>
(3,035)	(318,558)	(321,593)	46,870
-	318,559	318,559	518,559
-	-	-	(211,399)
<u>-</u>	<u>318,559</u>	<u>318,559</u>	<u>307,160</u>
(3,035)	1	(3,034)	354,030
<u>39,508</u>	<u>28,830</u>	<u>68,338</u>	<u>2,320,354</u>
<u><u>\$ 36,473</u></u>	<u><u>\$ 28,831</u></u>	<u><u>\$ 65,304</u></u>	<u><u>\$ 2,674,384</u></u>

# City of Saline, Michigan

## Other Supplemental Information Balance Sheet/Statement of Net Position Component Unit - Economic Development Corporation June 30, 2017

	Modified Accrual	Adjustments	Total
<b>Assets</b> - Cash and cash equivalents	<u>\$ 4,430</u>	\$ -	\$ 4,430
<b>Liabilities</b> - Accounts payable	\$ 5,077	-	5,077
<b>Fund Balance/Net Position</b>			
Fund balance - Assigned	(647)	647	-
Net position:			
Restricted	-	-	-
Unrestricted	-	(647)	(647)
Total net position	-	(647)	<u>\$ (647)</u>
Total liabilities and fund balance/net position	<u>\$ 4,430</u>	<u>\$ (647)</u>	



# City of Saline, Michigan

## Other Supplemental Information Statement of Revenue, Expenditures, and Changes in Fund Balance/Net Position - Budget to Actual Component Unit - Economic Development Corporation Year Ended June 30, 2017

	Budget	Actual	Adjustments	Statement of Activities
<b>Revenue</b>				
Fees and charges for services	\$ 22,500	\$ 24,429	\$ -	\$ 24,429
Interest earnings	15	8	-	8
Other revenue	22,500	22,500	-	22,500
Total revenue	45,015	46,937	-	46,937
<b>Expenditures - Current</b>				
Community events	525	-	-	-
Community relations	4,100	4,220	-	4,220
Professional services	35,764	31,916	-	31,916
Promotional services	25,000	27,849	-	27,849
Supplies and postage	700	623	-	623
Utilities	4,200	9,013	-	9,013
Total expenditures	70,289	73,621	-	73,621
<b>Change in Fund Balance/Net Position</b>	(25,274)	(26,684)	-	(26,684)
<b>Fund Balance/Net Position - Beginning of year</b>	26,037	26,037	-	26,037
<b>Fund Balance/Net Position - End of year</b>	<u>\$ 763</u>	<u>\$ (647)</u>	<u>\$ -</u>	<u>\$ (647)</u>

# City of Saline, Michigan

## Other Supplemental Information Balance Sheet/Statement of Net Position Component Unit - Tax Increment Finance Authority June 30, 2017

	Modified Accrual	Adjustments	Total
<b>Assets - Cash and cash equivalents</b>	<b>\$ 241,858</b>	\$ -	\$ 241,858
<b>Liabilities</b>			
Due to other governmental units	\$ 6,894	-	6,894
Due to primary government	8,898	-	8,898
Total liabilities	15,792	-	15,792
<b>Fund Balance/Net Position</b>			
Fund balance - Committed	226,066	(226,066)	-
Net position - Unrestricted	-	226,066	<b>\$ 226,066</b>
Total liabilities and fund balance/net position	<b>\$ 241,858</b>	<b>\$ -</b>	

# City of Saline, Michigan

## Other Supplemental Information Statement of Revenue, Expenditures, and Changes in Fund Balance/Net Position - Budget to Actual Component Unit - Tax Increment Finance Authority Year Ended June 30, 2017

	Budget	Actual	Adjustments	Statement of Activities
<b>Revenue</b>				
Property taxes	\$ 583,326	\$ 583,325	\$ -	\$ 583,325
Interest income	1,050	959	-	959
Total revenue	584,376	584,284	-	584,284
<b>Expenditures - Current</b>				
Administrative	100,110	100,120	-	100,120
Community relations	7,350	16,249	-	16,249
Contributions to Major Streets Fund	687,573	678,573	-	678,573
Contributions to Water and Sewer Fund	50,584	50,584	-	50,584
Total expenditures	845,617	845,526	-	845,526
<b>Change in Fund Balance/Net Position</b>	(261,241)	(261,242)	-	(261,242)
<b>Fund Balance/Net Position - Beginning of year</b>	487,308	487,308	-	487,308
<b>Fund Balance/Net Position - End of year</b>	<b>\$ 226,067</b>	<b>\$ 226,066</b>	<b>\$ -</b>	<b>\$ 226,066</b>

# City of Saline, Michigan

## Other Supplemental Information Balance Sheet/Statement of Net Position Component Unit - Local Development Finance Authorities June 30, 2017

	Modified Accrual Basis			Adjustments	Statement of Net Assets
	Sauk Trail District	Shelton District	Total		
<b>Assets</b>					
Cash and cash equivalents	\$ 163,904	\$ 1,179	\$ 165,083	\$ -	\$ 165,083
Internal balances	1,129	(1,129)	-	-	-
Capital assets	-	-	-	40,749	40,749
Total assets	<u>\$ 165,033</u>	<u>\$ 50</u>	<u>\$ 165,083</u>	<u>\$ 40,749</u>	205,832
<b>Liabilities - Due to other governmental units</b>					
	\$ -	\$ 21	\$ 21	\$ -	21
<b>Fund Balance/Net Position</b>					
Fund balance - Committed	<u>165,033</u>	<u>29</u>	<u>165,062</u>	(165,062)	
Net position:					
Net investment in capital assets				40,749	40,749
Unrestricted				<u>165,062</u>	<u>165,062</u>
Total net position				<u>205,811</u>	<u>\$ 205,811</u>
Total liabilities and fund balance/net position	<u>\$ 165,033</u>	<u>\$ 50</u>	<u>\$ 165,083</u>	<u>\$ 40,749</u>	

# City of Saline, Michigan

	Modified Accrual Basis			
	Sauk Trail District		Shelton District	
	Budget	Actual	Budget	Actual
<b>Revenue</b>				
Property taxes	\$ 494,808	\$ 494,807	\$ 159,667	\$ 159,667
Interest earnings	650	1,528	-	-
Total revenue	495,458	496,335	159,667	159,667
<b>Expenditures - Current</b>				
Administrative	33,290	31,812	27,990	27,961
Contributions to Municipal Streets Fund	315,062	315,062	131,403	131,403
Contributions to Water and Sewer Fund	188,096	188,096	-	-
Total expenditures	536,448	534,970	159,393	159,364
<b>Change in Fund Balance/Net Position</b>	(40,990)	(38,635)	274	303
<b>Fund Balance/Net Position - Beginning of year</b>	203,668	203,668	(253)	(253)
<b>Fund Balance/Net Position - End of year</b>	<b>\$ 162,678</b>	<b>\$ 165,033</b>	<b>\$ 21</b>	<b>\$ 50</b>

**Other Supplemental Information**  
**Statement of Revenue, Expenses, and Changes in Fund Balance/Net**  
**Position - Budget to Actual**  
**Component Unit - Local Development Finance Authorities**  
**Year Ended June 30, 2017**

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 654,474	\$ -	\$ 654,474
1,528	-	1,528
<u>656,002</u>	<u>-</u>	<u>656,002</u>
59,773	-	59,771
446,465	-	446,465
<u>188,096</u>	<u>-</u>	<u>188,096</u>
<u>694,334</u>	<u>-</u>	<u>694,334</u>
(38,332)	-	(38,332)
<u>244,143</u>	<u>-</u>	<u>244,143</u>
<b><u>\$ 205,811</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 205,811</u></b>

# City of Saline, Michigan

## Other Supplemental Information Combining General Fund Balance Sheet by Activity June 30, 2017

	General	Fire Department Special Assessment	Total Combining General Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 2,538,612	\$ 45,011	\$ 2,583,623
Receivables - Net	367,851	-	367,851
Due from component units	8,486	-	8,486
Due from other funds	448,586	-	448,586
	<b>\$ 3,363,535</b>	<b>\$ 45,011</b>	<b>\$ 3,408,546</b>
<b>Liabilities</b>			
Accounts payable	\$ 449,891	\$ 378	\$ 450,269
Due to other funds	24,730	-	24,730
Accrued liabilities and other	103,196	-	103,196
	577,817	378	578,195
<b>Fund Balances</b>			
Restricted	32,860	-	32,860
Committed	4,870	-	4,870
Assigned	678,206	-	678,206
Unassigned	2,069,782	44,633	2,114,415
	2,785,718	44,633	2,830,351
Total fund balances	2,785,718	44,633	2,830,351
Total liabilities and fund balances	<b>\$ 3,363,535</b>	<b>\$ 45,011</b>	<b>\$ 3,408,546</b>

# City of Saline, Michigan

## Other Supplemental Information Combining General Fund Statement of Revenue, Expenditures, and Changes in Fund Balances by Activity Year Ended June 30, 2017

	General	Fire Department Special Assessment	Total Combining General Fund
<b>Revenue</b>			
Property taxes	\$ 5,582,999	\$ -	\$ 5,582,999
Licenses and permits	391,148	-	391,148
Federal grants	29,204	-	29,204
State sources	1,422,371	-	1,422,371
Charges for services	733,130	-	733,130
Fines and court costs	39,072	-	39,072
Interest earnings	33,716	200	33,916
Other revenue:			
Special assessments	141,479	-	141,479
Local donations	8,025	-	8,025
Cable royalties	242,393	-	242,393
Interactivity transfers	(409,992)	409,992	-
Other miscellaneous income	834,968	687	835,655
Total revenue	9,048,513	410,879	9,459,392
<b>Expenditures - Current</b>			
General government	3,750,510	-	3,750,510
Legislative	65,513	-	65,513
Public safety	1,914,750	406,565	2,321,315
Public works	1,507,600	-	1,507,600
Cemetery	46,042	-	46,042
Engineering department	112,763	-	112,763
Recreation and culture	322,563	-	322,563
Capital outlay	31,806	-	31,806
Debt service	310,809	-	310,809
Total expenditures	8,062,356	406,565	8,468,921
<b>Excess of Revenue Over Expenditures</b>	986,157	4,314	990,471
<b>Net Transfers</b>	(560,763)	-	(560,763)
<b>Net Change in Fund Balances</b>	425,394	4,314	429,708
<b>Fund Balances - Beginning of year</b>	2,360,324	40,319	2,400,643
<b>Fund Balances - End of year</b>	<b>\$ 2,785,718</b>	<b>\$ 44,633</b>	<b>\$ 2,830,351</b>