

# **City of Saline, Michigan**

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## **Financial Report with Supplemental Information June 30, 2015**

# 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, 2015 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, 2015 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

***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, in 2015 the City adopted the new accounting guidance of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

***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 on 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 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 21, 2015

# City of Saline, Michigan

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## 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, 2015. 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, 2015:

- The City implemented GASB No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. Reflected on these statements is the liability for the unfunded liability for active and retired members of the MERS Defined Benefit program.
- The City fulfilled the requirements for eligibility for the City, Village, Township Revenue Share (CVTRS).
- The City was able to update the fleet with the purchase of a new street sweeper in addition to updating the police fleet and other miscellaneous equipment.
- In other major funds, both Major and Local Streets Funds accomplished some street reconstruction. North Ann Arbor Street was finished in addition to S. Lewis Street repairs. Both street funds recognized an increase in operating expenses as the cost of road salt increased significantly this year.
- During the fiscal year ended June 30, 2015, the City had 1.4179 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):

Table I

|  | Governmental Activities |                  | Business-type Activities |                  | Total            |                  |
|--|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
|  | 2015                    | 2014             | 2015                     | 2014             | 2015             | 2014             |
| <b>Assets</b>                                    |                         |                  |                          |                  |                  |                  |
| Current assets                                   | \$ 5,996                | \$ 5,333         | \$ 5,885                 | \$ 5,937         | \$ 11,881        | \$ 11,270        |
| Noncurrent assets                                | 25,490                  | 27,642           | 29,410                   | 30,208           | 54,900           | 57,850           |
| Total assets                                     | <u>31,486</u>           | <u>32,975</u>    | <u>35,295</u>            | <u>36,145</u>    | <u>66,781</u>    | <u>69,120</u>    |
| <b>Deferred Outflows of Resources</b>            | 441                     | -                | 93                       | -                | 534              | -                |
| <b>Liabilities</b>                               |                         |                  |                          |                  |                  |                  |
| Current liabilities                              | 2,211                   | 2,732            | 1,301                    | 1,533            | 3,512            | 4,265            |
| Long-term liabilities                            | <u>14,854</u>           | <u>9,240</u>     | <u>8,829</u>             | <u>8,443</u>     | <u>23,683</u>    | <u>17,683</u>    |
| Total liabilities                                | <u>17,065</u>           | <u>11,972</u>    | <u>10,130</u>            | <u>9,976</u>     | <u>27,195</u>    | <u>21,948</u>    |
| <b>Net Position</b>                              |                         |                  |                          |                  |                  |                  |
| Invested in capital assets - Net of related debt | 15,990                  | 16,577           | 20,981                   | 20,651           | 36,971           | 37,228           |
| Restricted                                       | 1,873                   | 1,707            | 2,125                    | 1,851            | 3,998            | 3,558            |
| Unrestricted                                     | <u>(3,001)</u>          | <u>2,719</u>     | <u>2,152</u>             | <u>3,667</u>     | <u>(849)</u>     | <u>6,386</u>     |
| Total net position                               | <u>\$ 14,862</u>        | <u>\$ 21,003</u> | <u>\$ 25,258</u>         | <u>\$ 26,169</u> | <u>\$ 40,120</u> | <u>\$ 47,172</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 (the part of net position that can be used to finance day-to-day operations) decreased by approximately \$5,720,000. The current level of unrestricted net position for all of our governmental activities stands at a deficit of approximately \$3,001,000. This number reflects the additional liability for pension as required by GASB No. 68.

The following table shows the changes of the net position during the year ended June 30, 2015 as compared to the prior year (in thousands):

Table 2

|                                    | Governmental Activities |                 | Business-type Activities |               | Total         |               |
|------------------------------------|-------------------------|-----------------|--------------------------|---------------|---------------|---------------|
|                                    | 2015                    | 2014            | 2015                     | 2014          | 2015          | 2014          |
| <b>Revenue</b>                     |                         |                 |                          |               |               |               |
| Program revenue:                   |                         |                 |                          |               |               |               |
| Charges for services               | \$ 2,686                | \$ 2,694        | \$ -                     | \$ -          | \$ 2,686      | \$ 2,694      |
| Operating grants and contributions | 570                     | 550             | -                        | -             | 570           | 550           |
| Capital grants and contributions   | 346                     | 381             | 272                      | 409           | 618           | 790           |
| General revenue:                   |                         |                 |                          |               |               |               |
| Property taxes                     | 6,389                   | 6,300           | -                        | -             | 6,389         | 6,300         |
| State-shared revenue               | 849                     | 851             | -                        | -             | 849           | 851           |
| Unrestricted investment earnings   | 19                      | 15              | 11                       | 12            | 30            | 27            |
| Miscellaneous                      | 351                     | 272             | -                        | -             | 351           | 272           |
| Water and sewer                    | -                       | -               | 3,904                    | 4,013         | 3,904         | 4,013         |
| Total revenue                      | 11,210                  | 11,063          | 4,187                    | 4,434         | 15,397        | 15,497        |
| <b>Program Expenses</b>            |                         |                 |                          |               |               |               |
| General government                 | 2,660                   | 2,901           | -                        | -             | 2,660         | 2,901         |
| Legislative                        | 52                      | 35              | -                        | -             | 52            | 35            |
| Public safety                      | 2,415                   | 2,421           | -                        | -             | 2,415         | 2,421         |
| Building department                | 145                     | 152             | -                        | -             | 145           | 152           |
| Highways and streets               | 1,575                   | 1,632           | -                        | -             | 1,575         | 1,632         |
| Public works                       | 1,779                   | 1,569           | -                        | -             | 1,779         | 1,569         |
| Cemetery                           | 49                      | 79              | -                        | -             | 49            | 79            |
| Recreation and culture             | 1,995                   | 2,043           | -                        | -             | 1,995         | 2,043         |
| Interest on long-term debt         | 380                     | 357             | -                        | -             | 380           | 357           |
| Unallocated                        | 141                     | 149             | -                        | -             | 141           | 149           |
| Water and sewer                    | -                       | -               | 3,929                    | 3,569         | 3,929         | 3,569         |
| Total program expenses             | 11,191                  | 11,338          | 3,929                    | 3,569         | 15,120        | 14,907        |
| <b>Change in Net Position</b>      | <b>\$ 19</b>            | <b>\$ (275)</b> | <b>\$ 258</b>            | <b>\$ 865</b> | <b>\$ 277</b> | <b>\$ 590</b> |



# City of Saline, Michigan

## Management's Discussion and Analysis (Continued)

The City did experience an overall decrease in revenue, despite increases in property taxes and state-shared revenue. The decrease in revenue in the enterprise funds is due to the previous year's S2 Grant in the Sewer Fund and the reduction in water sales from lower rates that were adjusted to reflect actual operating costs. The enterprise funds expenses increased significantly due to the appropriation of the pension liability from general government to the appropriate enterprise funds. The general government expenditures continue to decrease due to prior year expenses reflecting more costly projects and more tax tribunal appeals.

### 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 continue to be reduced year to year, while continuing to replenish deferred equipment and perform street maintenance.

### 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 will more accurately reflect current projects and trends that drive the rates. The first phase of the sewer treatment plant rehabilitation project was completed during the fiscal year and was paid for by the reserve funds.

### 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 2014-2015 include the General Fund, the Major Streets Fund, the Local Streets 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.

# **City of Saline, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

General Fund revenue changes over the prior year included a slight increase in property taxes, additional Act 51 street funds, increased planning and rezoning fees, and additional Sauk Trail repayment funds. Expenses decreased in most areas, including professional services, salaries, and projects.

Over the course of the year, the City has amended the budget to take into account events during the year. Overall revenue came in higher than budgeted, and due to continued belt-tightening measures, expenditures were lower than budgeted for several departments.

The combined General Fund end of year fund balance increased from \$1,749,795 a year ago to \$2,170,033 at June 30, 2015, with \$2,133,472 as the year-end fund balance for the non-Fire Special Assessment portion of the General Fund.

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

At the end of the 2015 fiscal year, the City had more than \$54 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 \$5.0 million in additional infrastructure and capital improvements in the subsequent year (the majority to come from a State Revolving Fund (SRF) bond, remaining proceeds of utility bonds and reserves, Act 51 state road funds, County millage for street projects, 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, 2016. The City is considering additional financing in 2016 or 2017 as an option to fund street projects.

# City of Saline, Michigan

## Management's Discussion and Analysis (Continued)

| <b>DEBT STATEMENT (as of 06/30/15)</b>   | Outstanding  | Totals              |
|--|--------------|---------------------|
| 9/25/03 Water \$6,840,000 UTGO, Bond Bank DWRF III (100% Water Utility Charges)                      | \$ 3,819,782 |                     |
| 11/01/07 Sewer \$1,700,000 LTGO Bonds (100% Sewer Utility Charges)                                   | 1,340,000    |                     |
| 10/29/09 Water \$1,000,000 Capital Improvement Bond  | 840,000      |                     |
| 10/29/09 Water and Sewer \$1,325,000 Refunding 7/1/98 \$2,335,000 Bond                               | 390,000      |                     |
| 02/25/10 Streets portion of \$4,230,000 Refunding 2001 \$6,040,000 UTGO Bonds                        | 1,246,688    |                     |
| 02/25/10 Water and Sewer portion of \$4,230,000 Refunding 2001 \$6,040,000 UTGO Bonds                | 623,344      |                     |
| 02/25/10 Sewer Odor Abatement portion of \$4,230,000 Ref'dg 2001 \$6,040,000 UTGO Bonds              | 639,967      |                     |
| 12/21/12 Street portion of \$3,210,000 Refunding 2004 \$4,660,000 UTGO Bond                          | 2,776,287    |                     |
| 12/21/12 Sewer portion of \$3,210,000 Refunding 2004 \$4,660,000 UTGO Bond                           | 98,713       |                     |
| 12/04/14 Public Works portion of \$3,775,000 Refunding 2005 \$6,000,000 GO Capital Improvement Bonds | 2,831,250    |                     |
| 12/04/14 Rec Complex portion of \$3,775,000 Refunding 2005 \$6,000,000 GO Capital Improvement Bonds  | 943,750      | 15,549,781          |
| 3/26/2015 \$1,480,000 Refunding of \$2,815,000 SBA Bonds   | 1,480,000    | \$1,480,000         |
| <b>TOTAL DIRECT DEBT</b>   |              | <b>17,029,781</b>   |
| 7/02/98 DWRF I \$1,375,000 LTGO (County Issued Bonds, 100% Water Utility Charges)                    | 330,000      |                     |
| 6/24/99 DWRF II \$1,420,000 LTGO (County Issued Bonds, 100% Water Utility Charges)                   | 347,279      | \$677,279           |
| <b>TOTAL INDIRECT DEBT</b>   |              | <b>\$677,279</b>    |
| <b>NET DIRECT PLUS INDIRECT DEBT</b>   |              | <b>\$17,707,060</b> |

| <b>DEBT RATIOS (Net Direct plus Indirect Debt, Using 2015 Tax Year Values)</b>                   |            |
|--|------------|
| Per Capita (8,896 estimated current population based on 8,810 in 2010 Census)                    | \$1,990.45 |
| Ratio to June 30, 2015 Ad Valorem Taxable Valuation (\$403,314,077) as updated July 2015         | 4.39%      |
| Ratio to June 30, 2015 Ad Valorem State Equalized Valuation (\$448,090,600) as updated July 2015 | 3.95%      |
| Ratio to June 30, 2015 Ad Valorem Estimated True Cash Value (\$896,181,200)                      | 1.98%      |

| <b>LEGAL DEBT MARGIN (including above Bonds, per Michigan P.A. 279 of 1909 as amended, Using 2015 Equalized Values)</b> |                     |
|---|---------------------|
| State Equalized 2015 Valuation - Excluding IFT values   | \$448,090,600       |
| Plus 2015 Act 198 Industrial Facilities Tax State Equalized Valuation (counted at half)                                 | 31,734,500          |
| Total Valuation   | \$479,825,100       |
| <b>Debt Limit - 10% of State Equalized Valuation</b>  | \$44,809,060        |
| Amount of Direct Debt Outstanding   | 17,029,781          |
| Less: Transportation Fund Bonds   | 0                   |
| Total Subject to Debt Limit   | \$17,029,781        |
| <b>Additional Debt Which Could Be Legally Incurred</b>  | <b>\$27,779,279</b> |

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

| <b>DEBT HISTORY AND FUTURE FINANCING</b>  |
|---|
| The City has no record of default. The City is considering additional financing for street projects for fiscal year 2016. |

### 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 small business taxpayers' exemption for personal property.

# City of Saline, Michigan

## Management's Discussion and Analysis (Continued)

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<br>Mills Levied | Refuse Tax<br>Portion | Debt Portion | General<br>Operating | Fire Portion | Rollback<br>Maximum | Excess Levy<br>Capacity |
|-------|----------------------------|-----------------------|--------------|----------------------|--------------|---------------------|-------------------------|
| FY 10 | 15.5300                    | 1.4400                | 0.4994       | 13.5906              | 0.8260       | 14.6281             | 1.8635                  |
| FY 11 | 15.5300                    | 1.4920                | 0.5140       | 13.5240              | 0.7696       | 14.6281             | 1.8737                  |
| FY 12 | 15.5300                    | 1.5600                | 0.5290       | 13.4410              | 0.7759       | 14.6281             | 1.9630                  |
| FY 13 | 15.5300                    | 1.6266                | 0.5490       | 13.3544              | 0.8835       | 14.6281             | 2.1572                  |
| FY 14 | 16.2800                    | 1.5476                | 0.5206       | 14.2118              | 0.8905       | 14.6281             | 1.3068                  |
| FY 15 | 16.2800                    | 1.6324                | 0.5206       | 14.1270              | 0.9168       | 14.6281             | 1.4179                  |
| FY 16 | 16.2800                    | 1.6030                | 0.5206       | 14.1564              | 0.8835       | 14.6281             | 1.3552                  |

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, 2015

|   | Primary Government         |                             |                      | Component<br>Units |
|---|----------------------------|-----------------------------|----------------------|--------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |                    |
| <b>Assets</b>   |                            |                             |                      |                    |
| Cash and cash equivalents   | \$ 5,236,384               | \$ 2,697,780                | \$ 7,934,164         | \$ 866,120         |
| Receivables:  |                            |                             |                      |                    |
| Receivables - Net (Note 4)  | 430,169                    | 1,057,823                   | 1,487,992            | -                  |
| Due from other governmental units                                       | 111,379                    | -                           | 111,379              | -                  |
| Due from component units (Note 6)                                       | 175,410                    | -                           | 175,410              | -                  |
| Internal balances   | 17,758                     | (17,758)                    | -                    | -                  |
| Inventories   | -                          | 15,365                      | 15,365               | -                  |
| Prepaid expenses and other assets                                       | 24,981                     | 6,966                       | 31,947               | -                  |
| Restricted assets   | -                          | 2,125,133                   | 2,125,133            | -                  |
| Investment in joint ventures - Saline area fire<br>department (Note 11) | 221,782                    | -                           | 221,782              | -                  |
| Capital assets (Note 5):  |                            |                             |                      |                    |
| Nondepreciated  | 1,789,055                  | 425,886                     | 2,214,941            | 40,749             |
| Depreciated - Net   | 23,479,008                 | 28,983,909                  | 52,462,917           | -                  |
| Total assets  | <u>31,485,926</u>          | <u>35,295,104</u>           | <u>66,781,030</u>    | <u>906,869</u>     |
| <b>Deferred Outflows of Resources -</b>                                 |                            |                             |                      |                    |
| Deferred outflows related to pension<br>(Note 10)                       | 441,449                    | 92,863                      | 534,312              | -                  |
| <b>Liabilities</b>  |                            |                             |                      |                    |
| Accounts payable  | 314,566                    | 96,694                      | 411,260              | 11,188             |
| Due to other governmental units   | -                          | -                           | -                    | 1,174              |
| Due to primary government (Note 6)                                      | 178,763                    | 40,991                      | 219,754              | 175,410            |
| Accrued liabilities and other   | 114,487                    | 80,986                      | 195,473              | -                  |
| Noncurrent liabilities:   |                            |                             |                      |                    |
| Due within one year -   |                            |                             |                      |                    |
| Current portion of long-term debt and<br>compensated absences (Note 7)  | 1,603,785                  | 1,082,215                   | 2,686,000            | -                  |
| Due in more than one year:  |                            |                             |                      |                    |
| Net pension liability (Note 10)   | 6,052,619                  | 1,273,233                   | 7,325,852            | -                  |
| Long-term debt and compensated<br>absences (Note 7)                     | 8,801,006                  | 7,555,586                   | 16,356,592           | -                  |
| Total liabilities   | <u>17,065,226</u>          | <u>10,129,705</u>           | <u>27,194,931</u>    | <u>187,772</u>     |
| <b>Net Position</b>   |                            |                             |                      |                    |
| Net investment in capital assets  | 15,990,088                 | 20,980,710                  | 36,970,798           | 40,749             |
| Restricted for:   |                            |                             |                      |                    |
| Law enforcement training and other                                      | 21,479                     | -                           | 21,479               | -                  |
| Recreation  | 196,903                    | -                           | 196,903              | -                  |
| Solid waste   | 78,383                     | -                           | 78,383               | -                  |
| Roads   | 1,565,699                  | -                           | 1,565,699            | -                  |
| Capital replacement reserve   | -                          | 2,125,133                   | 2,125,133            | -                  |
| E911 secondary PSAP   | 10,902                     | -                           | 10,902               | -                  |
| Donations   | -                          | -                           | -                    | 1,966              |
| Unrestricted  | <u>(3,001,305)</u>         | <u>2,152,419</u>            | <u>(848,886)</u>     | <u>676,382</u>     |
| Total net position  | <u>\$ 14,862,149</u>       | <u>\$ 25,258,262</u>        | <u>\$ 40,120,411</u> | <u>\$ 719,097</u>  |

# 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   | \$ 2,659,821         | \$ 1,091,173         | \$ -                               | \$ -                             |
| Legislative  | 51,987               | -                    | -                                  | -                                |
| Police, fire, and EMS  | 2,414,974            | 90,433               | -                                  | -                                |
| Building department  | 145,097              | 95,991               | -                                  | -                                |
| Highways and streets   | 1,575,167            | -                    | 559,087                            | -                                |
| Public works   | 1,778,747            | -                    | -                                  | -                                |
| Cemetery   | 49,207               | 35,807               | -                                  | -                                |
| Recreation and culture   | 1,994,646            | 1,372,701            | 10,907                             | -                                |
| Interest and fees on long-term debt                            | 380,415              | -                    | -                                  | 345,894                          |
| Unallocated depreciation                                       | 140,888              | -                    | -                                  | -                                |
| <b>Total governmental activities</b>                           | <b>11,190,949</b>    | <b>2,686,105</b>     | <b>569,994</b>                     | <b>345,894</b>                   |
| Business-type activities:                                      |                      |                      |                                    |                                  |
| Water  | 1,621,871            | 1,857,564            | -                                  | 136,002                          |
| Sewer  | 2,307,611            | 2,046,232            | -                                  | 136,002                          |
| <b>Total business-type activities</b>                          | <b>3,929,482</b>     | <b>3,903,796</b>     | <b>-</b>                           | <b>272,004</b>                   |
| <b>Total primary government</b>                                | <b>\$ 15,120,431</b> | <b>\$ 6,589,901</b>  | <b>\$ 569,994</b>                  | <b>\$ 617,898</b>                |
| Component units:   |                      |                      |                                    |                                  |
| Economic Development Corporation                               | \$ 117,275           | \$ 21,961            | \$ -                               | \$ -                             |
| Tax Increment Finance Authority                                | 515,432              | -                    | -                                  | -                                |
| Local Development Finance Authority                            | 677,096              | -                    | -                                  | -                                |
| <b>Total component units</b>                                   | <b>\$ 1,309,803</b>  | <b>\$ 21,961</b>     | <b>\$ -</b>                        | <b>\$ -</b>                      |
| General revenues:  |                      |                      |                                    |                                  |
| Property taxes   |                      |                      |                                    |                                  |
| State-shared revenue   |                      |                      |                                    |                                  |
| Unrestricted investment income                                 |                      |                      |                                    |                                  |
| Other miscellaneous income                                     |                      |                      |                                    |                                  |
| Total general revenues   |                      |                      |                                    |                                  |
| <b>Change in Net Position</b>                                  |                      |                      |                                    |                                  |
| <b>Net Position</b> (as restated) - Beginning of year (Note 1) |                      |                      |                                    |                                  |
| <b>Net Position</b> - End of year                              |                      |                      |                                    |                                  |

## Statement of Activities Year Ended June 30, 2015

| Net (Expense) Revenue and Changes in Net Position |                             |                      |                    |
|---|-----------------------------|----------------------|--------------------|
| Primary Government                                |                             |                      |                    |
| Governmental<br>Activities                        | Business-type<br>Activities | Total                | Component<br>Units |
| \$ (1,568,648)                                    | \$ -                        | \$ (1,568,648)       | \$ -               |
| (51,987)  | -                           | (51,987)             | -                  |
| (2,324,541)                                       | -                           | (2,324,541)          | -                  |
| (49,106)  | -                           | (49,106)             | -                  |
| (1,016,080)                                       | -                           | (1,016,080)          | -                  |
| (1,778,747)                                       | -                           | (1,778,747)          | -                  |
| (13,400)  | -                           | (13,400)             | -                  |
| (611,038)   | -                           | (611,038)            | -                  |
| (34,521)  | -                           | (34,521)             | -                  |
| (140,888)   | -                           | (140,888)            | -                  |
| (7,588,956)                                       | -                           | (7,588,956)          | -                  |
| -   | 371,695                     | 371,695              | -                  |
| -   | (125,377)                   | (125,377)            | -                  |
| -   | 246,318                     | 246,318              | -                  |
| (7,588,956)                                       | 246,318                     | (7,342,638)          | -                  |
| -   | -                           | -                    | (95,314)           |
| -   | -                           | -                    | (515,432)          |
| -   | -                           | -                    | (677,096)          |
| -   | -                           | -                    | (1,287,842)        |
| 6,389,181   | -                           | 6,389,181            | 1,285,041          |
| 849,005   | -                           | 849,005              | -                  |
| 19,188  | 11,767                      | 30,955               | 1,295              |
| 350,588   | -                           | 350,588              | 12,600             |
| 7,607,962   | 11,767                      | 7,619,729            | 1,298,936          |
| 19,006  | 258,085                     | 277,091              | 11,094             |
| 14,843,143  | 25,000,177                  | 39,843,320           | 708,003            |
| <b>\$ 14,862,149</b>                              | <b>\$ 25,258,262</b>        | <b>\$ 40,120,411</b> | <b>\$ 719,097</b>  |

# City of Saline, Michigan

## Governmental Funds Balance Sheet June 30, 2015

|  | Combining<br>General Fund | Major<br>Streets Fund | Local Streets<br>Fund | Saline<br>Recreation<br>Complex<br>Fund | Nonmajor<br>Funds   | Total               |
|--|---------------------------|-----------------------|-----------------------|---|---------------------|---------------------|
| <b>Assets</b>                                  |                           |                       |                       |   |                     |                     |
| Cash and cash equivalents<br>(Note 3)          | \$ 2,088,653              | \$ 1,134,099          | \$ 174,039            | \$ 765,021                              | \$ 1,074,572        | \$ 5,236,384        |
| Receivables - Net (Note 4)                     | 401,185                   | -                     | -                     | 26,273                                  | 2,711               | 430,169             |
| Due from other governmental<br>units           | -                         | 88,121                | 23,258                | -                                       | -                   | 111,379             |
| Due from component units<br>(Note 6)           | 47,431                    | 122,301               | 4,573                 | -                                       | 1,105               | 175,410             |
| Due from other funds<br>(Note 6)               | 21,790                    | -                     | -                     | -                                       | -                   | 21,790              |
| Prepaid expenses                               | 19,226                    | 1,008                 | 943                   | 3,804                                   | -                   | 24,981              |
| <b>Total assets</b>                            | <b>\$ 2,578,285</b>       | <b>\$ 1,345,529</b>   | <b>\$ 202,813</b>     | <b>\$ 795,098</b>                       | <b>\$ 1,078,388</b> | <b>\$ 6,000,113</b> |
| <b>Liabilities</b>                             |                           |                       |                       |   |                     |                     |
| Accounts payable                               | \$ 216,072                | \$ 16,942             | \$ 3,220              | \$ 28,052                               | \$ 50,280           | \$ 314,566          |
| Due to primary government                      | 121,941                   | 5,582                 | 2,155                 | 49,085                                  | -                   | 178,763             |
| Due to other funds (Note 6)                    | 882                       | -                     | -                     | 500                                     | 2,650               | 4,032               |
| Accrued liabilities and other                  | 69,357                    | -                     | -                     | -                                       | -                   | 69,357              |
| <b>Total liabilities</b>                       | <b>408,252</b>            | <b>22,524</b>         | <b>5,375</b>          | <b>77,637</b>                           | <b>52,930</b>       | <b>566,718</b>      |
| <b>Fund Balances</b>                           |                           |                       |                       |   |                     |                     |
| Nonspendable (Note 12)                         | 19,226                    | 1,008                 | 943                   | 3,804                                   | -                   | 24,981              |
| Restricted (Note 12)                           | 32,381                    | 1,321,997             | 196,495               | 196,903                                 | 123,639             | 1,871,415           |
| Committed (Note 12)                            | 7,936                     | -                     | -                     | 516,754                                 | 901,819             | 1,426,509           |
| Assigned (Note 12)                             | 408,200                   | -                     | -                     | -                                       | -                   | 408,200             |
| Unassigned                                     | 1,702,290                 | -                     | -                     | -                                       | -                   | 1,702,290           |
| <b>Total fund balances</b>                     | <b>2,170,033</b>          | <b>1,323,005</b>      | <b>197,438</b>        | <b>717,461</b>                          | <b>1,025,458</b>    | <b>5,433,395</b>    |
| <b>Total liabilities and<br/>fund balances</b> | <b>\$ 2,578,285</b>       | <b>\$ 1,345,529</b>   | <b>\$ 202,813</b>     | <b>\$ 795,098</b>                       | <b>\$ 1,078,388</b> | <b>\$ 6,000,113</b> |



# City of Saline, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

|  |           |                          |
|--|-----------|--------------------------|
| <b>Fund Balance Reported in Governmental Funds</b>   | \$        | 5,433,395                |
| Amounts reported for governmental activities in the statement of net position are different because:   |           |                          |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds   |           | 25,268,063               |
| Investment in joint venture is not a financial resource and is not reported in the funds   |           | 221,782                  |
| Net pension liability is not due and payable in the current period and is not reported in the funds  |           | (6,052,619)              |
| 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 |           | 441,449                  |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds  |           | (10,404,791)             |
| Interest amounts on long-term liabilities are not payable until due in the funds   |           | (45,130)                 |
| <b>Net Position of Governmental Activities</b>   | <b>\$</b> | <b><u>14,862,149</u></b> |

# City of Saline, Michigan

|  | Combining<br>General Fund | Major Streets<br>Fund | Local Streets<br>Fund | Saline<br>Recreation<br>Complex Fund |
|--|---------------------------|-----------------------|-----------------------|--------------------------------------|
| <b>Revenue</b>                                     |                           |                       |                       |                                      |
| Property taxes                                     | \$ 5,558,821              | \$ -                  | \$ -                  | \$ -                                 |
| Licenses and permits                               | 192,857                   | -                     | -                     | -                                    |
| State sources                                      | 806,135                   | 456,855               | 145,102               | -                                    |
| Charges for services                               | 770,747                   | -                     | -                     | 1,368,294                            |
| Fines and court costs                              | 41,592                    | -                     | -                     | -                                    |
| Interest earnings                                  | 13,540                    | 1,682                 | -                     | -                                    |
| Other revenue:                                     |                           |                       |                       |                                      |
| Local donations                                    | -                         | -                     | -                     | 17,455                               |
| Cable royalties                                    | 231,824                   | -                     | -                     | -                                    |
| Other miscellaneous income                         | 330,546                   | 25,000                | 16,380                | 18,079                               |
| <b>Total revenue</b>                               | <b>7,946,062</b>          | <b>483,537</b>        | <b>161,482</b>        | <b>1,403,828</b>                     |
| <b>Expenditures - Current</b>                      |                           |                       |                       |                                      |
| General government                                 | 3,005,559                 | 30,000                | 10,000                | 17,359                               |
| Legislative  | 51,987                    | -                     | -                     | -                                    |
| Public safety                                      | 2,283,358                 | -                     | -                     | -                                    |
| Public works                                       | 863,799                   | 205,233               | 216,777               | -                                    |
| Cemetery   | 42,172                    | -                     | -                     | -                                    |
| Engineering department                             | 127,511                   | -                     | -                     | -                                    |
| Recreation and culture                             | 243,882                   | -                     | -                     | 1,295,144                            |
| Capital outlay                                     | 28,768                    | -                     | -                     | 93,924                               |
| Debt service                                       | 386,135                   | -                     | -                     | 128,712                              |
| <b>Total expenditures</b>                          | <b>7,033,171</b>          | <b>235,233</b>        | <b>226,777</b>        | <b>1,535,139</b>                     |
| <b>Excess of Revenue Over (Under) Expenditures</b> | <b>912,891</b>            | <b>248,304</b>        | <b>(65,295)</b>       | <b>(131,311)</b>                     |
| <b>Other Financing Sources (Uses)</b>              |                           |                       |                       |                                      |
| Face value of debt issue (Note 7)                  | 2,831,250                 | -                     | -                     | 943,750                              |
| Transfers in (Note 6)                              | 2,650                     | -                     | 80,000                | 253,712                              |
| Transfers out (Note 6)                             | (570,303)                 | (80,000)              | -                     | -                                    |
| Payment to bond refunding escrow agent (Note 7)    | (2,756,250)               | -                     | -                     | (918,750)                            |
| <b>Total other financing (uses) sources</b>        | <b>(492,653)</b>          | <b>(80,000)</b>       | <b>80,000</b>         | <b>278,712</b>                       |
| <b>Net Change in Fund Balances</b>                 | <b>420,238</b>            | <b>168,304</b>        | <b>14,705</b>         | <b>147,401</b>                       |
| <b>Fund Balances - Beginning of year</b>           | <b>1,749,795</b>          | <b>1,154,701</b>      | <b>182,733</b>        | <b>570,060</b>                       |
| <b>Fund Balances - End of year</b>                 | <b>\$ 2,170,033</b>       | <b>\$ 1,323,005</b>   | <b>\$ 197,438</b>     | <b>\$ 717,461</b>                    |

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2015**

| Nonmajor<br>Funds   | Total               |
|---------------------|---------------------|
| \$ 830,360          | \$ 6,389,181        |
| -                   | 192,857             |
| -                   | 1,408,092           |
| 36,790              | 2,175,831           |
| -                   | 41,592              |
| 3,264               | 18,486              |
| -                   | 17,455              |
| -                   | 231,824             |
| -                   | 390,005             |
| 870,414             | 10,865,323          |
| 12,657              | 3,075,575           |
| -                   | 51,987              |
| -                   | 2,283,358           |
| 606,470             | 1,892,279           |
| -                   | 42,172              |
| -                   | 127,511             |
| -                   | 1,539,026           |
| -                   | 122,692             |
| 544,543             | 1,059,390           |
| 1,163,670           | 10,193,990          |
| (293,256)           | 671,333             |
| 1,480,000           | 5,255,000           |
| 316,591             | 652,953             |
| (2,650)             | (652,953)           |
| (1,470,000)         | (5,145,000)         |
| 323,941             | 110,000             |
| 30,685              | 781,333             |
| 994,773             | 4,652,062           |
| <b>\$ 1,025,458</b> | <b>\$ 5,433,395</b> |

# 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, 2015

**Net Change in Fund Balances - Total Governmental Funds** \$ 781,333

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                       | 611,293     |
| Depreciation expense                 | (2,039,037) |
| Net book value of assets disposed of | (56,088)    |

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) 6,151,506

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position (5,255,000)

Change in net pension liability is not a financial resource and is not reported in the governmental funds (89,237)

Accrued interest payable is recorded when due in governmental funds 18,363

Changes in compensated absences are recorded when earned in the statement of activities (73,952)

Change in joint venture equity interest is not a financial resource and is not reported in the governmental funds (30,175)

**Change in Net Position of Governmental Activities** \$ 19,006

# City of Saline, Michigan

## Proprietary Funds Statement of Net Position June 30, 2015

|  | Enterprise Funds - Major Funds |                      |                      |
|--|--------------------------------|----------------------|----------------------|
|  | Water                          | Sewer                | Total                |
| <b>Assets</b>                                    |                                |                      |                      |
| Current assets:                                  |                                |                      |                      |
| Cash and cash equivalents (Note 3)               | \$ 1,431,555                   | \$ 1,266,225         | \$ 2,697,780         |
| Customer receivables (Note 4)                    | 512,498                        | 545,325              | 1,057,823            |
| Due from other funds (Note 6)                    | 612                            | 444                  | 1,056                |
| Inventories                                      | 15,365                         | -                    | 15,365               |
| Prepaid expenses                                 | 3,415                          | 3,551                | 6,966                |
| Total current assets                             | <u>1,963,445</u>               | <u>1,815,545</u>     | <u>3,778,990</u>     |
| Noncurrent assets:                               |                                |                      |                      |
| Restricted assets                                | 1,054,705                      | 1,070,428            | 2,125,133            |
| Capital assets (Note 5):                         |                                |                      |                      |
| Nondepreciated                                   | 37,500                         | 388,386              | 425,886              |
| Depreciated - Net                                | <u>13,677,572</u>              | <u>15,306,337</u>    | <u>28,983,909</u>    |
| Total noncurrent assets                          | <u>14,769,777</u>              | <u>16,765,151</u>    | <u>31,534,928</u>    |
| Total assets                                     | 16,733,222                     | 18,580,696           | 35,313,918           |
| <b>Deferred Outflows of Resources -</b>          |                                |                      |                      |
| Deferred outflows related to pension (Note 10)   | 37,455                         | 55,408               | 92,863               |
| <b>Liabilities</b>                               |                                |                      |                      |
| Current liabilities:                             |                                |                      |                      |
| Accounts payable                                 | 32,310                         | 64,384               | 96,694               |
| Due to primary government (Note 6)               | 20,215                         | 20,776               | 40,991               |
| Due to other funds (Note 6)                      | 9,320                          | 9,494                | 18,814               |
| Accrued liabilities and other                    | 58,896                         | 22,090               | 80,986               |
| Current portion of long-term debt (Note 7)       | <u>702,125</u>                 | <u>380,090</u>       | <u>1,082,215</u>     |
| Total current liabilities                        | 822,866                        | 496,834              | 1,319,700            |
| Noncurrent liabilities:                          |                                |                      |                      |
| Net pension liability (Note 10)                  | 513,542                        | 759,691              | 1,273,233            |
| Long-term debt and compensated absences (Note 7) | <u>5,225,082</u>               | <u>2,330,504</u>     | <u>7,555,586</u>     |
| Total noncurrent liabilities                     | <u>5,738,624</u>               | <u>3,090,195</u>     | <u>8,828,819</u>     |
| Total liabilities                                | <u>6,561,490</u>               | <u>3,587,029</u>     | <u>10,148,519</u>    |
| <b>Net Position</b>                              |                                |                      |                      |
| Net investment in capital assets                 | 7,871,339                      | 13,109,371           | 20,980,710           |
| Restricted - Capital replacement reserve         | 1,054,705                      | 1,070,428            | 2,125,133            |
| Unrestricted                                     | <u>1,283,143</u>               | <u>869,276</u>       | <u>2,152,419</u>     |
| Total net position                               | <u>\$ 10,209,187</u>           | <u>\$ 15,049,075</u> | <u>\$ 25,258,262</u> |

# City of Saline, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

|   | Enterprise Funds - Major Funds |                      |                      |
|---|--------------------------------|----------------------|----------------------|
|   | Water                          | Sewer                | Total                |
| <b>Operating Revenue</b>  |                                |                      |                      |
| Sale of water   | \$ 1,762,082                   | \$ -                 | \$ 1,762,082         |
| Sewage disposal charges   | -                              | 1,955,022            | 1,955,022            |
| Charges for services  | 95,482                         | 91,210               | 186,692              |
| Total operating revenue   | 1,857,564                      | 2,046,232            | 3,903,796            |
| <b>Operating Expenses</b>                                       |                                |                      |                      |
| Cost of water   | 690,899                        | -                    | 690,899              |
| Cost of sewage treatment  | -                              | 1,400,501            | 1,400,501            |
| Operation and maintenance                                       | 132,316                        | 142,828              | 275,144              |
| General and administrative                                      | 120,000                        | 120,000              | 240,000              |
| Depreciation  | 500,966                        | 520,754              | 1,021,720            |
| Total operating expenses  | 1,444,181                      | 2,184,083            | 3,628,264            |
| <b>Operating Income (Loss)</b>                                  | 413,383                        | (137,851)            | 275,532              |
| <b>Nonoperating Revenue (Expenses)</b>                          |                                |                      |                      |
| Investment income   | 6,813                          | 4,954                | 11,767               |
| Interest expense  | (177,690)                      | (123,528)            | (301,218)            |
| Total nonoperating expenses                                     | (170,877)                      | (118,574)            | (289,451)            |
| <b>Income (Loss) - Before contributions</b>                     | 242,506                        | (256,425)            | (13,919)             |
| <b>Capital Contributions - Contributions from LDFA and TIFA</b> | 136,002                        | 136,002              | 272,004              |
| <b>Change in Net Position</b>                                   | 378,508                        | (120,423)            | 258,085              |
| <b>Net Position (as restated) - Beginning of year (Note 1)</b>  | 9,830,679                      | 15,169,498           | 25,000,177           |
| <b>Net Position - End of year</b>                               | <b>\$ 10,209,187</b>           | <b>\$ 15,049,075</b> | <b>\$ 25,258,262</b> |

# City of Saline, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

|   | Enterprise Funds - Major Funds |                     |                     |
|---|--------------------------------|---------------------|---------------------|
|   | Water                          | Sewer               | Total               |
| <b>Cash Flows from Operating Activities</b>   |                                |                     |                     |
| Receipts from customers   | \$ 1,733,584                   | \$ 1,961,684        | \$ 3,695,268        |
| Payments to suppliers   | (441,567)                      | (661,409)           | (1,102,976)         |
| Payments to employees   | (512,773)                      | (737,374)           | (1,250,147)         |
| Payments to the General Fund for administrative costs                                   | (120,000)                      | (120,000)           | (240,000)           |
| Contributions to other funds  | 8,882                          | 8,876               | 17,758              |
| Other receipts  | 95,482                         | 91,210              | 186,692             |
| Net cash provided by operating activities   | 763,608                        | 542,987             | 1,306,595           |
| <b>Cash Flows from Capital and Related Financing Activities</b>                         |                                |                     |                     |
| Contributions from financing authorities  | 136,002                        | 138,657             | 274,659             |
| Purchase of capital assets  | (60,319)                       | (322,672)           | (382,991)           |
| Principal, interest, and fees paid on capital debt                                      | (835,513)                      | (434,200)           | (1,269,713)         |
| Net cash used in capital and related financing activities                               | (759,830)                      | (618,215)           | (1,378,045)         |
| <b>Cash Flows from Investing Activities -</b>   |                                |                     |                     |
| Interest received on investments  | 6,813                          | 4,954               | 11,767              |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                             | 10,591                         | (70,274)            | (59,683)            |
| <b>Cash and Cash Equivalents - Beginning of year</b>                                    | 2,475,669                      | 2,406,927           | 4,882,596           |
| <b>Cash and Cash Equivalents - End of year</b>  | <u>\$ 2,486,260</u>            | <u>\$ 2,336,653</u> | <u>\$ 4,822,913</u> |
| <b>Balance Sheet Classification of Cash and Cash Equivalents</b>                        |                                |                     |                     |
| Cash and investments  | \$ 1,431,555                   | \$ 1,266,225        | \$ 2,697,780        |
| Restricted cash   | 1,054,705                      | 1,070,428           | 2,125,133           |
| Total cash and cash equivalents   | <u>\$ 2,486,260</u>            | <u>\$ 2,336,653</u> | <u>\$ 4,822,913</u> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>  |                                |                     |                     |
| Operating income (loss)   | \$ 413,383                     | \$ (137,851)        | \$ 275,532          |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: |                                |                     |                     |
| Depreciation  | 500,966                        | 520,754             | 1,021,720           |
| Changes in assets and liabilities:  |                                |                     |                     |
| Receivables   | (28,936)                       | 6,218               | (22,718)            |
| Prepaid expenses  | (3,415)                        | (3,551)             | (6,966)             |
| Accounts payable  | (55,574)                       | (58,829)            | (114,403)           |
| Accrued and other liabilities   | 46,994                         | (64,127)            | (17,133)            |
| Pension and OPEB assets   | (109,810)                      | 280,373             | 170,563             |
| Net cash provided by operating activities   | <u>\$ 763,608</u>              | <u>\$ 542,987</u>   | <u>\$ 1,306,595</u> |

# City of Saline, Michigan

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## Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2015

|                                      | <u>Agency Funds</u>      |
|--------------------------------------|--------------------------|
| <b>Assets</b>                        |                          |
| Cash and cash equivalents            | \$ 159,066               |
| Receivables                          | 280,304                  |
| Due from primary government (Note 6) | <u>219,754</u>           |
| Total assets                         | <u><u>\$ 659,124</u></u> |
| <b>Liabilities</b>                   |                          |
| Accounts payable                     | \$ 82,680                |
| Due to other governmental units      | 167,166                  |
| Accrued liabilities and other        | <u>409,278</u>           |
| Total liabilities                    | <u><u>\$ 659,124</u></u> |



# City of Saline, Michigan

## Component Units Statement of Net Position June 30, 2015

|                                       | Economic<br>Development<br>Corporation | Tax Increment<br>Finance<br>Authority | Local<br>Development<br>Finance<br>Authority | Total             |
|---------------------------------------|--|---------------------------------------|--|-------------------|
| <b>Assets</b>                         |  |                                       |  |                   |
| Cash and cash equivalents<br>(Note 3) | \$ 76,491                              | \$ 552,466                            | \$ 237,163                                   | \$ 866,120        |
| Capital assets (Note 5)               | -                                      | -                                     | 40,749                                       | 40,749            |
| Total assets                          | 76,491                                 | 552,466                               | 277,912                                      | 906,869           |
| <b>Liabilities</b>                    |  |                                       |  |                   |
| Accounts payable                      | 11,188                                 | -                                     | -  | 11,188            |
| Due to other governmental<br>units    | -                                      | 1,153                                 | 21   | 1,174             |
| Due to primary government<br>(Note 6) | -                                      | 175,410                               | -  | 175,410           |
| Total liabilities                     | 11,188                                 | 176,563                               | 21   | 187,772           |
| <b>Net Position</b>                   |  |                                       |  |                   |
| Net investment in capital<br>assets   | -                                      | -                                     | 40,749                                       | 40,749            |
| Restricted - Donations                | 1,966                                  | -                                     | -  | 1,966             |
| Unrestricted                          | 63,337                                 | 375,903                               | 237,142                                      | 676,382           |
| Total net position                    | <u>\$ 65,303</u>                       | <u>\$ 375,903</u>                     | <u>\$ 277,891</u>                            | <u>\$ 719,097</u> |

# City of Saline, Michigan

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|                                     | Program Revenue                         |                         |  |
|-------------------------------------|---|-------------------------|--|
|                                     | Expenses                                | Charges for<br>Services | Operating<br>Grants and<br>Contributions |
| <b>Functions/Programs</b>           |   |                         |  |
| Economic Development Corporation    | \$ 117,275                              | \$ 21,961               | \$ -                                     |
| Tax Increment Finance Authority     | 515,432                                 | -                       | -  |
| Local Development Finance Authority | 677,096                                 | -                       | -  |
|                                     | <b>\$ 1,309,803</b>                     | <b>\$ 21,961</b>        | <b>\$ -</b>                              |
| 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 - End of year</b>       |                         |  |

**Component Units  
Statement of Activities  
Year Ended June 30, 2015**

| Net Revenue (Expense) and Changes in Net Position |                                       |  |                   |
|---|---------------------------------------|--|-------------------|
| Economic<br>Development<br>Corporation            | Tax Increment<br>Finance<br>Authority | Local<br>Development<br>Finance<br>Authority | Total             |
| \$ (95,314)                                       | \$ -                                  | \$ -   | \$ (95,314)       |
| -   | (515,432)                             | -  | (515,432)         |
| -   | -                                     | (677,096)                                    | (677,096)         |
| (95,314)  | (515,432)                             | (677,096)                                    | (1,287,842)       |
| -   | 573,171                               | 711,870                                      | 1,285,041         |
| 29  | 1,031                                 | 235  | 1,295             |
| 12,600  | -                                     | -  | 12,600            |
| 12,629  | 574,202                               | 712,105                                      | 1,298,936         |
| (82,685)  | 58,770                                | 35,009                                       | 11,094            |
| 147,988   | 317,133                               | 242,882                                      | 708,003           |
| <b>\$ 65,303</b>                                  | <b>\$ 375,903</b>                     | <b>\$ 277,891</b>                            | <b>\$ 719,097</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, 2015, 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 revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (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 revenues 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 revenues 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.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. 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 revenues were used. The various funds are aggregated into three broad fund types:

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

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

- **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.
- **Major Streets Fund** - The Major Streets Fund accounts for repairs and maintenance of major streets in the City which are financed primarily through state-shared revenue.
- **Local Streets Fund** - The Local Streets Fund accounts for repairs and maintenance of local streets in the City which are financed primarily through state-shared revenue.
- **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 and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average balance for the principal.

**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 estimated fair market 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 costs of assets under construction.



### Note 1 - 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  |
| Buildings and improvements                | 8 to 50 years   |
| Vehicles and equipment                    | 3 to 20 years   |
| Business-type activities:                 |                 |
| Land improvements                         | 5 to 20 years   |
| Water and sewer lines and laterals        | 75 to 100 years |
| Wellsite                                  | 50 years        |
| Buildings, treatment plant, and equipment | 10 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 a future period 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 Fund. The deferred outflows of resources result from two transactions: contributions to the defined benefit plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet. The City has no deferred inflows of resources.

#### **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. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Fund Balance Policies**

The fund balance policy proscribes 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.

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

#### **Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. The property taxes become a lien on July 1. 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 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled approximately \$442 million (a portion of which is abated and a portion of which is captured by the TIFA and LDFA), on which taxes levied consisted of 14.1270 mills for operating purposes, 1.6324 mills for solid waste treatment, and 0.5206 mills for debt service. This resulted in \$5.3 million for operating, \$610,000 for solid waste treatment, and \$220,000 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 and Other Postemployment Benefit Costs** - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City also offers retiree healthcare benefits to retirees. The City 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.

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

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All 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.

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

**New Accounting Standard** - In the current year, the City implemented Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

As a result of implementing GASB No. 68, the beginning net position of the governmental activities was restated to \$14,843,143 (reduction of \$6,159,642), and the beginning net position of the Water and Sewer Funds was restated to \$9,830,679 and \$15,169,498, respectively (reduction of \$665,611 and \$503,624, respectively). The current year change in net position of the governmental activities and Sewer Fund was reduced by \$89,237 and \$280,373, respectively, and the current year change in net position of the Water Fund was increased by \$109,810.

### 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, 2014             |    | \$     | (1,351,199)        |
| Current year permit revenue           |    |        | 95,991             |
| Related expenses:                     |    |        |                    |
| Direct costs                          | \$ | 73,868 |                    |
| Estimated indirect costs              |    | 60,521 | 134,389            |
|                                       |    |        | <u>          </u>  |
| Current year shortfall                |    |        | <u>(38,398)</u>    |
| Cumulative shortfall at June 30, 2015 |    | \$     | <u>(1,389,597)</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 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 12 financial institutions for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, as well as the remainder of investments allowed by State statutory authority, as listed above.

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

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 \$3,207,822 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 \$7,748,269 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Of the \$10,956,091 in total deposits, \$865,800 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.

**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 investment 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 does place a limit on the amount the City 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.

# City of Saline, Michigan

## Notes to Financial Statements June 30, 2015

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

**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 does fully comply with Michigan's Public Act 20 of 1943 as amended.

At year end, the City had \$314,341 in such a fund at Comerica Bank (J Fund which has a AI/PI/FI rating), plus \$1,505,841 in such a fund with MBIA Asset Management Group (Michigan CLASS which is rated AAAM by Standard & Poor's).

### 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:

|                 | Combining<br>General<br>Fund | Major<br>Streets Fund | Local<br>Streets Fund | Saline<br>Recreation<br>Complex<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Activities | Water      | Sewer      | Total<br>Business-<br>type | Total        |
|-----------------|------------------------------|-----------------------|-----------------------|---|-------------------|-------------------------------------|------------|------------|----------------------------|--------------|
| Receivables:    |                              |                       |                       |   |                   |                                     |            |            |                            |              |
| Accounts        | \$ 184,921                   | \$ -                  | \$ -                  | \$ -                                    | \$ -              | \$ 184,921                          | \$ 512,498 | \$ 545,325 | \$ 1,057,823               | \$ 1,242,744 |
| Taxes           | 36,956                       | -                     | -                     | -                                       | -                 | 36,956                              | -          | -          | -                          | 36,956       |
| Other           | 179,308                      | -                     | -                     | 26,273                                  | 2,711             | 208,292                             | -          | -          | -                          | 208,292      |
| Net receivables | \$ 401,185                   | \$ -                  | \$ -                  | \$ 26,273                               | \$ 2,711          | \$ 430,169                          | \$ 512,498 | \$ 545,325 | \$ 1,057,823               | \$ 1,487,992 |

### Note 5 - Capital Assets

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

|   | Balance<br>July 1, 2014 | Reclassifications | Additions      | Disposals and<br>Adjustments | Balance<br>June 30, 2015 |
|---|-------------------------|-------------------|----------------|------------------------------|--------------------------|
| <b>Governmental Activities</b>  |                         |                   |                |                              |                          |
| Capital assets not being depreciated:                                     |                         |                   |                |                              |                          |
| Land  | \$ 1,591,290            | \$ -              | \$ 2,218       | \$ -                         | \$ 1,593,508             |
| Construction in progress  | 28,723                  | -                 | 166,824        | -                            | 195,547                  |
| Subtotal  | 1,620,013               | -                 | 169,042        | -                            | 1,789,055                |
| Capital assets being depreciated:   |                         |                   |                |                              |                          |
| Infrastructure - Streets, sidewalks,<br>curbs, storm sewers, and lighting | 35,434,844              | -                 | 16,938         | (33,053)                     | 35,418,729               |
| Buildings and improvements  | 20,059,672              | -                 | 51,680         | -                            | 20,111,352               |
| Vehicles and equipment  | 3,983,835               | -                 | 373,633        | (83,769)                     | 4,273,699                |
| Subtotal  | 59,478,351              | -                 | 442,251        | (116,822)                    | 59,803,780               |
| Accumulated depreciation:   |                         |                   |                |                              |                          |
| Infrastructure - Streets, sidewalks,<br>curbs, storm sewers, and lighting | 21,598,761              | -                 | 1,226,928      | (33,053)                     | 22,792,636               |
| Buildings and improvements  | 9,875,148               | -                 | 600,999        | -                            | 10,476,147               |
| Vehicles and equipment  | 2,872,560               | -                 | 211,110        | (27,681)                     | 3,055,989                |
| Subtotal  | 34,346,469              | -                 | 2,039,037      | (60,734)                     | 36,324,772               |
| Net capital assets being depreciated                                      | 25,131,882              | -                 | (1,596,786)    | (56,088)                     | 23,479,008               |
| Net capital assets  | \$ 26,751,895           | \$ -              | \$ (1,427,744) | \$ (56,088)                  | \$ 25,268,063            |
| <b>Business-type Activities</b>   |                         |                   |                |                              |                          |
| Capital assets not being depreciated:                                     |                         |                   |                |                              |                          |
| Land  | \$ 186,933              | \$ -              | \$ -           | \$ -                         | \$ 186,933               |
| Construction in progress  | 1,525,007               | (1,468,871)       | 182,817        | -                            | 238,953                  |
| Subtotal  | 1,711,940               | (1,468,871)       | 182,817        | -                            | 425,886                  |
| Capital assets being depreciated:   |                         |                   |                |                              |                          |
| Water and sewer lines and laterals  | 22,330,164              | -                 | -              | -                            | 22,330,164               |
| Wellsite  | 226,746                 | -                 | -              | -                            | 226,746                  |
| Building, treatment plant, and<br>equipment                               | 19,484,203              | -                 | 28,111         | (26,398)                     | 19,485,916               |
| Land improvements   | 2,294,721               | 1,468,871         | 172,063        | -                            | 3,935,655                |
| Subtotal  | 44,335,834              | 1,468,871         | 200,174        | (26,398)                     | 45,978,481               |
| Accumulated depreciation:   |                         |                   |                |                              |                          |
| Water and sewer lines and laterals  | 4,857,917               | -                 | 259,697        | -                            | 5,117,614                |
| Wellsite  | 77,043                  | -                 | 4,535          | -                            | 81,578                   |
| Building, treatment plant, and<br>equipment                               | 10,415,694              | -                 | 589,127        | (26,398)                     | 10,978,423               |
| Land improvements   | 648,596                 | -                 | 168,361        | -                            | 816,957                  |
| Subtotal  | 15,999,250              | -                 | 1,021,720      | (26,398)                     | 16,994,572               |
| Net capital assets being depreciated                                      | 28,336,584              | 1,468,871         | (821,546)      | -                            | 28,983,909               |
| Net capital assets  | \$ 30,048,524           | \$ -              | \$ (638,729)   | \$ -                         | \$ 29,409,795            |



# City of Saline, Michigan

## Notes to Financial Statements June 30, 2015

### Note 5 - Capital Assets (Continued)

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

|                               |    |                  |
|-------------------------------|----|------------------|
| Governmental activities:      |    |                  |
| General government            | \$ | 79,661           |
| Public safety                 |    | 48,765           |
| Public works                  |    | 141,555          |
| Cemetery                      |    | 4,385            |
| Recreation and culture        |    | 390,418          |
| Highways and streets          |    | 1,233,365        |
| Unallocated                   |    | 140,888          |
|                               |    | <hr/>            |
| Total governmental activities | \$ | <u>2,039,037</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<br/>Commitment</u> |
|----------------------------------|----------------------|---------------------------------|
| Major and local streets projects | \$ 184,594           | \$ 651,496                      |
| Water and sewer improvements     | <u>186,054</u>       | <u>3,829,050</u>                |
| Total                            | <u>\$ 370,648</u>    | <u>\$ 4,480,546</u>             |

### 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.

# City of Saline, Michigan

## Notes to Financial Statements June 30, 2015

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

The composition of interfund balances is as follows:

| Receivable Fund                | Payable Fund                   | Amount           |
|--------------------------------|--------------------------------|------------------|
| <b>Due to/from Other Funds</b> |                                |                  |
| General Fund                   | Nonmajor governmental funds    | \$ 2,650         |
|                                | Saline Recreation Complex Fund | 500              |
|                                | Water Fund                     | 9,320            |
|                                | Sewer Fund                     | 9,320            |
|                                | Total General Fund             | 21,790           |
| Water Fund                     | Sewer Fund                     | 174              |
|                                | General Fund                   | 438              |
|                                | Total Water Fund               | 612              |
| Sewer Fund                     | General Fund                   | 444              |
|                                | Total                          | <u>\$ 22,846</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 | \$ 47,431         |
| Primary government - Major Streets Fund                                   | Component unit - Tax Increment Finance Authority | 122,301           |
| Primary government - Local Streets Fund                                   | Component unit - Tax Increment Finance Authority | 4,573             |
| Primary government - Solid Waste and Reclamation                          | Component unit - Tax Increment Finance Authority | 1,105             |
|   | Total  | <u>\$ 175,410</u> |

# City of Saline, Michigan

## Notes to Financial Statements June 30, 2015

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

| Receivable Fund                               | Payable Fund  | Amount            |
|---|---|-------------------|
| Primary government - Fiduciary Fund - Payroll | Primary government - General Fund                   | \$ 121,941        |
|   | Primary government - Major Streets Fund             | 5,582             |
|   | Primary government - Local Streets Fund             | 2,155             |
|   | Primary government - Saline Recreation Complex Fund | 49,085            |
|   | Primary government - Water Fund                     | 20,215            |
|   | Primary government - Sewer Fund                     | 20,776            |
|   | Total primary government - Fiduciary Fund - Payroll | <u>\$ 219,754</u> |
| Fund Transferred From                         | Fund Transferred To                                 | Amount            |
| General Fund                                  | Capital Projects - Building Authority (3)           | \$ 316,591        |
|   | Saline Recreation Complex Fund (2)                  | 150,000           |
|   | Saline Recreation Complex Fund (3)                  | 103,712           |
|   | Total General Fund                                  | 570,303           |
| Major Streets Fund                            | Local Streets Fund (1)                              | 80,000            |
| Cemetery Perpetual Care Fund                  | General Fund (2)                                    | 2,650             |
|   | Total   | <u>\$ 652,953</u> |

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.

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

Long-term debt activity can be summarized as follows:

|   | Principal<br>Ranges Due in<br>Future Years | Interest Rate<br>Ranges in<br>Future Years | Beginning<br>Balance | Additions    | Reductions   | Ending<br>Balance | Due Within<br>One Year |
|---|--|--|----------------------|--------------|--------------|-------------------|------------------------|
| <b>Governmental Activities</b>                                    |  |  |                      |              |              |                   |                        |
| General obligations:  |  |  |                      |              |              |                   |                        |
| 2005 Building Authority Refunding Bonds:                          |  |  |                      |              |              |                   |                        |
| Amount of issue - \$2,815,000                                     |  |  |                      |              |              |                   |                        |
| Maturing through 2021   |  |  | \$ 1,730,000         | \$ -         | \$ 1,730,000 | \$ -              | \$ -                   |
| 2005 GO Capital Improvement (DPW) Bonds:                          |  |  |                      |              |              |                   |                        |
| Amount of issue - \$4,500,000                                     |  |  |                      |              |              |                   |                        |
| Maturing through 2025   |  |  | 2,973,750            | -            | 2,973,750    | -                 | -                      |
| 2005 GO Capital Improvement (Recreation)<br>Bonds:                |  |  |                      |              |              |                   |                        |
| Amount of issue - \$1,500,000                                     |  |  |                      |              |              |                   |                        |
| Maturing through 2025   |  |  | 991,250              | -            | 991,250      | -                 | -                      |
| 2010 Refunding 2001 UTGO:   |  |  |                      |              |              |                   |                        |
| Amount of issue - \$2,100,993                                     | \$188,742 -                                | 2.750% -                                   |                      |              |              |                   |                        |
| Maturing through 2021   | \$233,444                                  | 3.625%                                     | 1,427,979            | -            | 181,291      | 1,246,688         | 188,742                |
| 2012 Refunding 2004 UTGO:   |  |  |                      |              |              |                   |                        |
| Amount of issue - \$3,099,785                                     | \$280,043 -                                | 2.00% -                                    |                      |              |              |                   |                        |
| Maturing through 2024   | \$333,155                                  | 2.50%                                      | 3,051,502            | -            | 275,215      | 2,776,287         | 280,043                |
| 2014 Refunding 2005 GO Capital Improvement<br>Bonds (DPW):        |  |  |                      |              |              |                   |                        |
| Amount of issue - \$2,831,250                                     | \$247,500 -                                |  |                      |              |              |                   |                        |
| Maturing through 2025   | \$318,750                                  | 2.160%                                     | -                    | 2,831,250    | -            | 2,831,250         | 247,500                |
| 2014 Refunding 2005 GO Capital Improvement<br>Bonds (Recreation): |  |  |                      |              |              |                   |                        |
| Amount of issue - \$943,750                                       | \$82,500 -                                 |  |                      |              |              |                   |                        |
| Maturing through 2025   | \$106,250                                  | 2.160%                                     | -                    | 943,750      | -            | 943,750           | 82,500                 |
| 2015 Refunding 2005 Building Authority Bonds:                     |  |  |                      |              |              |                   |                        |
| Amount of issue - \$1,480,000                                     | \$275,000 -                                |  |                      |              |              |                   |                        |
| Maturing through 2020   | \$315,000                                  | 2.370%                                     | -                    | 1,480,000    | -            | 1,480,000         | 275,000                |
| Total bonds payable   |  |  | 10,174,481           | 5,255,000    | 6,151,506    | 9,277,975         | 1,073,785              |
| Accumulated compensated absences                                  |  |  | 1,052,864            | 530,199      | 456,247      | 1,126,816         | 530,000                |
| Total governmental activities                                     |  |  | \$ 11,227,345        | \$ 5,785,199 | \$ 6,607,753 | \$ 10,404,791     | \$ 1,603,785           |

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

|                                      | Principal<br>Ranges Due in<br>Future Years | Interest Rate<br>Ranges in<br>Future Years | Beginning<br>Balance | Additions        | Reductions          | Ending<br>Balance   | Due Within<br>One Year |
|--------------------------------------|--|--|----------------------|------------------|---------------------|---------------------|------------------------|
| <b>Business-type Activities</b>      |  |  |                      |                  |                     |                     |                        |
| General obligation bonds:            |  |  |                      |                  |                     |                     |                        |
| 1999 General Obligation Limited Tax  |  |  |                      |                  |                     |                     |                        |
| Water Bonds:                         |  |  |                      |                  |                     |                     |                        |
| Amount of issue - \$1,197,279        | \$65,000 -                                 |  |                      |                  |                     |                     |                        |
| Maturing through 2018                | \$77,279                                   | 2.50%                                      | \$ 412,279           | \$ -             | \$ 65,000           | \$ 347,279          | \$ 65,000              |
| 1998 General Obligation Limited Tax  |  |  |                      |                  |                     |                     |                        |
| Water Bonds:                         |  |  |                      |                  |                     |                     |                        |
| Amount of issue - \$1,375,000        | \$80,000 -                                 |  |                      |                  |                     |                     |                        |
| Maturing through 2019                | \$85,000                                   | 2.50%                                      | 410,000              | -                | 80,000              | 330,000             | 80,000                 |
| 2004 General Obligation Water Bonds: |  |  |                      |                  |                     |                     |                        |
| Amount of issue - \$6,840,000        | \$340,000 -                                |  |                      |                  |                     |                     |                        |
| Maturing through 2025                | \$420,000                                  | 2.50%                                      | 4,154,782            | -                | 335,000             | 3,819,782           | 340,000                |
| 2007 General Obligation Sewer Bonds: |  |  |                      |                  |                     |                     |                        |
| Amount of issue - \$1,700,000        | \$70,000 -                                 |  |                      |                  |                     |                     |                        |
| Maturing through 2028                | \$140,000                                  | 4.00%                                      | 1,405,000            | -                | 65,000              | 1,340,000           | 70,000                 |
| 2009 Multipurpose LTGO:              |  |  |                      |                  |                     |                     |                        |
| Amount of issue - \$1,000,000        | \$35,000 -                                 |  |                      |                  |                     |                     |                        |
| Maturing through 2030                | \$75,000                                   | 3.5% - 5.0%                                | 875,000              | -                | 35,000              | 840,000             | 35,000                 |
| 2009 Multipurpose LTGO:              |  |  |                      |                  |                     |                     |                        |
| Amount of issue - \$1,325,000        | \$195,000                                  |  |                      |                  |                     |                     |                        |
| Maturing through 2017                |  | 3.5% - 3.7%                                | 585,000              | -                | 195,000             | 390,000             | 195,000                |
| 2010 Refunding 2001 UTGO:            |  |  |                      |                  |                     |                     |                        |
| Amount of issue - \$2,129,007        | \$191,258 -                                | 2.750% -                                   |                      |                  |                     |                     |                        |
| Maturing through 2021                | \$236,556                                  | 3.625%                                     | 1,447,021            | -                | 183,710             | 1,263,311           | 191,258                |
| 2012 Refunding 2004 UTGO:            |  |  |                      |                  |                     |                     |                        |
| Amount of issue - \$110,215          | \$9,957 -                                  | 2.00% -                                    |                      |                  |                     |                     |                        |
| Maturing through 2024                | \$11,845                                   | 2.50%                                      | 108,498              | -                | 9,785               | 98,713              | 9,957                  |
| Total bonds payable                  |  |  | 9,397,580            | -                | 968,495             | 8,429,085           | 986,215                |
| Accumulated compensated absences     |  |  | 195,241              | 95,601           | 82,126              | 208,716             | 96,000                 |
| Total business-type activities       |  |  | <u>\$ 9,592,821</u>  | <u>\$ 95,601</u> | <u>\$ 1,050,621</u> | <u>\$ 8,637,801</u> | <u>\$ 1,082,215</u>    |

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

| Years Ending<br>June 30 | Governmental Activities |                     |                     | Business-type Activities |                     |                     |
|-------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|
|                         | Principal               | Interest            | Total               | Principal                | Interest            | Total               |
| 2016                    | \$ 1,073,785            | \$ 236,883          | \$ 1,310,668        | \$ 986,215               | \$ 254,696          | \$ 1,240,911        |
| 2017                    | 1,113,408               | 208,839             | 1,322,247           | 1,011,592                | 226,040             | 1,237,632           |
| 2018                    | 1,140,686               | 179,059             | 1,319,745           | 844,313                  | 195,687             | 1,040,000           |
| 2019                    | 1,185,277               | 147,714             | 1,332,991           | 869,723                  | 171,191             | 1,040,914           |
| 2020                    | 1,207,728               | 114,158             | 1,321,886           | 829,551                  | 146,299             | 975,850             |
| 2021-2025               | 3,557,091               | 213,750             | 3,770,841           | 3,137,691                | 400,901             | 3,538,592           |
| 2026-2030               | -                       | -                   | -                   | 750,000                  | 78,600              | 828,600             |
| Total                   | <u>\$ 9,277,975</u>     | <u>\$ 1,100,403</u> | <u>\$10,378,378</u> | <u>\$ 8,429,085</u>      | <u>\$ 1,473,414</u> | <u>\$ 9,902,499</u> |

# City of Saline, Michigan

## Notes to Financial Statements June 30, 2015

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

**Advance and Current Refundings** - During the year, the City issued \$5,255,000 in general obligation bonds with an average interest rate of 2.22 percent. The proceeds of these bonds were used to advance refund \$5,145,000 of outstanding general obligation bonds with an average interest rate of 3.86 percent. The advance refunding reduced total debt service payments over the next 10 years by approximately \$370,000, which represents an economic gain of approximately \$330,000.

**Additional Resources** - The Local Development and Tax Increment Finance Authorities have committed to pay certain obligations of the City of Saline and to provide funding to the Economic Development Corporation 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<br>June 30 | Tax Increment<br>Finance<br>Authority | Local<br>Development<br>Finance<br>Authority -<br>Shelton District | Total               |
|-------------------------|---------------------------------------|--|---------------------|
| 2016                    | \$ 163,125                            | \$ 322,779   | \$ 485,904          |
| 2017                    | 164,002                               | 317,268  | 481,270             |
| 2018                    | 164,574                               | 179,423  | 343,997             |
| 2019                    | 164,840                               | 179,713  | 344,553             |
| 2020                    | 164,801                               | 179,670  | 344,471             |
| 2021                    | 165,994                               | 180,972  | 346,966             |
| Total                   | <u>\$ 987,336</u>                     | <u>\$ 1,359,825</u>  | <u>\$ 2,347,161</u> |

The estimated amounts that may be received by the City and the Economic Development Corporation under these commitments are as follows:

| Years Ending<br>June 30 | City of Saline      | Economic<br>Development<br>Corporation | Total               |
|-------------------------|---------------------|--|---------------------|
| 2016                    | \$ 485,904          | \$ -                                   | \$ 485,904          |
| 2017                    | 481,270             | -                                      | 481,270             |
| 2018                    | 343,997             | -                                      | 343,997             |
| 2019                    | 344,553             | -                                      | 344,553             |
| 2020                    | 344,471             | -                                      | 344,471             |
| 2021                    | 346,966             | -                                      | 346,966             |
| Total                   | <u>\$ 2,347,161</u> | <u>\$ -</u>                            | <u>\$ 2,347,161</u> |

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

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, 2015, the commitments payable to the City's General and Major Streets Funds totaled \$1,274,445 and \$222,998, 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, 2015, the City had not performed any of these sewer upgrades and has not drawn any of these funds. Accordingly, there is no liability recorded on the City's June 30, 2015 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, 2015, \$10,495,000 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 57 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. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

**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.



# City of Saline, Michigan

## Notes to Financial Statements June 30, 2015

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

**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, 2015, 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) | \$ (700,059)   |
| Amounts contributed:                       |                |
| Payments of current premiums               | 324,650        |
| Advance funding                            | 375,409        |
| Total amounts contributed                  | <u>700,059</u> |
| Increase in net OPEB asset                 | -              |
| OPEB asset - Beginning of year             | <u>-</u>       |
| OPEB asset - End of year                   | <u>\$ -</u>    |

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 |
|-------------------|--------------------------|--------------------------------|------------------------|----------------|
| 6/30/13           | 6/30/11                  | \$ 623,693                     | 100                    | \$ -           |
| 6/30/14           | 6/30/12                  | 678,269                        | 100                    | -              |
| 6/30/15           | 6/30/14                  | 700,059                        | 100                    | -              |

\* 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, 2014) 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                     | 0,211,942                             | 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                                   |

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

**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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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.

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 2013-2023, as published by the actuary at the Centers for Medicare and Medicaid Services.

**Health Insurance Premiums** - Fiscal year 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

In the June 30, 2014 valuation, the entry age actuarial cost method was used. The assumptions included a 5.5 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, 2014 was 27 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), that 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 that 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.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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

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

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

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 times 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 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 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 times 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 times 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 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 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 times 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.

**Employees Covered by Benefit Terms** - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

|   |                   |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 61                |
| Inactive plan members entitled to but not yet receiving benefits    | 11                |
| Active plan members   | <u>49</u>         |
| Total employees covered by MERS                                     | <u><u>121</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, 2015, the average active employee contribution rate was 4.0 percent of annual pay and the City's average contribution rate was 19.3 of annual payroll.

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

#### Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

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

| Changes in Net Pension Liability    | Increase (Decrease)     |                      |                       |
|-------------------------------------|-------------------------|----------------------|-----------------------|
|                                     | Total Pension Liability | Plan Net Position    | Net Pension Liability |
| <b>Balance at December 31, 2013</b> | \$ 22,388,787           | \$ 15,546,878        | \$ 6,841,909          |
| Service cost                        | 362,829                 | -                    | 362,829               |
| Interest                            | 1,805,002               | -                    | 1,805,002             |
| Contributions - Employer            | -                       | 618,561              | (618,561)             |
| Contributions - Employee            | -                       | 129,388              | (129,388)             |
| Net investment income               | -                       | 971,540              | (971,540)             |
| Benefit payments, including refunds | (1,382,798)             | (1,382,798)          | -                     |
| Administrative expenses             | -                       | (35,601)             | 35,601                |
| Net changes                         | 785,033                 | 301,090              | 483,943               |
| <b>Balance at December 31, 2014</b> | <u>\$ 23,173,820</u>    | <u>\$ 15,847,968</u> | <u>\$ 7,325,852</u>   |

Of the net total pension liability, \$6,052,619 has been allocated to governmental activities, and \$513,542 and \$759,691 has 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, 2015, the City recognized pension expense of \$875,767. At June 30, 2015, 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 |
|--|--------------------------------|-------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ 226,737                     | \$ -                          |
| Employer contributions to the plan subsequent to the measurement date            | 307,575                        | -                             |
| Total  | <u>\$ 534,312</u>              | <u>\$ -</u>                   |

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

Of the net deferred outflows of resources, \$441,449 has been allocated to governmental activities, and \$37,455 and \$55,408 has 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 (\$307,575), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

| Years Ending<br>June 30 | Amount    |
|-------------------------|-----------|
| 2016                    | \$ 56,684 |
| 2017                    | 56,684    |
| 2018                    | 56,684    |
| 2019                    | 56,685    |

**Actuarial Assumptions** - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 3.0 %  |
| Salary increases          | 4.5 % In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation |
| Investment rate of return | 8.25 % Net of pension plan investment expense, including inflation   |

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.25 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

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

determined contribution rates and the employee rate.

#### Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

| <u>Asset Class</u>      | <u>Target<br/>Allocation (%)</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|-------------------------|----------------------------------|---|
| Global equity           | 58 %                             | 5.0 %   |
| Global fixed income     | 20 %                             | 2.2 %   |
| Real assets             | 12 %                             | 4.2 %   |
| Diversifying strategies | 10 %                             | 6.6 %   |

**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 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

|                                   | <u>1% Decrease<br/>(7.25%)</u> | <u>Current<br/>Discount Rate<br/>(8.25%)</u> | <u>1% Increase<br/>(9.25%)</u> |
|-----------------------------------|--------------------------------|--|--------------------------------|
| Net pension liability of the City | \$ 9,779,244                   | \$ 7,325,852                                 | \$ 5,222,756                   |



### 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 report 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           | \$ | 317,421        |
| Fire runs            |    | 8,550          |
| Capital improvements |    | <u>17,655</u>  |
| Total                | \$ | <u>343,626</u> |

The City's equity interest in this joint venture is \$221,782.

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:

|                                 | Combining           |                       | Local Streets<br>Fund | Saline                  |                     | Total               |
|---------------------------------|---------------------|-----------------------|-----------------------|-------------------------|---------------------|---------------------|
|                                 | General<br>Fund     | Major<br>Streets Fund |                       | Recreational<br>Complex | Nonmajor<br>Funds   |                     |
| <b>Fund Balances</b>            |                     |                       |                       |                         |                     |                     |
| Nonspendable - Prepaid expenses | \$ 19,226           | \$ 1,008              | \$ 943                | \$ 3,804                | \$ -                | \$ 24,981           |
| Restricted:                     |                     |                       |                       |                         |                     |                     |
| State 911 dispatch training     | 7,111               | -                     | -                     | -                       | -                   | 7,111               |
| Recreation                      | -                   | -                     | -                     | 196,903                 | -                   | 196,903             |
| Solid waste                     | -                   | -                     | -                     | -                       | 78,383              | 78,383              |
| Roads                           | -                   | 1,321,997             | 196,495               | -                       | 45,256              | 1,563,748           |
| Green thumb donations           | 136                 | -                     | -                     | -                       | -                   | 136                 |
| E911 secondary                  | 10,902              | -                     | -                     | -                       | -                   | 10,902              |
| Celtic festival donations       | 3,605               | -                     | -                     | -                       | -                   | 3,605               |
| Salt springs donations          | 2,366               | -                     | -                     | -                       | -                   | 2,366               |
| Drug forfeitures                | 6,389               | -                     | -                     | -                       | -                   | 6,389               |
| Addiction task force            | 1,872               | -                     | -                     | -                       | -                   | 1,872               |
| <b>Total restricted</b>         | <b>32,381</b>       | <b>1,321,997</b>      | <b>196,495</b>        | <b>196,903</b>          | <b>123,639</b>      | <b>1,871,415</b>    |
| Committed:                      |                     |                       |                       |                         |                     |                     |
| DARE                            | 1,485               | -                     | -                     | -                       | -                   | 1,485               |
| TIFA business area              | 6,451               | -                     | -                     | -                       | -                   | 6,451               |
| Recreation                      | -                   | -                     | -                     | 516,754                 | -                   | 516,754             |
| Cemetery perpetual care         | -                   | -                     | -                     | -                       | 872,743             | 872,743             |
| Building authority              | -                   | -                     | -                     | -                       | 29,076              | 29,076              |
| <b>Total committed</b>          | <b>7,936</b>        | <b>-</b>              | <b>-</b>              | <b>516,754</b>          | <b>901,819</b>      | <b>1,426,509</b>    |
| Sauk Trail                      | 204,000             | -                     | -                     | -                       | -                   | 204,000             |
| Streetscape                     | 200,000             | -                     | -                     | -                       | -                   | 200,000             |
| Culture and arts                | 4,200               | -                     | -                     | -                       | -                   | 4,200               |
| <b>Total assigned</b>           | <b>408,200</b>      | <b>-</b>              | <b>-</b>              | <b>-</b>                | <b>-</b>            | <b>408,200</b>      |
| Unassigned *                    | 1,702,290           | -                     | -                     | -                       | -                   | 1,702,290           |
| <b>Total</b>                    | <b>\$ 2,170,033</b> | <b>\$ 1,323,005</b>   | <b>\$ 197,438</b>     | <b>\$ 717,461</b>       | <b>\$ 1,025,458</b> | <b>\$ 5,433,395</b> |

\* Unassigned fund balance consists of \$36,561 related to the Fire Department Special Assessment component of the General Fund.

### **Note 13 - Upcoming Accounting Pronouncements**

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2016 fiscal year.

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 proportionate share of the 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.

## **Required Supplemental Information**

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# City of Saline, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

|  | Original Budget            | Amended<br>Budget          | Actual                     | Variance with<br>Amended<br>Budget |
|--|----------------------------|----------------------------|----------------------------|------------------------------------|
| <b>Revenue</b>                             |                            |                            |                            |                                    |
| Property taxes                             | \$ 5,529,815               | \$ 5,552,974               | \$ 5,558,821               | \$ 5,847                           |
| Licenses and permits                       | 196,000                    | 196,000                    | 192,857                    | (3,143)                            |
| Federal grants                             | 28,680                     | -                          | -                          | -                                  |
| State sources                              | 813,672                    | 813,672                    | 806,135                    | (7,537)                            |
| Charges for services                       | 756,100                    | 774,715                    | 770,747                    | (3,968)                            |
| Fines and court costs                      | 43,000                     | 38,100                     | 41,592                     | 3,492                              |
| Interest earnings                          | 10,200                     | 13,700                     | 13,540                     | (160)                              |
| Franchise fees                             | 213,000                    | 213,000                    | 231,824                    | 18,824                             |
| Other miscellaneous income                 | 178,879                    | 335,909                    | 330,546                    | (5,363)                            |
| Total revenue                              | <u>7,769,346</u>           | <u>7,938,070</u>           | <u>7,946,062</u>           | <u>7,992</u>                       |
| <b>Expenditures - Current</b>              |                            |                            |                            |                                    |
| General government                         | 2,935,979                  | 3,088,072                  | 3,005,559                  | 82,513                             |
| Legislative                                | 58,668                     | 59,705                     | 51,987                     | 7,718                              |
| Public safety                              | 2,415,755                  | 2,427,827                  | 2,283,358                  | 144,469                            |
| Public works                               | 1,043,389                  | 930,020                    | 863,799                    | 66,221                             |
| Cemetery                                   | 41,153                     | 45,766                     | 42,172                     | 3,594                              |
| Engineering department                     | 118,120                    | 120,562                    | 127,511                    | (6,949)                            |
| Recreation and culture                     | 231,359                    | 246,527                    | 243,882                    | 2,645                              |
| Capital outlay                             | 63,300                     | 60,247                     | 28,768                     | 31,479                             |
| Debt service                               | 332,537                    | 386,135                    | 386,135                    | -                                  |
| Total expenditures                         | <u>7,240,260</u>           | <u>7,364,861</u>           | <u>7,033,171</u>           | <u>331,690</u>                     |
| <b>Excess of Revenue Over Expenditures</b> | 529,086                    | 573,209                    | 912,891                    | 339,682                            |
| <b>Other Financing Sources (Uses)</b>      |                            |                            |                            |                                    |
| Face value of debt issue                   | -                          | 2,831,250                  | 2,831,250                  | -                                  |
| Transfers in                               | 19,600                     | 10,000                     | 2,650                      | (7,350)                            |
| Transfers out                              | (587,749)                  | (570,303)                  | (570,303)                  | -                                  |
| Payment to bond refunding escrow agent     | -                          | (2,756,250)                | (2,756,250)                | -                                  |
| Total other financing uses                 | <u>(568,149)</u>           | <u>(485,303)</u>           | <u>(492,653)</u>           | <u>(7,350)</u>                     |
| <b>Net Change in Fund Balance</b>          | (39,063)                   | 87,906                     | 420,238                    | 332,332                            |
| <b>Fund Balance - Beginning of year</b>    | <u>1,749,795</u>           | <u>1,749,795</u>           | <u>1,749,795</u>           | <u>-</u>                           |
| <b>Fund Balance - End of year</b>          | <u><u>\$ 1,710,732</u></u> | <u><u>\$ 1,837,701</u></u> | <u><u>\$ 2,170,033</u></u> | <u><u>\$ 332,332</u></u>           |

# City of Saline, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2015

|   | Original Budget     | Amended<br>Budget   | Actual              | Variance with<br>Amended<br>Budget |
|---|---------------------|---------------------|---------------------|------------------------------------|
| <b>Revenue</b>                              |                     |                     |                     |                                    |
| State sources                               | \$ 438,252          | \$ 444,132          | \$ 456,855          | \$ 12,723                          |
| Interest earnings                           | -                   | 1,000               | 1,682               | 682                                |
| Other miscellaneous income                  | 18,000              | 25,000              | 25,000              | -                                  |
| Total revenue                               | 456,252             | 470,132             | 483,537             | 13,405                             |
| <b>Expenditures - Current</b>               |                     |                     |                     |                                    |
| General government                          | 30,000              | 30,000              | 30,000              | -                                  |
| Public works                                | 386,862             | 352,827             | 205,233             | 147,594                            |
| Total expenditures                          | 416,862             | 382,827             | 235,233             | 147,594                            |
| <b>Excess of Revenue Over Expenditures</b>  | 39,390              | 87,305              | 248,304             | 160,999                            |
| <b>Other Financing Uses - Transfers out</b> | (80,000)            | (80,000)            | (80,000)            | -                                  |
| <b>Net Change in Fund Balance</b>           | (40,610)            | 7,305               | 168,304             | 160,999                            |
| <b>Fund Balance - Beginning of year</b>     | 1,154,701           | 1,154,701           | 1,154,701           | -                                  |
| <b>Fund Balance - End of year</b>           | <u>\$ 1,114,091</u> | <u>\$ 1,162,006</u> | <u>\$ 1,323,005</u> | <u>\$ 160,999</u>                  |

# City of Saline, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2015

|   | Original Budget  | Amended<br>Budget | Actual            | Variance with<br>Amended<br>Budget |
|---|------------------|-------------------|-------------------|------------------------------------|
| <b>Revenue</b>                                |                  |                   |                   |                                    |
| State sources                                 | \$ 140,271       | \$ 140,271        | \$ 145,102        | \$ 4,831                           |
| Other miscellaneous income                    | 5,500            | 16,664            | 16,380            | (284)                              |
| Total revenue                                 | 145,771          | 156,935           | 161,482           | 4,547                              |
| <b>Expenditures - Current</b>                 |                  |                   |                   |                                    |
| General government                            | 10,000           | 10,000            | 10,000            | -                                  |
| Public works                                  | 368,249          | 240,199           | 216,777           | 23,422                             |
| Total expenditures                            | 378,249          | 250,199           | 226,777           | 23,422                             |
| <b>Excess of Expenditures Over Revenue</b>    | (232,478)        | (93,264)          | (65,295)          | 27,969                             |
| <b>Other Financing Sources - Transfers in</b> | 80,000           | 80,000            | 80,000            | -                                  |
| <b>Net Change in Fund Balance</b>             | (152,478)        | (13,264)          | 14,705            | 27,969                             |
| <b>Fund Balance - Beginning of year</b>       | 182,733          | 182,733           | 182,733           | -                                  |
| <b>Fund Balance - End of year</b>             | <u>\$ 30,255</u> | <u>\$ 169,469</u> | <u>\$ 197,438</u> | <u>\$ 27,969</u>                   |

# City of Saline, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Saline Recreation Complex Fund Year Ended June 30, 2015

|  | Original Budget   | Amended<br>Budget | Actual            | Variance with<br>Amended<br>Budget |
|--|-------------------|-------------------|-------------------|------------------------------------|
| <b>Revenue</b>                             |                   |                   |                   |                                    |
| Charges for services                       | \$ 1,278,420      | \$ 1,331,161      | \$ 1,368,294      | \$ 37,133                          |
| Other miscellaneous income                 | 3,350             | 34,681            | 35,534            | 853                                |
| Total revenue                              | 1,281,770         | 1,365,842         | 1,403,828         | 37,986                             |
| <b>Expenditures - Current</b>              |                   |                   |                   |                                    |
| General government                         | 15,000            | 17,360            | 17,359            | 1                                  |
| Recreation and culture                     | 1,373,856         | 1,361,508         | 1,295,144         | 66,364                             |
| Capital outlay                             | 171,600           | 109,992           | 93,924            | 16,068                             |
| Debt service                               | 110,714           | 128,712           | 128,712           | -                                  |
| Total expenditures                         | 1,671,170         | 1,617,572         | 1,535,139         | 82,433                             |
| <b>Excess of Expenditures Over Revenue</b> | (389,400)         | (251,730)         | (131,311)         | 120,419                            |
| <b>Other Financing Sources (Uses)</b>      |                   |                   |                   |                                    |
| Transfers in                               | 260,714           | 253,712           | 253,712           | -                                  |
| Proceeds from debt issue                   | -                 | 943,750           | 943,750           | -                                  |
| Payment to bond refunding escrow agent     | -                 | (918,750)         | (918,750)         | -                                  |
| Total other financing sources (uses)       | 260,714           | 278,712           | 278,712           | -                                  |
| <b>Net Change in Fund Balance</b>          | (128,686)         | 26,982            | 147,401           | 120,419                            |
| <b>Fund Balance - Beginning of year</b>    | 570,060           | 570,060           | 570,060           | -                                  |
| <b>Fund Balance - End of year</b>          | <b>\$ 441,374</b> | <b>\$ 597,042</b> | <b>\$ 717,461</b> | <b>\$ 120,419</b>                  |



# City of Saline, Michigan

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## **Note to Required Supplemental Information Year Ended June 30, 2015**

**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, 2015 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 a budget overrun in the engineering department. This overrun relates to the overall timing of expenditures that came in subsequent to year end that pertained to the fiscal year ended June 30, 2015.

# City of Saline, Michigan

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Year Ended December 31, 2014

|  |                             |
|--|-----------------------------|
| <b>Total Pension Liability</b>   |                             |
| Service cost   | \$ 362,829                  |
| Interest   | 1,805,002                   |
| Changes in benefit terms   | -                           |
| Differences between expected and actual experience                     | -                           |
| Changes in assumptions   | -                           |
| Benefit payments, including refunds                                    | <u>(1,382,798)</u>          |
| <b>Net Change in Total Pension Liability</b>                           | 785,033                     |
| <b>Total Pension Liability - Beginning of year</b>                     | <u>22,388,787</u>           |
| <b>Total Pension Liability - End of year</b>                           | <b><u>\$ 23,173,820</u></b> |
| <b>Plan Fiduciary Net Position</b>                                     |                             |
| Contributions - Employer   | \$ 618,561                  |
| Contributions - Member   | 129,388                     |
| Net investment income  | 971,540                     |
| Administrative expenses  | (35,601)                    |
| Benefit payments, including refunds                                    | (1,382,798)                 |
| Other  | <u>-</u>                    |
| <b>Net Change in Plan Fiduciary Net Position</b>                       | 301,090                     |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                 | <u>15,546,878</u>           |
| <b>Plan Fiduciary Net Position - End of year</b>                       | <b><u>\$ 15,847,968</u></b> |
| <b>City's Net Pension Liability - Ending</b>                           | <b><u>\$ 7,325,852</u></b>  |
| <b>Plan Fiduciary Net Position as a % of Total Pension Liability</b>   | 68.39 %                     |
| <b>Covered Employee Payroll</b>  | \$ 3,209,773                |
| <b>City's Net Pension Liability as a % of Covered Employee Payroll</b> | 228.2 %                     |

# City of Saline, Michigan

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

|  | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                | 2006                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution                                  | \$ 615,968          | \$ 624,617          | \$ 661,319          | \$ 710,133          | \$ 733,772          | \$ 686,876          | \$ 684,839          | \$ 688,630          | \$ 614,395          | \$ 518,947          |
| Contributions in relation to the actuarially determined contribution | 640,968             | 624,617             | 661,319             | 710,133             | 1,559,010           | 686,876             | 684,839             | 688,630             | 614,395             | 518,947             |
| <b>Contribution deficiency (excess)</b>                              | <b>\$ (25,000)</b>  | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ (825,238)</b> | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Covered employee payroll</b>                                      | <b>\$ 3,209,773</b> | <b>\$ 3,224,138</b> | <b>\$ 3,409,024</b> | <b>\$ 3,550,693</b> | <b>\$ 3,716,481</b> | <b>\$ 3,733,212</b> | <b>\$ 3,795,689</b> | <b>\$ 3,559,118</b> | <b>\$ 3,532,470</b> | <b>\$ 3,432,186</b> |
| <b>Contributions as a percentage of covered employee payroll</b>     | <b>20.0 %</b>       | <b>19.4 %</b>       | <b>19.4 %</b>       | <b>20.0 %</b>       | <b>41.9 %</b>       | <b>18.4 %</b>       | <b>18.0 %</b>       | <b>19.3 %</b>       | <b>17.4 %</b>       | <b>15.1 %</b>       |

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

|   |  |
|---|--|
| Valuation date  | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. |
| Methods and assumptions used to determine contribution rates: |  |
| Actuarial cost method   | Entry age  |
| Amortization method   | Level percentage of payroll, closed  |
| Remaining amortization period                                 | 24 years   |
| Asset valuation method  | 10-year smoothed   |
| Inflation   | 3.0 percent  |
| Salary increases  | 4.5 percent  |
| Investment rate of return                                     | 8.0 percent  |
| Retirement age  | 55 with 25 years of service, 55 with 20 years of service, 50 with 25 years of service, or 55 with 15 years of service  |
| Mortality   | 50% Female/50% Male 1994 Group Annuity Mortality Table   |
| Other information   | None   |

# City of Saline, Michigan

## Required Supplemental Information OPEB System Schedule of Funding Progress Year Ended June 30, 2015

The schedule of funding progress is as follows:

| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded Ratio<br>(Percent)<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll |
|-----------------------------|--|--|---------------------------------|------------------------------------|---------------------------|--|
| 12/31/07                    | \$ 783,887                             | \$ 8,046,121                                   | \$ 7,262,234                    | 9.7                                | \$ 4,282,221              | 169.6  |
| 6/30/10                     | 1,713,067                              | 9,523,021                                      | 7,809,954                       | 18.0                               | 3,549,884                 | 220.0  |
| 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  |

## **Other Supplemental Information**

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# City of Saline, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

|  | Special Revenue Funds         |                                   |                            | Debt Service Funds        |                         |                         | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------------|-----------------------------------|----------------------------|---------------------------|-------------------------|-------------------------|--|
|  | Cemetery<br>Perpetual<br>Care | Solid Waste<br>and<br>Reclamation | Total                      | Municipal<br>Streets Fund | Building<br>Authority   | Total                   |  |
| <b>Assets</b>                                  |                               |                                   |                            |                           |                         |                         |  |
| Cash and cash equivalents                      | \$ 872,682                    | \$ 127,558                        | \$ 1,000,240               | \$ 45,256                 | \$ 29,076               | \$ 74,332               | \$ 1,074,572                               |
| Receivables - Net                              | 2,711                         | -                                 | 2,711                      | -                         | -                       | -                       | 2,711                                      |
| Due from component units                       | -                             | 1,105                             | 1,105                      | -                         | -                       | -                       | 1,105                                      |
| <b>Total assets</b>                            | <b><u>\$ 875,393</u></b>      | <b><u>\$ 128,663</u></b>          | <b><u>\$ 1,004,056</u></b> | <b><u>\$ 45,256</u></b>   | <b><u>\$ 29,076</u></b> | <b><u>\$ 74,332</u></b> | <b><u>\$ 1,078,388</u></b>                 |
| <b>Liabilities and Fund Balances</b>           |                               |                                   |                            |                           |                         |                         |  |
| <b>Liabilities</b>                             |                               |                                   |                            |                           |                         |                         |  |
| Accounts payable                               | \$ -                          | \$ 50,280                         | \$ 50,280                  | \$ -                      | \$ -                    | \$ -                    | \$ 50,280                                  |
| Due to other funds                             | 2,650                         | -                                 | 2,650                      | -                         | -                       | -                       | 2,650                                      |
| <b>Total liabilities</b>                       | 2,650                         | 50,280                            | 52,930                     | -                         | -                       | -                       | 52,930                                     |
| <b>Fund Balances</b>                           |                               |                                   |                            |                           |                         |                         |  |
| Restricted                                     | -                             | 78,383                            | 78,383                     | 45,256                    | -                       | 45,256                  | 123,639                                    |
| Committed                                      | 872,743                       | -                                 | 872,743                    | -                         | 29,076                  | 29,076                  | 901,819                                    |
| <b>Total fund balances</b>                     | <b><u>872,743</u></b>         | <b><u>78,383</u></b>              | <b><u>951,126</u></b>      | <b><u>45,256</u></b>      | <b><u>29,076</u></b>    | <b><u>74,332</u></b>    | <b><u>1,025,458</u></b>                    |
| <b>Total liabilities and<br/>fund balances</b> | <b><u>\$ 875,393</u></b>      | <b><u>\$ 128,663</u></b>          | <b><u>\$ 1,004,056</u></b> | <b><u>\$ 45,256</u></b>   | <b><u>\$ 29,076</u></b> | <b><u>\$ 74,332</u></b> | <b><u>\$ 1,078,388</u></b>                 |

# City of Saline, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2015

|  | Special Revenue Funds         |                                   |                          | Debt Service Funds           |                         |                         | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------------|-----------------------------------|--------------------------|------------------------------|-------------------------|-------------------------|--|
|  | Cemetery<br>Perpetual<br>Care | Solid Waste<br>and<br>Reclamation | Total                    | Municipal<br>Streets<br>Fund | Building<br>Authority   | Total                   |  |
| <b>Revenue</b>   |                               |                                   |                          |                              |                         |                         |  |
| Property taxes   | \$ -                          | \$ 611,136                        | \$ 611,136               | \$ 219,224                   | \$ -                    | \$ 219,224              | \$ 830,360                                 |
| Charges for services                                   | 36,790                        | -                                 | 36,790                   | -                            | -                       | -                       | 36,790                                     |
| Interest earnings                                      | 2,719                         | -                                 | 2,719                    | 545                          | -                       | 545                     | 3,264                                      |
| <b>Total revenue</b>                                   | <b>39,509</b>                 | <b>611,136</b>                    | <b>650,645</b>           | <b>219,769</b>               | <b>-</b>                | <b>219,769</b>          | <b>870,414</b>                             |
| <b>Expenditures - Current</b>                          |                               |                                   |                          |                              |                         |                         |  |
| General government                                     | -                             | 526                               | 526                      | 11,643                       | 488                     | 12,131                  | 12,657                                     |
| Public works   | -                             | 606,470                           | 606,470                  | -                            | -                       | -                       | 606,470                                    |
| Debt service   | -                             | -                                 | -                        | 218,895                      | 325,648                 | 544,543                 | 544,543                                    |
| <b>Total expenditures</b>                              | <b>-</b>                      | <b>606,996</b>                    | <b>606,996</b>           | <b>230,538</b>               | <b>326,136</b>          | <b>556,674</b>          | <b>1,163,670</b>                           |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b> | <b>39,509</b>                 | <b>4,140</b>                      | <b>43,649</b>            | <b>(10,769)</b>              | <b>(326,136)</b>        | <b>(336,905)</b>        | <b>(293,256)</b>                           |
| <b>Other Financing Sources (Uses)</b>                  |                               |                                   |                          |                              |                         |                         |  |
| Face value of debt issue                               | -                             | -                                 | -                        | -                            | 1,480,000               | 1,480,000               | 1,480,000                                  |
| Transfers in   | -                             | -                                 | -                        | -                            | 316,591                 | 316,591                 | 316,591                                    |
| Transfers out  | (2,650)                       | -                                 | (2,650)                  | -                            | -                       | -                       | (2,650)                                    |
| Payment to bond refunding<br>escrow agent              | -                             | -                                 | -                        | -                            | (1,470,000)             | (1,470,000)             | (1,470,000)                                |
| <b>Total other financing<br/>(uses) sources</b>        | <b>(2,650)</b>                | <b>-</b>                          | <b>(2,650)</b>           | <b>-</b>                     | <b>326,591</b>          | <b>326,591</b>          | <b>323,941</b>                             |
| <b>Net Change in Fund Balances</b>                     | <b>36,859</b>                 | <b>4,140</b>                      | <b>40,999</b>            | <b>(10,769)</b>              | <b>455</b>              | <b>(10,314)</b>         | <b>30,685</b>                              |
| <b>Fund Balances - Beginning of year</b>               | <b>835,884</b>                | <b>74,243</b>                     | <b>910,127</b>           | <b>56,025</b>                | <b>28,621</b>           | <b>84,646</b>           | <b>994,773</b>                             |
| <b>Fund Balances - End of year</b>                     | <b><u>\$ 872,743</u></b>      | <b><u>\$ 78,383</u></b>           | <b><u>\$ 951,126</u></b> | <b><u>\$ 45,256</u></b>      | <b><u>\$ 29,076</u></b> | <b><u>\$ 74,332</u></b> | <b><u>\$ 1,025,458</u></b>                 |

# City of Saline, Michigan

## Other Supplemental Information Balance Sheet/Statement of Net Position Component Unit - Economic Development Corporation June 30, 2015

|   | Modified<br>Accrual | Adjustments   | Total            |
|---|---------------------|---------------|------------------|
| <b>Assets</b> - Cash and cash equivalents       | <u>\$ 76,491</u>    | \$ -          | \$ 76,491        |
| <b>Liabilities</b> - Accounts payable           | \$ 11,188           | -             | <u>11,188</u>    |
| <b>Fund Balance/Net Position</b>                |                     |               |                  |
| Fund balance:                                   |                     |               |                  |
| Restricted                                      | 1,966               | (1,966)       | -                |
| Assigned  | 63,337              | (63,337)      | -                |
| Net position:                                   |                     |               |                  |
| Restricted                                      | -                   | 1,966         | 1,966            |
| Unrestricted                                    | <u>-</u>            | <u>63,337</u> | <u>63,337</u>    |
| Total net position                              |                     | <u>65,303</u> | <u>\$ 65,303</u> |
| Total liabilities and fund balance/net position | <u>\$ 76,491</u>    | <u>\$ -</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, 2015

|  | Budget           | Actual           | Adjustments | Statement of<br>Activities |
|--|------------------|------------------|-------------|----------------------------|
| <b>Revenue</b>   |                  |                  |             |                            |
| Fees and charges for services                            | \$ 24,200        | \$ 21,961        | \$ -        | \$ 21,961                  |
| Interest earnings  | 50               | 29               | -           | 29                         |
| Other revenue  | 13,600           | 12,600           | -           | 12,600                     |
| Total revenue  | 37,850           | 34,590           | -           | 34,590                     |
| <b>Expenditures - Current</b>                            |                  |                  |             |                            |
| Administrative   | 28,000           | 28,000           | -           | 28,000                     |
| Community events   | 1,516            | 352              | -           | 352                        |
| Community relations                                      | 3,500            | 3,274            | -           | 3,274                      |
| Professional services                                    | 54,378           | 54,707           | -           | 54,707                     |
| Promotional services                                     | 27,200           | 27,529           | -           | 27,529                     |
| Supplies and postage                                     | 450              | 189              | -           | 189                        |
| Utilities  | 4,000            | 3,224            | -           | 3,224                      |
| Total expenditures                                       | 119,044          | 117,275          | -           | 117,275                    |
| <b>Change in Fund Balance/Net Position</b>               | (81,194)         | (82,685)         | -           | (82,685)                   |
| <b>Fund Balance/Net Position - Beginning<br/>of year</b> | 147,988          | 147,988          | -           | 147,988                    |
| <b>Fund Balance/Net Position - End<br/>of year</b>       | <u>\$ 66,794</u> | <u>\$ 65,303</u> | <u>\$ -</u> | <u>\$ 65,303</u>           |

# City of Saline, Michigan

## Other Supplemental Information Balance Sheet/Statement of Net Position Component Unit - Tax Increment Finance Authority June 30, 2015

|   | Modified<br>Accrual | Adjustments      | Total             |
|---|---------------------|------------------|-------------------|
| <b>Assets - Cash and cash equivalents</b>       | <u>\$ 552,466</u>   | \$ -             | \$ 552,466        |
| <b>Liabilities</b>                              |                     |                  |                   |
| Due to other governmental units                 | \$ 1,153            | -                | 1,153             |
| Due to primary government                       | <u>175,410</u>      | <u>-</u>         | <u>175,410</u>    |
| Total liabilities                               | 176,563             | -                | <u>176,563</u>    |
| <b>Fund Balance/Net Position</b>                |                     |                  |                   |
| Fund balance - Committed                        | <u>375,903</u>      | <u>(375,903)</u> |                   |
| Net position - Unrestricted                     |                     | <u>375,903</u>   | <u>\$ 375,903</u> |
| Total liabilities and fund balance/net position | <u>\$ 552,466</u>   | <u>\$ -</u>      |                   |

# 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, 2015

|  | Budget            | Actual            | Adjustments | Statement of<br>Activities |
|--|-------------------|-------------------|-------------|----------------------------|
| <b>Revenue</b>   |                   |                   |             |                            |
| Property taxes   | \$ 577,085        | \$ 573,171        | \$ -        | \$ 573,171                 |
| Interest income  | 1,000             | 1,031             | -           | 1,031                      |
| Total revenue  | 578,085           | 574,202           | -           | 574,202                    |
| <b>Expenditures - Current</b>                            |                   |                   |             |                            |
| Administrative   | 105,100           | 100,111           | -           | 100,111                    |
| Community relations                                      | 15,630            | 24,274            | -           | 24,274                     |
| Contributions to the General Fund                        | 6,000             | 2,677             | -           | 2,677                      |
| Contributions to Major Streets                           | 334,304           | 325,105           | -           | 325,105                    |
| Contributions to Water and Sewer                         | 49,892            | 49,892            | -           | 49,892                     |
| Contributions to the Economic<br>Development Corporation | 8,390             | 13,373            | -           | 13,373                     |
| Total expenditures                                       | 519,316           | 515,432           | -           | 515,432                    |
| <b>Change in Fund Balance/Net Position</b>               | 58,769            | 58,770            | -           | 58,770                     |
| <b>Fund Balance/Net Position - Beginning<br/>of year</b> | 317,133           | 317,133           | -           | 317,133                    |
| <b>Fund Balance/Net Position - End<br/>of year</b>       | <u>\$ 375,902</u> | <u>\$ 375,903</u> | <u>\$ -</u> | <u>\$ 375,903</u>          |

# City of Saline, Michigan

## Other Supplemental Information Balance Sheet/Statement of Net Position Component Unit - Local Development Finance Authorities June 30, 2015

|  | Modified Accrual Basis |                     |                   | Adjustments      | Statement of<br>Net Assets |
|--|------------------------|---------------------|-------------------|------------------|----------------------------|
|  | Sauk Trail<br>District | Shelton<br>District | Total             |                  |                            |
| <b>Assets</b>                                      |                        |                     |                   |                  |                            |
| Cash and cash equivalents                          | \$ 224,949             | \$ 12,214           | \$ 237,163        | \$ -             | \$ 237,163                 |
| Due from other funds                               | 1,575                  | (1,575)             | -                 | -                | -                          |
| Internal balances                                  | 1,129                  | (1,129)             | -                 | -                | -                          |
| Capital assets                                     | -                      | -                   | -                 | 40,749           | 40,749                     |
| Total assets                                       | <u>\$ 227,653</u>      | <u>\$ 9,510</u>     | <u>\$ 237,163</u> | <u>\$ 40,749</u> | 277,912                    |
| <b>Liabilities</b>                                 |                        |                     |                   |                  |                            |
| Due to other governmental units                    | \$ -                   | \$ 21               | \$ 21             | \$ -             | 21                         |
| Total liabilities                                  | -                      | 21                  | 21                | -                | 21                         |
| <b>Fund Balance/Net Position</b>                   |                        |                     |                   |                  |                            |
| Fund balance - Committed                           | <u>227,653</u>         | <u>9,489</u>        | <u>237,142</u>    | <u>(237,142)</u> |                            |
| Net position:                                      |                        |                     |                   |                  |                            |
| Net investment in capital assets                   |                        |                     |                   | 40,749           | 40,749                     |
| Unrestricted                                       |                        |                     |                   | <u>237,142</u>   | <u>237,142</u>             |
| Total net position                                 |                        |                     |                   | <u>277,891</u>   | <u>\$ 277,891</u>          |
| Total liabilities and fund<br>balance/net position | <u>\$ 227,653</u>      | <u>\$ 9,510</u>     | <u>\$ 237,163</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                                       | \$ 546,606             | \$ 546,607        | \$ 165,262       | \$ 165,263      |
| Interest earnings                                    | 150                    | 235               | 100              | -               |
| Total revenue  | 546,756                | 546,842           | 165,362          | 165,263         |
| <b>Expenditures - Current</b>                        |                        |                   |                  |                 |
| Administrative                                       | 33,050                 | 32,834            | 28,050           | 27,670          |
| Contributions to Municipal Streets                   | 264,578                | 264,578           | 129,902          | 129,902         |
| Contributions to Water and Sewer                     | 197,166                | 197,166           | 24,946           | 24,946          |
| Total expenditures                                   | 494,794                | 494,578           | 182,898          | 182,518         |
| <b>Change in Fund Balance/Net Position</b>           | 51,962                 | 52,264            | (17,536)         | (17,255)        |
| <b>Fund Balance/Net Position - Beginning of year</b> | 175,389                | 175,389           | 26,744           | 26,744          |
| <b>Fund Balance/Net Position - End of year</b>       | <u>\$ 227,351</u>      | <u>\$ 227,653</u> | <u>\$ 9,208</u>  | <u>\$ 9,489</u> |

**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, 2015**

| <u>Total</u>             | <u>Adjustments</u>      | <u>Statement of<br/>Activities</u> |
|--------------------------|-------------------------|------------------------------------|
| \$ 711,870               | \$ -                    | \$ 693,696                         |
| 235                      | -                       | 235                                |
| <u>712,105</u>           | <u>-</u>                | <u>712,105</u>                     |
| 60,504                   | -                       | 60,504                             |
| 394,480                  | -                       | 394,480                            |
| <u>222,112</u>           | <u>-</u>                | <u>222,112</u>                     |
| <u>677,096</u>           | <u>-</u>                | <u>677,096</u>                     |
| 35,009                   | -                       | 35,009                             |
| <u>202,133</u>           | <u>40,749</u>           | <u>242,882</u>                     |
| <u><b>\$ 237,142</b></u> | <u><b>\$ 40,749</b></u> | <u><b>\$ 277,891</b></u>           |

# City of Saline, Michigan

## Other Supplemental Information Combining General Fund Balance Sheet by Activity June 30, 2015

|                                     | General             | Fire<br>Department<br>Special<br>Assessment | Total<br>Combining<br>General Fund |
|-------------------------------------|---------------------|---|------------------------------------|
| <b>Assets</b>                       |                     |   |                                    |
| Cash and cash equivalents           | \$ 2,051,426        | \$ 37,227                                   | \$ 2,088,653                       |
| Receivables - Net                   | 401,185             | -   | 401,185                            |
| Due from component units            | 47,431              | -   | 47,431                             |
| Due from other funds                | 21,790              | -   | 21,790                             |
| Prepaid expenses                    | 19,226              | -   | 19,226                             |
|                                     | <b>\$ 2,541,058</b> | <b>\$ 37,227</b>                            | <b>\$ 2,578,285</b>                |
| Total assets                        |                     |   |                                    |
| <b>Liabilities</b>                  |                     |   |                                    |
| Accounts payable                    | \$ 215,406          | \$ 666                                      | \$ 216,072                         |
| Due to primary government           | 121,941             | -   | 121,941                            |
| Due to other funds                  | 882                 | -   | 882                                |
| Accrued liabilities and other       | 69,357              | -   | 69,357                             |
|                                     | 407,586             | 666   | 408,252                            |
| Total liabilities                   |                     |   |                                    |
| <b>Fund Balances</b>                |                     |   |                                    |
| Nonspendable                        | 19,226              | -   | 19,226                             |
| Restricted                          | 32,381              | -   | 32,381                             |
| Committed                           | 7,936               | -   | 7,936                              |
| Assigned                            | 408,200             | -   | 408,200                            |
| Unassigned                          | 1,665,729           | 36,561                                      | 1,702,290                          |
|                                     | 2,133,472           | 36,561                                      | 2,170,033                          |
| Total fund balances                 |                     |   |                                    |
| Total liabilities and fund balances | <b>\$ 2,541,058</b> | <b>\$ 37,227</b>                            | <b>\$ 2,578,285</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, 2015

|  | General             | Fire<br>Department<br>Special<br>Assessment | Total<br>Combining<br>General Fund |
|--|---------------------|---|------------------------------------|
|  | <u>General</u>      | <u>Assessment</u>                           | <u>General Fund</u>                |
| <b>Revenue</b>                             |                     |   |                                    |
| Property taxes                             | \$ 5,558,821        | \$ -  | \$ 5,558,821                       |
| Licenses and permits                       | 192,857             | -   | 192,857                            |
| State sources                              | 806,135             | -   | 806,135                            |
| Charges for services                       | 770,747             | -   | 770,747                            |
| Fines and court costs                      | 41,592              | -   | 41,592                             |
| Interest earnings                          | 13,329              | 211   | 13,540                             |
| Other revenue:                             |                     |   |                                    |
| Cable royalties                            | 231,824             | -   | 231,824                            |
| Interactivity transfers                    | (342,991)           | 342,991                                     | -                                  |
| Other miscellaneous income                 | 328,647             | 1,899                                       | 330,546                            |
|  | <u>7,600,961</u>    | <u>345,101</u>                              | <u>7,946,062</u>                   |
| Total revenue                              |                     |   |                                    |
| <b>Expenditures - Current</b>              |                     |   |                                    |
| General government                         | 3,005,559           | -   | 3,005,559                          |
| Legislative                                | 51,987              | -   | 51,987                             |
| Public safety                              | 1,938,915           | 344,443                                     | 2,283,358                          |
| Public works                               | 863,799             | -   | 863,799                            |
| Cemetery                                   | 42,172              | -   | 42,172                             |
| Engineering department                     | 127,511             | -   | 127,511                            |
| Recreation and culture                     | 243,882             | -   | 243,882                            |
| Capital outlay                             | 28,768              | -   | 28,768                             |
| Debt service                               | 386,135             | -   | 386,135                            |
|  | <u>6,688,728</u>    | <u>344,443</u>                              | <u>7,033,171</u>                   |
| Total expenditures                         |                     |   |                                    |
| <b>Excess of Revenue Over Expenditures</b> | 912,233             | 658   | 912,891                            |
| <b>Bond Refunding</b>                      | 2,831,250           | -   | 2,831,250                          |
| <b>Debt Service on Refunded Bond</b>       | (2,756,250)         | -   | (2,756,250)                        |
| <b>Net Transfers</b>                       | (567,653)           | -   | (567,653)                          |
|  | <u>419,580</u>      | <u>658</u>                                  | <u>420,238</u>                     |
| <b>Net Change in Fund Balances</b>         |                     |   |                                    |
| <b>Fund Balances - Beginning of year</b>   | 1,713,892           | 35,903                                      | 1,749,795                          |
|  | <u>1,713,892</u>    | <u>35,903</u>                               | <u>1,749,795</u>                   |
| <b>Fund Balances - End of year</b>         | <u>\$ 2,133,472</u> | <u>\$ 36,561</u>                            | <u>\$ 2,170,033</u>                |