



Financial Report  
with  
Supplemental Information

June 30, 2019

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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, 2019 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, 2019 and the respective changes in its financial position and, where applicable, cash flows thereof 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

**Other Matters**

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 21, 2019

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, 2019. 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, 2019:

- The City fulfilled the requirements for eligibility for the City, Village, and Township Revenue Share (CVTRS).
- The City received excess personal property revenue from the Local Community Stabilization Authority (LCSA). Extra funds in the amount of \$243,089 were recommended to be assigned for future legislative changes, increasing the Assigned Legislative Changes to \$867,627. Pending Legislation attempts to regulate the formula used for distributing the excess funds beginning in 2021.
- The FY19 OPEB Study reflected a 1.3 million liability reduction due to the recent health care changes implemented for the City of Saline over 64 retirees. The Plan fiduciary net position represents 57.7% funded.
- The FY19 Pension plan showed benefits paid exceeding employer contributions and experienced a loss in investment income resulting in a reduced funded percentage from 66.67% in 2018 to 60.49% teetering on the edge of PA 202 required funding status.
- The City continues to work with developers with a pending sales agreement and considers proposals on other lots. No land sales were recorded in this fiscal year
- The City's goal is to adopt a balanced budget. The fund balance for FY19 shows a net change of (189,314) due to expenditures made in the current year that were paid from prior year assigned fund balances.
- The FY19 unassigned fund balance exceeds the adopted fund balance policy. The excess was assigned to the unfunded liability fund balance.
- During the fiscal year ended June 30, 2019, the City had 1.1462 mills of excess capacity available by vote of the City Council.

**Using this Annual Report**

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

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

**The City as a Whole**

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current assets	\$ 9,006	\$ 8,972	\$ 8,455	\$ 6,483	\$17,461	\$15,455
Noncurrent assets	26,403	27,500	34,993	32,964	61,396	60,464
Total assets	35,409	36,472	43,448	39,447	78,857	75,919
<b>Deferred Outflows of Resources</b>	1,632	78	368	13	2,000	91
<b>Liabilities</b>						
Current liabilities	2,601	3,049	897	405	3,498	3,454
Long-term liabilities	18,960	18,899	13,306	12,307	32,266	31,206
Total liabilities	21,561	21,948	14,203	12,712	35,764	34,660
<b>Deferred Inflows of Resources</b>	870	457	365	84	1,235	541
<b>Net Position</b>						
Invested in capital assets - Net of related c	19,934	19,697	24,756	23,824	44,690	43,521
Restricted	2,595	2,045	3,279	2,978	5,874	5,023
Unrestricted	(7,919)	(7,597)	1,213	(138)	(6,706)	(7,735)
Total net position*	<b>\$ 14,610</b>	<b>\$ 14,145</b>	<b>\$ 29,248</b>	<b>\$ 26,664</b>	<b>\$43,858</b>	<b>\$40,809</b>

## City of Saline, Michigan

### Management's Discussion and Analysis

The following table shows the changes of the net position during the year ended June 30, 2019 as compared to the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 2,860	\$ 2,807	\$ -	\$ -	\$ 2,860	\$2,807
Operating grants and contributions	903	849	-	-	903	849
Capital grants and contributions	355	1,511	1,102	1,610	1,457	3,121
General revenue:						
Property taxes	6,908	6,560	-	-	6,908	6,560
State-shared revenue	1,663	1,819	-	-	1,663	1,819
Unrestricted investment earnings	139	96	58	53	197	149
Cable franchise fees	239	241	-	-	239	241
Miscellaneous	875	2,039	78	-	953	2,039
Water and sewer	-	-	5,550	4,831	5,550	4,831
Total revenue	13,942	15,922	6,788	6,494	20,730	22,416
<b>Program Expenses</b>						
General government	3,433	3,298	-	-	3,433	3,298
Legislative	57	45	-	-	57	45
Public safety	3,007	2,698	-	-	3,007	2,698
Building department	325	278	-	-	325	278
Public works	3,981	3,556	-	-	3,981	3,556
Health and welfare	70	263	-	-	70	263
Parks, recreation, and culture	2,306	2,201	-	-	2,306	2,201
Interest on long-term debt	168	323	-	-	168	323
Unallocated	129	127	-	-	129	127
Water and sewer	-	-	4,204	4,554	4,204	4,554
Total program expenses	13,476	12,789	4,204	4,554	17,680	17,343
<b>Change in Net Position</b>	<b>\$ 466</b>	<b>\$ 3,133</b>	<b>\$ 2,584</b>	<b>\$ 1,940</b>	<b>\$ 3,050</b>	<b>\$5,073</b>

#### Governmental Activities

Table 2 reflects the breakout of revenue and expenses compared to the prior year.

The City experienced an overall decrease in revenue in a number of different areas including but not limited to the recording of lower excess personal property tax and the Saw Grant revenue, and land sales and grants & contributions for Capital Assets received in the prior year.

#### Business-type Activities

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

The municipality ensures adequate funding for its business-type water and sewer activities by annually reviewing the utility rates to cover all projects, operations, and maintenance of the utility systems. Annually reviewing the water and sewer rates more accurately reflects current projects and trends that drive the rates.

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

### **General Fund Budgetary Highlights**

General Fund revenue changes over the prior year included increased income from investments and property taxes.

Over the course of the year, the City has amended the budget to take into account events during the year. Overall revenue was higher than budgeted and Expenses were less than expected.

The combined General Fund end of year fund balance decreased from \$4,419,807 a year ago to \$4,230,493 at June 30, 2019, with \$4,198,085 as the year-end fund balance for the General Fund and \$32,408 for Fire Special Assessment.

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

At the end of the 2019 fiscal year, the City had more than \$60 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 \$5.5 million in additional infrastructure and capital improvements in the subsequent year (the majority to be funded with a State S.A.W. Grant, utility reserves, Act 51 state road funds, county millage for street projects, bonds, or from tax increment capture funds of the economic development component units).

The last table is a summary of debt, various debt ratios, and the legal debt margin. The City now has debt of lower than one-half of its legal limit. For the previously issued sewer and water capital bonds and the new SRF sewer bond, the utility rates have already been adjusted accordingly to ensure sufficient utility revenue to cover the future debt service at least through the fiscal year ending June 30, 2020.



<b>DEBT STATEMENT (as of 06/30/19)</b>	<b>Outstanding</b>	<b>Totals</b>
09/25/03 Water \$6,840,000 UTGO, Bond Bank DWRF III (100% Water Utility Charges)	2,399,782	
10/29/09 Water \$1,000,000 Capital Improvement Bond	685,000	
02/25/10 Streets portion of \$4,230,000 Refunding 2001 \$6,040,000 UTGO Bonds	451,986	
02/25/10 Water & Sewer portion of \$4,230,000 Refunding 2001 \$6,040,000 UTGO Bonds	225,993	
02/25/10 Sewer Odor Abatement portion of \$4,230,000 Refd'g 2001 \$6,040,000 UTGO Bonds	232,021	
12/21/12 Street portion of \$3,210,000 Refunding 2004 \$4,660,000 UTGO Bond	1,607,832	
12/21/12 Sewer portion of \$3,210,000 Refunding 2004 \$4,660,000 UTGO Bond	57,168	
12/04/14 DPW Facility \$3,775,000 LTGO Bonds Refunding 2005 \$4.5M of \$6M	1,792,500	
12/04/14 Recreation Facility \$3,775,000 LTGO Bonds Refunding 2005 \$1.5M of \$6M	597,500	
06/25/15 Sewer \$3,300,000 SRF Bond	2,870,397	
08/08/17 Recreation Facility \$1,575,000 GOLT	1,485,000	
08/08/17 Sewer \$1,150,000 GOLT bonds Rfd'g 2007 \$1.7M	1,060,000	
06/22/18 Sewer \$3,875,000 SRF Bond	2,419,129	\$15,884,308
03/26/15 City Hall/Police \$1,480,000 Refunding of 8/1/05 \$2,815,000 LTGO Authority Bond	315,000	\$315,000
<b>TOTAL DIRECT DEBT</b>		<b>\$16,199,308</b>
07/02/98 DWRF I \$1,375,000 LTGO (County Issued Bonds, 100% Water Utility Charges)	0	
06/24/99 DWRF II \$1,420,000 LTGO (County Issued Bonds, 100% Water Utility Charges)	77,279	\$77,279
<b>TOTAL INDIRECT DEBT</b>		<b>\$77,279</b>
Less: Michigan Transportation Fund Bonds/Notes	0	
Revenue Bonds	0	\$0
<b>NET DIRECT PLUS INDIRECT DEBT</b>		<b>\$16,276,587</b>

<b>DEBT RATIOS (Net Direct plus Indirect Debt, using 2019 Tax Year Values)</b>	
Per Capita (8,995 estimated current population based on 8,810 in 2010 Census)	\$1,876.22
Ratio to June 30, 2019 Ad Valorem Taxable Value (\$453,599,662) as updated July 2019	3.72%
Ratio to June 30, 2019 Ad Valorem State Equalized Valuation (\$554,053,339) as updated July 2019	3.05%
Ratio to June 30, 2019 Ad Valorem Estimated True Cash Value (\$1,108,106,678)	1.52%

<b>LEGAL DEBT MARGIN (including above Bonds, per Michigan P.A. 279 of 1909 as amended, Using 2019 Equalized Values)</b>	
State Equalized 2019 Valuation - excluding IFT values	\$554,053,339
Plus 2019 Act 198 Industrial Facilities Tax State Equalized Valuation (counted at half)	13,223,400
<b>Total Valuation</b>	<b>\$567,276,739</b>
<b>Debt Limit - 10% of State Equalized Valuation</b>	<b>\$55,405,334</b>
Amount of Direct Debt Outstanding	\$16,199,308
Less: Transportation Fund Bonds	0
Revenue Bonds	0
<b>Total Subject to Debt Limit</b>	<b>\$16,199,308</b>
<b>Additional Debt Which Could Be Legally Incurred</b>	<b>\$39,206,026</b>

<b>ADDITIONAL FINANCING (Including Installment Purchase)</b>	<b>Outstanding</b>
11/29/17 City portion of Vactor Installment Purchase	90,276
11/29/17 Water & Sewer portion of Vactor Installment Purchase	210,644

<b>DEBT HISTORY &amp; FUTURE FINANCING</b>
The city has no record of default. In November 2018, the City passed a 1 mil property tax levy to finance Street and right-of-way repairs and improvements for 2019-2023 (fiscal years 2020-2024).

**Economic Factors and Next Year’s Budgets and Rates**

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

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

	Total City Mills Levied	Refuse Tax Portion	Debt Portion	General Operating	Fire Portion	Operating Less Fire	Rollback Maximum	Excess Levy Capacity
FY 2012	15.5300	1.5600	0.5290	13.4410	0.7759	12.6651	14.6281	1.9630
FY 2013	15.5300	1.6266	0.5490	13.3544	0.8835	12.4709	14.6281	2.1572
FY 2014	16.2800	1.5476	0.5206	14.2118	0.8905	13.3213	14.6281	1.3068
FY 2015	16.2800	1.6324	0.5206	14.1270	0.9168	13.2102	14.6281	1.4179
FY 2016	16.2800	1.6030	0.5206	14.1564	0.8835	13.2729	14.6281	1.3552
FY 2017	16.2800	1.6439	0.5206	14.1155	1.0887	13.0268	14.5110	1.4842
FY 2018	16.2800	1.6420	0.5206	14.1174	1.0286	13.0888	14.4050	1.3162
FY 2019	16.2800	1.6400	0.5185	14.1215	1.0154	13.1061	14.2523	1.1462
FY 2020	17.2800	1.7373	0.5185	14.0242	0.9931	13.0311	14.0727	1.0416

The City continues to review cost savings each year during the budget process, including reviewing debt and researching options for unfunded liability cost. In November 2018 the City passed a 1 mill street levy to fund street and right-of-way repairs and improvements.

**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.

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 8,127,325	\$ 3,674,460	\$ 11,801,785	\$ 723,375
Receivables (Note 4)	816,549	1,480,933	2,297,482	-
Due from component units (Note 6)	62,595	19,790	82,385	-
Restricted assets	-	3,279,653	3,279,653	-
Capital assets: (Note 5)				
Assets not subject to depreciation	1,511,020	3,617,394	5,128,414	40,749
Assets subject to depreciation - Net	24,739,859	31,375,833	56,115,692	-
Receivable due in more than one year	151,382	-	151,382	-
Total assets	35,408,730	43,448,063	78,856,793	764,124
<b>Deferred Outflows of Resources</b>				
Deferred pension costs (Note 10)	1,263,498	209,154	1,472,652	-
Deferred OPEB costs (Note 9)	368,999	159,105	528,104	-
Total deferred outflows of resources	1,632,497	368,259	2,000,756	-
<b>Liabilities</b>				
Accounts payable	433,993	608,525	1,042,518	10,768
Due to other governmental units	-	-	-	13,300
Due to primary government (Note 6)	-	-	-	82,385
Accrued liabilities and other	252,423	288,930	541,353	-
Noncurrent liabilities:				
Due within one year:				
Current portion of long-term debt and compensated absences (Note 7)	1,914,333	1,285,964	3,200,297	-
Due in more than one year:				
Net pension liability (Note 10)	9,495,154	1,586,430	11,081,584	-
Net OPEB liability (Note 9)	3,094,388	1,334,243	4,428,631	-
Long-term debt and compensated absences (Note 7)	5,659,218	9,099,514	14,758,732	-
Obligation as part of joint venture (Note 11)	711,483	-	711,483	-
Total liabilities	21,560,992	14,203,606	35,764,598	106,453
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions (Note 10)	39,393	6,448	45,841	-
Deferred OPEB cost reductions (Note 9)	830,535	358,111	1,188,646	-
Total deferred inflows of resources	869,928	364,559	1,234,487	-
<b>Net Position</b>				
Net investment in capital assets	19,933,876	24,755,814	44,689,690	40,749
Restricted:				
Law enforcement training and other	27,738	-	27,738	-
Recreation	223,984	-	223,984	-
Solid waste	51,901	-	51,901	-
Roads	2,292,050	-	2,292,050	-
Capital replacement	-	3,279,653	3,279,653	-
Unrestricted	(7,919,242)	1,212,690	(6,706,552)	616,922
Total net position	\$ 14,610,307	\$ 29,248,157	\$ 43,858,464	\$ 657,671

Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenue			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,432,794	\$ 169,883	\$ -	\$ -	\$ (3,262,911)	\$ -	\$ (3,262,911)	\$ -
Legislative	57,312	-	-	-	(57,312)	-	(57,312)	-
Police, fire, and EMS	3,007,192	56,899	-	-	(2,950,293)	-	(2,950,293)	-
Public works	3,980,516	-	866,267	-	(3,114,249)	-	(3,114,249)	-
Health and welfare	70,340	46,415	-	-	(23,925)	-	(23,925)	-
Building department	324,886	341,793	-	-	16,907	-	16,907	-
Parks, recreation, and culture	2,306,464	2,245,315	36,346	-	(24,803)	-	(24,803)	-
Interest and fees on long-term debt	168,497	-	-	355,462	186,965	-	186,965	-
Unallocated depreciation	128,174	-	-	-	(128,174)	-	(128,174)	-
Total governmental activities	13,476,175	2,860,305	902,613	355,462	(9,357,795)	-	(9,357,795)	-
Business-type activities:								
Water	1,752,910	2,870,447	-	45,818	-	1,163,355	1,163,355	-
Sewer	2,450,926	2,679,493	-	1,056,315	-	1,284,882	1,284,882	-
Total business-type activities	4,203,836	5,549,940	-	1,102,133	-	2,448,237	2,448,237	-
Total primary government	<u>\$ 17,680,011</u>	<u>\$ 8,410,245</u>	<u>\$ 902,613</u>	<u>\$ 1,457,595</u>	(9,357,795)	2,448,237	(6,909,558)	-
Component units:								
Economic Development Corporation	\$ 92,190	\$ 18,918	\$ -	\$ -	-	-	-	(73,272)
Tax Increment Finance Authority	590,135	-	-	-	-	-	-	(590,135)
Local Development Finance Authority	667,696	-	-	-	-	-	-	(667,696)
Total component units	<u>\$ 1,350,021</u>	<u>\$ 18,918</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-	(1,331,103)
General revenue:								
Property taxes					6,908,231	-	6,908,231	1,351,807
State-shared revenue					1,662,934	-	1,662,934	-
Unrestricted investment income					138,867	57,834	196,701	11,291
Cable franchise fees					238,944	-	238,944	-
Other miscellaneous income					874,600	77,655	952,255	95,888
Total general revenue					9,823,576	135,489	9,959,065	1,458,986
<b>Change in Net Position</b>					465,781	2,583,726	3,049,507	127,883
<b>Net Position - Beginning of year</b>					14,144,526	26,664,431	40,808,957	529,788
<b>Net Position - End of year</b>					<u>\$ 14,610,307</u>	<u>\$ 29,248,157</u>	<u>\$ 43,858,464</u>	<u>\$ 657,671</u>

Governmental Funds  
Balance Sheet

June 30, 2019

	Combining General Fund	Saline Recreation Complex Fund	Nonmajor Funds	Total
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 3,945,100	\$ 1,102,960	\$ 3,079,265	\$ 8,127,325
Receivables (Note 4)	454,600	39,853	322,096	816,549
Due from component units (Note 6)	50,001	-	12,594	62,595
Due from other funds (Note 6)	3,050	326	-	3,376
Receivable due in more than one year	151,382	-	-	151,382
<b>Total assets</b>	<b>\$ 4,604,133</b>	<b>\$ 1,143,139</b>	<b>\$ 3,413,955</b>	<b>\$ 9,161,227</b>
<b>Liabilities</b>				
Accounts payable	\$ 229,856	\$ 44,630	\$ 159,507	\$ 433,993
Due to other funds (Note 6)	326	3,050	-	3,376
Accrued liabilities and other	143,458	63,914	6,582	213,954
<b>Total liabilities</b>	<b>373,640</b>	<b>111,594</b>	<b>166,089</b>	<b>651,323</b>
<b>Fund Balances</b>				
Nonspendable (Note 12)	151,382	-	-	151,382
Restricted (Note 12)	27,738	223,984	2,343,951	2,595,673
Committed (Note 12)	45,135	807,561	903,915	1,756,611
Assigned (Note 12)	2,220,055	-	-	2,220,055
Unassigned	1,786,183	-	-	1,786,183
<b>Total fund balances</b>	<b>4,230,493</b>	<b>1,031,545</b>	<b>3,247,866</b>	<b>8,509,904</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,604,133</b>	<b>\$ 1,143,139</b>	<b>\$ 3,413,955</b>	<b>\$ 9,161,227</b>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

**June 30, 2019**

<b>Fund Balances Reported in Governmental Funds</b>	\$ 8,509,904
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	26,250,879
Long-term obligations, including long-term debt, compensated absences, and obligations as part of joint venture, are not due and payable in the current period and are not reported in the funds	(8,285,034)
Accrued interest is not due and payable in the current period and is not reported in the funds	(38,469)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Pension benefits	(8,271,049)
Retiree healthcare benefits	(3,555,924)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 14,610,307</u></b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	Combining General Fund	Saline Recreation Complex Fund	Nonmajor Funds	Total
<b>Revenue</b>				
Property taxes	\$ 6,016,348	\$ -	\$ 891,883	\$ 6,908,231
State sources	1,512,361	-	1,016,840	2,529,201
Charges for services	792,077	1,486,689	45,513	2,324,279
Fines and forfeitures	58,454	-	-	58,454
Licenses and permits:				
Cable franchise fees	238,944	-	-	238,944
Other licenses and permits	476,481	-	-	476,481
Interest and rentals	76,776	19,188	42,903	138,867
Other revenue:				
Local donations	-	36,346	-	36,346
Other miscellaneous income	562,159	-	50,112	612,271
Revenue from the County	169,386	-	171,538	340,924
Total revenue	9,902,986	1,542,223	2,218,789	13,663,998
<b>Expenditures</b>				
Current services:				
General government	4,541,397	-	10,358	4,551,755
Legislative	57,312	-	-	57,312
Public safety	2,434,982	-	-	2,434,982
Public works	990,001	-	1,644,909	2,634,910
Cemetery	49,395	-	-	49,395
Engineering department	119,869	-	-	119,869
Recreation and culture	336,460	1,450,240	-	1,786,700
Capital outlay	393,978	138,232	-	532,210
Debt service	335,784	233,179	541,699	1,110,662
Total expenditures	9,259,178	1,821,651	2,196,966	13,277,795
<b>Excess of Revenue Over (Under) Expenditures</b>	643,808	(279,428)	21,823	386,203
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	2,978	256,306	659,794	919,078
Transfers out (Note 6)	(836,100)	-	(82,978)	(919,078)
Total other financing (uses) sources	(833,122)	256,306	576,816	-
<b>Net Change in Fund Balances</b>	(189,314)	(23,122)	598,639	386,203
<b>Fund Balances - Beginning of year</b>	4,419,807	1,054,667	2,649,227	8,123,701
<b>Fund Balances - End of year</b>	<u>\$ 4,230,493</u>	<u>\$ 1,031,545</u>	<u>\$ 3,247,866</u>	<u>\$ 8,509,904</u>

**Governmental Funds**

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

**Year Ended June 30, 2019**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 386,203</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,025,906
Depreciation expense	(2,025,749)
Net book value of assets disposed of	(77,504)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,290,738
Interest expense is recognized in the government-wide statements as it accrues	6,888
Changes in some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported in the governmental funds	74,912
Change in joint venture equity interest is not a financial resource and is not reported in the governmental funds	<u>(215,613)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 465,781</u></b>



Proprietary Funds  
Statement of Net Position

June 30, 2019

	Enterprise Funds - Major Funds		
	Water	Sewer	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 2,485,530	\$ 1,188,930	\$ 3,674,460
Receivables (Note 4)	731,312	749,621	1,480,933
Due from component units	-	19,790	19,790
Total current assets	3,216,842	1,958,341	5,175,183
Noncurrent assets:			
Restricted assets	1,592,919	1,686,734	3,279,653
Capital assets: (Note 5)			
Assets not subject to depreciation	37,500	3,579,894	3,617,394
Assets subject to depreciation - Net	13,480,286	17,895,547	31,375,833
Total noncurrent assets	15,110,705	23,162,175	38,272,880
Total assets	18,327,547	25,120,516	43,448,063
<b>Deferred Outflows of Resources</b>			
Deferred pension costs (Note 10)	68,633	140,521	209,154
Deferred OPEB costs (Note 9)	69,710	89,395	159,105
Total deferred outflows of resources	138,343	229,916	368,259
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	33,317	575,208	608,525
Accrued liabilities and other	46,193	242,737	288,930
Current portion of long-term debt and compensated absences (Note 7)	611,967	673,997	1,285,964
Total current liabilities	691,477	1,491,942	2,183,419
Noncurrent liabilities:			
Net pension liability (Note 10)	417,635	1,168,795	1,586,430
Net OPEB liability (Note 9)	584,582	749,661	1,334,243
Long-term debt and compensated absences (Note 7)	2,752,409	6,347,105	9,099,514
Total noncurrent liabilities	3,754,626	8,265,561	12,020,187
Total liabilities	4,446,103	9,757,503	14,203,606
<b>Deferred Inflows of Resources</b>			
Deferred pension cost reductions (Note 10)	2,634	3,814	6,448
Deferred OPEB cost reductions (Note 9)	156,902	201,209	358,111
Total deferred inflows of resources	159,536	205,023	364,559
<b>Net Position</b>			
Net investment in capital assets	10,212,636	14,543,178	24,755,814
Restricted - Capital replacement	1,592,919	1,686,734	3,279,653
Unrestricted	2,054,696	(842,006)	1,212,690
Total net position	<u>\$ 13,860,251</u>	<u>\$ 15,387,906</u>	<u>\$ 29,248,157</u>

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

**Year Ended June 30, 2019**

	Enterprise Funds - Major Funds		
	Water	Sewer	Total
<b>Operating Revenue</b>			
Sale of water	\$ 2,754,468	\$ -	\$ 2,754,468
Sewage disposal charges	-	2,642,912	2,642,912
Charges for services	115,979	36,581	152,560
Total operating revenue	2,870,447	2,679,493	5,549,940
<b>Operating Expenses</b>			
Cost of water	851,582	-	851,582
Cost of sewage treatment	-	1,507,807	1,507,807
Operating and maintenance costs	153,462	158,729	312,191
General and administrative costs	99,027	(34,404)	64,623
Depreciation	541,015	685,749	1,226,764
Total operating expenses	1,645,086	2,317,881	3,962,967
<b>Operating Income</b>	1,225,361	361,612	1,586,973
<b>Nonoperating Revenue (Expense)</b>			
Investment income	13,412	44,422	57,834
Interest expense	(107,824)	(133,045)	(240,869)
Other nonoperating general revenue	-	77,655	77,655
Total nonoperating expense	(94,412)	(10,968)	(105,380)
<b>Income - Before capital contributions</b>	1,130,949	350,644	1,481,593
<b>Capital Contributions</b>			
Capital grants	-	170,945	170,945
Debt forgiveness (Note 7)	-	600,000	600,000
Contributions from LDFA and TIFA	45,818	285,370	331,188
Total capital contributions	45,818	1,056,315	1,102,133
<b>Change in Net Position</b>	1,176,767	1,406,959	2,583,726
<b>Net Position - Beginning of year</b>	12,683,484	13,980,947	26,664,431
<b>Net Position - End of year</b>	<b><u>\$ 13,860,251</u></b>	<b><u>\$ 15,387,906</u></b>	<b><u>\$ 29,248,157</u></b>

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds - Major Funds		
	Water	Sewer	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,816,433	\$ 2,731,645	\$ 5,548,078
Payments to suppliers	(465,356)	(332,224)	(797,580)
Payments to employees and fringes	(612,679)	(771,214)	(1,383,893)
Other receipts	-	16,791	16,791
Payments to the General Fund for administrative costs	(150,000)	(140,000)	(290,000)
	1,588,398	1,504,998	3,093,396
<b>Cash Flows from Capital and Related Financing Activities</b>			
Issuance of long-term debt	-	2,749,281	2,749,281
Receipt of capital grants	-	170,945	170,945
Benefit fees	-	77,655	77,655
Purchase of capital assets	(149,438)	(3,107,181)	(3,256,619)
Principal and interest paid on capital debt	(667,973)	(238,130)	(906,103)
	(817,411)	(347,430)	(1,164,841)
<b>Cash Flows Provided by Investing Activities - Interest received</b>	13,412	44,422	57,834
<b>Net Increase in Cash and Cash Equivalents</b>	784,399	1,201,990	1,986,389
<b>Cash and Cash Equivalents - Beginning of year</b>	3,294,050	1,673,674	4,967,724
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 4,078,449</b>	<b>\$ 2,875,664</b>	<b>\$ 6,954,113</b>
<b>Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 2,485,530	\$ 1,188,930	\$ 3,674,460
Restricted cash	1,592,919	1,686,734	3,279,653
	<b>\$ 4,078,449</b>	<b>\$ 2,875,664</b>	<b>\$ 6,954,113</b>
<b>Reconciliation of Operating Income to Net Cash and Cash Equivalents from Operating Activities</b>			
Operating income	\$ 1,225,361	\$ 361,612	\$ 1,586,973
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:			
Depreciation and amortization	541,015	685,749	1,226,764
Changes in assets and liabilities:			
Receivables	(54,014)	68,943	14,929
Net pension or OPEB liability	(45,900)	(4,869)	(50,769)
Accounts payable	(78,064)	393,563	315,499
	1,588,398	1,504,998	3,093,396
<b>Net cash and cash equivalents provided by operating activities</b>	<b>\$ 1,588,398</b>	<b>\$ 1,504,998</b>	<b>\$ 3,093,396</b>
<b>Significant Noncash Transactions - Debt forgiveness (Note 7)</b>	\$ -	\$ 600,000	\$ 600,000

Fiduciary Fund  
Statement of Fiduciary Assets and Liabilities

June 30, 2019

Agency Fund

**Assets**

Cash and cash equivalents (Note 3)	\$ 629,327
Receivables	79,996
Total assets	<u>\$ 709,323</u>

**Liabilities**

Accounts payable	\$ 11,662
Due to other governmental units	97,071
Accrued liabilities and other	600,590
Total liabilities	<u>\$ 709,323</u>

Component Units  
Statement of Net Position

June 30, 2019

	Economic Development Corporation	Tax Increment Finance Authority	Local Development Finance Authority	Total
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 18,684	\$ 394,260	\$ 310,431	\$ 723,375
Due from other funds (Note 6)	15,908	-	-	15,908
Capital assets - Assets not subject to depreciation	-	-	40,749	40,749
Total assets	34,592	394,260	351,180	780,032
<b>Liabilities</b>				
Accounts payable	10,768	-	-	10,768
Due to other governmental units	-	10,257	3,043	13,300
Due to primary government (Note 6)	-	69,981	12,404	82,385
Due to other funds (Note 6)	-	15,908	-	15,908
Total liabilities	10,768	96,146	15,447	122,361
<b>Net Position</b>				
Net investment in capital assets	-	-	40,749	40,749
Unrestricted	23,824	298,114	294,984	616,922
Total net position	<u>\$ 23,824</u>	<u>\$ 298,114</u>	<u>\$ 335,733</u>	<u>\$ 657,671</u>

**City of Saline, Michigan**

**Component Units  
Statement of Activities**

**Year Ended June 30, 2019**

	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Tax Increment Finance Authority	Local Development Finance Authority	Total
<b>Functions/Programs</b>								
Economic Development Corporation	\$ 92,190	\$ 18,918	\$ -	\$ -	\$ (73,272)	\$ -	\$ -	\$ (73,272)
Tax Increment Finance Authority	590,135	-	-	-	-	(590,135)	-	(590,135)
Local Development Finance Authority	667,696	-	-	-	-	-	(667,696)	(667,696)
Total component units	<b>\$ 1,350,021</b>	<b>\$ 18,918</b>	<b>\$ -</b>	<b>\$ -</b>	(73,272)	(590,135)	(667,696)	(1,331,103)
General revenue:								
Property taxes					-	644,899	706,908	1,351,807
Unrestricted investment income					-	5,996	5,295	11,291
Other miscellaneous income					95,888	-	-	95,888
Total general revenue					95,888	650,895	712,203	1,458,986
<b>Change in Net Position</b>					22,616	60,760	44,507	127,883
<b>Net Position - Beginning of year</b>					1,208	237,354	291,226	529,788
<b>Net Position - End of year</b>					<b>\$ 23,824</b>	<b>\$ 298,114</b>	<b>\$ 335,733</b>	<b>\$ 657,671</b>

**Note 1 - 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) 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 city council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

***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, the Building Authority is reported as if it were part of the primary government because its sole 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 separated 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 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.

During the fiscal year ended June 30, 2019, 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, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

**Note 1 - Significant Accounting Policies (Continued)**

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

***Basis of Accounting***

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

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

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

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

Proprietary funds distinguish operating revenue 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.



**Note 1 - Significant Accounting Policies (Continued)**

***Fund Accounting***

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

**Governmental Funds**

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Saline Recreation Complex Fund accounts for recreation and culture activities within the City that are financed through various user charges and miscellaneous local sources.

**Proprietary Funds**

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:

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

**Agency Fund**

The Agency Fund includes amounts held in a fiduciary capacity for others. These amounts are not used to operate the City’s programs. 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 City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

**Note 1 - Significant Accounting Policies (Continued)**

***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.

**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 acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense that was capitalized as part of the cost of assets under construction.

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

Capital Asset Class	Depreciable Life - Years
Infrastructure	10 to 50
Water and sewer lines	75 to 100
Wellsite	50
Buildings and improvements	8 to 50
Furniture and equipment	3 to 40
Vehicles	4 to 20
Land improvements	5 to 25

**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.

**Note 1 - Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources**

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

The City reports deferred outflows related to the defined benefit pension plan and the other postemployment benefits plan, which are reported in the government-wide financial statements and the Water and Sewer funds (see Notes 9 and 10).

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

The City reports deferred inflows related to the defined benefit plan and other postemployment benefits plan (see Notes 9 and 10).

**Net Position**

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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

**Note 1 - Significant Accounting Policies (Continued)**

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

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

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

**Property Tax Revenue**

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

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

The 2018 taxable valuation of the City totaled approximately \$445 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 14.1215 mills for operating purposes, 1.6400 mills for refuse services, and 0.5185 mills for debt service. This resulted in approximately \$5.7 million for operating, \$665,000 for refuse services, and \$224,000 for debt service. These amounts are recognized in the respective General Fund, special revenue fund, and debt service fund financial statements as tax revenue. Note that the financial statement reported amounts are inclusive of "property tax revenue" related to interest, penalties, and administrative fees not reflected in the above figures.

**Pension**

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

**Note 1 - Significant Accounting Policies (Continued)**

**Other Postemployment Benefit Costs**

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

**Compensated Absences (Vacation and Sick Leave)**

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. 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.

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer funds and internal service funds are charges to customers for sales or services. The Water and Sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for these funds include the cost of sales or services, administrative expenses, and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates**

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

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2019-2020 fiscal year.

June 30, 2019

**Note 1 - Significant Accounting Policies (Continued)**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2020-2021 fiscal year.

**Note 2 - Stewardship, Compliance, and Accountability**

**Construction Code Fees**

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2001 is as follows:

Shortfall at July 1, 2018		\$	(1,391,197)
Current year permit revenue			318,512
Related expenses:			
Direct costs	\$	296,567	
Estimated indirect costs		69,713	366,280
			<u>          </u>
Current year shortfall			<u>(47,768)</u>
Cumulative shortfall June 30, 2019		\$	<u><u>(1,438,965)</u></u>

**Note 3 - Deposits and Investments**

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

The City has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority.



**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 \$1,010,353 at year end) and depositing beyond FDIC insurance only in banks that have better financial ratios listed by the rating agencies. At year end, the City had \$9,773,525 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Of the \$10,783,878 in total deposits, \$186,786 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 places no limit on the amount it may invest in any one issuer. The City avoids any one investment exceeding 10 percent of the City's total investments.

***Pool and Sweep Accounts that Are 2a7-like Investments***

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

At year end, the City had \$116,741 in such a fund at Comerica Bank (J Fund which has an A1/P1/F1 rating), plus \$6,226,482 in such a fund with MBIA Asset Management Group (Michigan CLASS which is rated AAAM by Standard & Poor's). The Comerica J Fund is recorded at amortized cost. There are no limitations or restrictions on participant withdrawals for that investment pool.

June 30, 2019

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

*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.

**Note 4 - Receivables**

Receivables as of June 30, 2019 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:

	Primary Government						
	Governmental Activities				Business-type Activities		
	Combining General Fund	Saline Recreation Complex Fund	Nonmajor Funds	Total Government al Activities	Water Fund	Sewer Fund	Total Business- type Activities
Receivables:							
Accounts	\$ -	\$ -	\$ -	\$ -	\$ 731,312	\$ 749,621	\$ 1,480,933
Property taxes	35,842	-	-	35,842	-	-	-
Other	255,780	39,853	170,899	466,532	-	-	-
Due from other governments	162,978	-	151,197	314,175	-	-	-
Net receivables	<u>\$ 454,600</u>	<u>\$ 39,853</u>	<u>\$ 322,096</u>	<u>\$ 816,549</u>	<u>\$ 731,312</u>	<u>\$ 749,621</u>	<u>\$ 1,480,933</u>



June 30, 2019

**Note 5 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 1,413,209	\$ -	\$ -	\$ -	\$ 1,413,209
Construction in progress	56,033	(816)	42,594	-	97,811
Subtotal	1,469,242	(816)	42,594	-	1,511,020
Capital assets being depreciated:					
Roads and sidewalks	37,670,939	816	547,193	(620,604)	37,598,344
Buildings and improvements	22,328,118	-	131,400	-	22,459,518
Furniture and equipment	5,302,103	-	304,719	(327,215)	5,279,607
Subtotal	65,301,160	816	983,312	(947,819)	65,337,469
Accumulated depreciation:					
Roads and sidewalks	24,100,249	-	1,282,540	(543,100)	24,839,689
Buildings and improvements	11,836,570	-	453,864	-	12,290,434
Furniture and equipment	3,505,357	-	289,345	(327,215)	3,467,487
Subtotal	39,442,176	-	2,025,749	(870,315)	40,597,610
Net capital assets being depreciated	25,858,984	816	(1,042,437)	(77,504)	24,739,859
Net governmental activities capital assets	<u>\$ 27,328,226</u>	<u>\$ -</u>	<u>\$ (999,843)</u>	<u>\$ (77,504)</u>	<u>\$ 26,250,879</u>

June 30, 2019

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

***Business-type Activities***

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 186,933	\$ -	\$ -	\$ -	\$ 186,933
Construction in progress	358,874	-	3,071,587	-	3,430,461
Subtotal	545,807	-	3,071,587	-	3,617,394
Capital assets being depreciated:					
Water and sewer lines and laterals	24,929,004	-	-	-	24,929,004
Wellsite	226,746	-	-	-	226,746
Building, treatment plant, and equipment	19,407,892	-	129,082	(267,420)	19,269,554
Land improvements	7,550,619	-	55,950	-	7,606,569
Subtotal	52,114,261	-	185,032	(267,420)	52,031,873
Accumulated depreciation:					
Water and sewer lines and laterals	5,935,722	-	285,685	-	6,221,407
Wellsite	95,182	-	4,535	-	99,717
Building, treatment plant, and equipment	12,157,027	-	593,025	(267,420)	12,482,632
Land improvements	1,508,765	-	343,519	-	1,852,284
Subtotal	19,696,696	-	1,226,764	(267,420)	20,656,040
Net capital assets being depreciated	32,417,565	-	(1,041,732)	-	31,375,833
Net business-type activities capital assets	<u>\$ 32,963,372</u>	<u>\$ -</u>	<u>\$ 2,029,855</u>	<u>\$ -</u>	<u>\$ 34,993,227</u>

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

Governmental activities:	
General government	\$ 110,997
Public safety	57,650
Public works	167,392
Cemetery	19,863
Recreation and culture	244,449
Highways and streets	1,297,224
Unallocated	128,174
Total governmental activities	<u>\$ 2,025,749</u>

June 30, 2019

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

**Construction Commitments**

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

	Spent to Date	Remaining Commitment
Major and local streets projects	\$ 45,056	\$ 159,944
Water and sewer improvements	3,377,562	520,214
Total	<u>\$ 3,422,618</u>	<u>\$ 680,158</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.

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Saline Recreation Complex Fund	\$ 3,050
Saline Recreation Complex Fund	General Fund	326
Economic Development Corporation	Tax Increment Finance Authority	15,908

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

Receivable	Payable	Amount
Primary government - General Fund	Component unit - Tax Increment Finance Authority	\$ 50,001
Primary government - Solid Waste and Reclamation Fund	Component unit - Tax Increment Finance Authority	190
Primary government - Major Street Fund	Component unit - Local Development Finance Authority	12,404
Primary government - Sewer Fund	Component unit - Tax Increment Finance Authority	19,790
	Total	<u>\$ 82,385</u>

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Capital projects - Building Authority Fund (3)	\$ 319,694
	Saline Recreation Complex Fund (2)	23,000
	Saline Recreation Complex Fund (3)	233,306
	Major Streets Fund (1)	260,100
	Total General Fund	836,100
Major Streets Fund	Local Street Fund (1)	80,000
Cemetery Perpetual Care Fund	General Fund (2)	2,978
	Total	<u>\$ 919,078</u>

June 30, 2019

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

The following describes the nature of the transfers:

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

**Note 7 - Long-term Debt**

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

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligations:							
Direct borrowings and direct placements -							
Installment purchase:							
Amount of Issue - \$105,737		\$15,605 -					
Maturing through 2022	1.99%	\$45,522	\$ 105,737	\$ -	\$ (15,461)	\$ 90,276	\$ 15,605
Other debt:							
2010 Refunding 2001 UTGO:							
Amount of issue - \$2,100,993	2.75% -	\$188,742 -					
Maturing through 2021	3.625%	\$233,444	663,079	-	(211,093)	451,986	218,543
2012 Refunding 2004 UTGO:							
Amount of issue - \$3,099,785	2.00% -	\$280,043 -					
Maturing through 2024	2.50%	\$333,155	1,912,016	-	(304,184)	1,607,832	304,185
2014 Refunding 2005 GO Capital Improvement Bonds (DPW):							
Amount of issue - \$2,831,250		\$247,500 -					
Maturing through 2025	2.16%	\$318,750	2,066,250	-	(273,750)	1,792,500	277,500
2014 Refunding 2005 GO Capital Improvement Bonds (Recreation):							
Amount of issue - \$943,750		\$82,500 -					
Maturing through 2025	2.16%	\$106,250	688,750	-	(91,250)	597,500	92,500
2015 Refunding 2005 Building Authority Bonds:							
Amount of issue - \$1,480,000		\$275,000 -					
Maturing through 2020	2.37%	\$315,000	620,000	-	(305,000)	315,000	315,000
2017 Refunding 2007 GOLT Rec and Sewer Bonds:							
Amount of issue - \$1,575,000		\$90,000 -					
Maturing through 2033	2.43%	\$125,000	1,575,000	-	(90,000)	1,485,000	90,000
Total other debt principal outstanding			7,525,095	-	(1,275,277)	6,249,818	1,297,728
Total general obligations			7,630,832	-	(1,290,738)	6,340,094	1,313,333
Compensated absences			1,137,046	600,822	(504,411)	1,233,457	601,000
Total governmental activities long-term debt			\$ 8,767,878	\$ 600,822	\$ (1,795,149)	\$ 7,573,551	\$ 1,914,333

June 30, 2019

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

**Business-type Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>General obligation bonds:</b>							
Direct borrowings and direct placements -							
1999 General Obligation Limited Tax Water Bonds:							
Amount of issue - \$1,197,279		\$65,000 -					
Maturing through 2020	2.50%	\$77,279	\$ 147,279	\$ -	\$ (70,000)	\$ 77,279	\$ 77,279
1998 General Obligation Limited Tax Water Bonds:							
Amount of issue - \$1,375,000							
Maturing through 2019	-	-	85,000	-	(85,000)	-	-
2004 General Obligation Water Bonds:							
Amount of issue - \$6,840,000		\$340,000 -					
Maturing through 2025	2.50%	\$420,000	2,769,782	-	(370,000)	2,399,782	380,000
2015 Sewer SRF Loan:							
Amount of issue - \$3,300,000		\$130,000 -					
Maturing through 2036	2.50%	\$205,000	3,275,245	30,152	(435,000)	2,870,397	135,000
Installment Purchase:							
Amount of Issue - \$246,721		\$36,413 -					
Maturing through 2022	1.99%	\$99,721	246,721	-	(36,077)	210,644	36,413
2018 Odor Control SRF							
Amount of Issue - \$3,875,000		\$160,000 -					
Maturing through 2039	2.00%	\$230,000	-	2,719,129	(300,000)	2,419,129	160,000
Total direct borrowings and direct placements principal outstanding			6,524,027	2,749,281	(1,296,077)	7,977,231	788,692
<b>Other debt:</b>							
2009 Multipurpose LTGO:							
Amount of issue - \$1,000,000	3.20% -	\$35,000 -					
Maturing through 2030	5.00%	\$75,000	725,000	-	(40,000)	685,000	50,000
2010 Refunding 2001 UTGO:							
Amount of issue - \$2,129,007	2.75% -	\$191,258 -					
Maturing through 2021	3.625%	\$236,556	671,921	-	(213,907)	458,014	221,457
2012 Refunding 2004 UTGO:							
Amount of issue - \$110,215	2.00% -	\$9,957 -					
Maturing through 2024	2.50%	\$11,845	67,984	-	(10,816)	57,168	10,815
2017 Refunding 2007 GOLT Rec and Sewer Bonds:							
Amount of issue - \$1,150,000		\$100,000 -					
Maturing through 2033	2.43%	\$135,000	1,150,000	-	(90,000)	1,060,000	100,000
Total other debt principal outstanding			2,614,905	-	(354,723)	2,260,182	382,272
Total general obligation bonds			9,138,932	2,749,281	(1,650,800)	10,237,413	1,170,964
Compensated absences			96,228	114,657	(62,820)	148,065	115,000
Total business-type activities long-term debt			<u>\$ 9,235,160</u>	<u>\$ 2,863,938</u>	<u>\$ (1,713,620)</u>	<u>\$ 10,385,478</u>	<u>\$ 1,285,964</u>

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

**General Obligation Bonds and Contracts**

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the City's property tax levy. County contractual agreements and installment purchase agreements are also general obligations of the City.

**Other Long-term Liabilities**

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

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 15,605	\$ 1,796	\$ 1,297,728	\$ 144,015	\$ 1,459,144
2021	15,916	1,486	1,032,114	112,577	1,162,093
2022	16,233	1,169	818,326	87,117	922,845
2023	42,522	847	818,498	69,710	931,577
2024	-	-	848,152	52,231	900,383
2025-2029	-	-	955,000	100,306	1,055,306
2030-2034	-	-	480,000	23,692	503,692
2035-2039	-	-	-	-	-
Total	\$ 90,276	\$ 5,298	\$ 6,249,818	\$ 589,648	\$ 6,935,040

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 788,692	\$ 181,548	\$ 382,272	\$ 73,867	\$ 1,426,379
2021	732,137	191,772	407,889	61,383	1,393,181
2022	747,876	174,357	176,674	47,715	1,146,622
2023	829,218	156,554	181,502	42,437	1,209,711
2024	740,000	137,054	191,845	36,987	1,105,886
2025-2029	2,134,782	502,397	845,000	95,843	3,578,022
2030-2034	1,599,129	238,883	75,000	3,750	1,916,762
2035-2039	405,397	15,270	-	-	420,667
Total	\$ 7,977,231	\$ 1,597,835	\$ 2,260,182	\$ 361,982	\$ 12,197,230

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

**Additional Resources**

The Local Development Finance Authority and Tax Increment Finance Authority have committed to pay certain obligations of the City of Saline, Michigan 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:

	Tax Increment Finance Authority	Local Development Finance Authority Sheldon District and Sauk Trail	Total
2020	\$ 231,893	\$ 238,089	\$ 469,982
2021	238,600	244,865	483,465
2022	76,996	97,995	174,991
2023	74,489	94,804	169,293
2024	75,190	95,696	170,886
Total	<u>\$ 697,168</u>	<u>\$ 771,449</u>	<u>\$ 1,468,617</u>

In addition, the Sauk Trail Local Development Finance Authority district has committed to repay the City monies advanced for projects performed within the district during its initial startup. As of June 30, 2019, the commitments payable to the City's General and Major Streets funds totaled \$249,445 and \$85,402, 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, 2019, the City had begun work on these sewer upgrades, had drawn \$3,565,397 of these funds, had paid back \$395,000, and had been forgiven \$300,000, which resulted in the liability of \$2,870,397 recorded on the City's June 30, 2019 financial statements. The forgiveness is included in the statement of revenue, expenses, and changes in fund balances as other nonoperating general revenue.

During June 2018, the City obtained additional State Revolving Fund financing from the Michigan Finance Authority for \$3,875,000. As of June 30, 2019, the City had drawn \$2,719,129 of these funds, of which \$300,000 had been forgiven, which resulted in the liability of \$2,419,129 recorded on the City's June 30, 2019 financial statements. The forgiveness is included in the statement of revenue, expenses, and changes in fund balances as other nonoperating general revenue.

**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, 2019, \$5,345,000 of bonds outstanding is considered defeased.

**Assets Pledged as Collateral**

**Direct Borrowings and Direct Placements**

The City's outstanding installment purchase loans are secured with collateral of equipment - a Vector.

June 30, 2019

**Note 8 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for 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 Benefit Plan**

***Plan Description***

The City provides other postemployment benefits (OPEB) for all employees who meet eligibility requirements. The benefits are provided through the City of Saline OPEB Plan, a single-employer plan administered by the City Council.

***Benefits Provided***

The City of Saline OPEB Plan 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 94 participants, 61 are eligible for the healthcare benefits due to full retirement status, and some of these receive a combination of the other benefits.

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.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	<u>City of Saline OPEB Plan</u>
Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	61
Active plan members	<u>33</u>
Total plan members	<u><u>94</u></u>



**Note 9 - Other Postemployment Benefit Plan (Continued)**

**Contributions**

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2019, the City made payments for postemployment health benefit premiums and additional contributions totaling \$1,119,330. Employees are not required to contribute to the plan.

**Net OPEB Liability**

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at June 30, 2018</b>	\$ 10,844,554	\$ 5,162,865	\$ 5,681,689
Changes for the year:			
Service cost	197,437	-	197,437
Interest	751,679	-	751,679
Differences between expected and actual experience	(1,363,704)	-	(1,363,704)
Changes in assumptions	454,947	-	454,947
Contributions - Employer	-	1,119,330	(1,119,330)
Net investment income	-	185,965	(185,965)
Benefit payments, including refunds	(403,330)	(403,330)	-
Administrative expenses	-	(11,878)	11,878
<b>Net changes</b>	<b>(362,971)</b>	<b>890,087</b>	<b>(1,253,058)</b>
<b>Balance at June 30, 2019</b>	<b>\$ 10,481,583</b>	<b>\$ 6,052,952</b>	<b>\$ 4,428,631</b>

The plan's fiduciary net position represents 57.7 percent of the total OPEB liability. Of the net total OPEB liability, \$3,094,388 has been allocated to governmental activities, and \$584,582 and \$749,661 has been allocated to the Water and Sewer funds, respectively.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the City recognized OPEB expense of \$488,807.

June 30, 2019

**Note 9 - Other Postemployment Benefit Plan (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,188,646)
Changes in assumptions	396,546	-
Net difference between projected and actual earnings on OPEB plan investments	131,558	-
Total	<u>\$ 528,104</u>	<u>\$ (1,188,646)</u>

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

Years Ending June 30	Amount
2020	\$ (86,143)
2021	(86,143)
2022	(86,143)
2023	(76,641)
2024	(116,657)
Thereafter	<u>(208,815)</u>
Total	<u>\$ (660,542)</u>

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.75 percent; an investment rate of return (net of investment expenses) of 7.00 percent; a healthcare cost trend rate of 8.50 percent for 2019, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2035 and later years; and the RP-2014 mortality tables with rates multiplied by 105 percent. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

**Note 9 - Other Postemployment Benefit Plan (Continued)**

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2019 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment note, are summarized in the following tables:

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

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability of the City of Saline OPEB Plan	\$ 5,848,914	\$ 4,428,631	\$ 3,253,757

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

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

	1 Percent Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1 Percent Increase (9.5%)
Net OPEB liability of the City of Saline OPEB Plan	\$ 3,222,742	\$ 4,428,631	\$ 5,894,613

**OPEB 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 9 - Other Postemployment Benefit Plan (Continued)**

***Assumption Changes***

Annual per capita claims costs were updated based on the most recent plan information provided by the insurer. Inflation was increased to 2.50 percent. The health care claims (cost) trend rates were updated to those detailed in the uniform assumptions published in accordance with Public Act 202 of 2017.

**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), which covers employees hired prior to June 30, 2008, plus union employees hired prior to June 30, 2008. Effective as of July 1, 2008, all of the collective bargaining agreements now require that any new union employees hired be enrolled in the Defined Contribution Under MERS Plan (MERS DC Plan) in the form of the ICMA Retirement Corporation Money Purchase Plan and Trust through the Declaration of Trust of Vantage Trust. All full-time nonunion employees hired after May 21, 2012 are eligible for this plan, which incorporates defined benefits and defined contributions. The defined benefit is exclusively funded by the City. The employee is required to contribute 0-10 percent annually to the defined contribution portion of their retirement not to exceed \$49,000. The MERS plan provides retirement, disability, and death benefits to the various plan members and their beneficiaries. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board.

MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

***Benefits Provided***

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

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

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

Retirement benefits for general 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. The vesting period is six years. Employees are eligible for nonduty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits equal 80 percent of the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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

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. The vesting period is six years. Employees are eligible for nonduty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits equal 80 percent of the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for 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. The vesting period is six years. Employees are eligible for nonduty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits equal 80 percent of the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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

Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	73
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	39
Total employees covered by MERS	122

**Contributions**

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2019, the average active employee contribution rate was 3.1 percent of annual pay, and the City's average contribution rate was 46.7 percent of annual payroll for the various employee groups.

June 30, 2019

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

**Net Pension Liability**

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2017</b>	\$ 27,027,691	\$ 18,018,202	\$ 9,009,489
Changes for the year:			
Service cost	320,359	-	320,359
Interest	2,105,574	-	2,105,574
Differences between expected and actual experience	334,354	-	334,354
Changes in assumptions	(2,881)	-	(2,881)
Contributions - Employer	-	1,341,313	(1,341,313)
Contributions - Employee	-	88,893	(88,893)
Net investment loss	-	(710,406)	710,406
Benefit payments, including refunds	(1,736,387)	(1,736,387)	-
Administrative expenses	-	(34,489)	34,489
Net changes	1,021,019	(1,051,076)	2,072,095
<b>Balance at December 31, 2018</b>	<u>\$ 28,048,710</u>	<u>\$ 16,967,126</u>	<u>\$ 11,081,584</u>

Of the net total pension liability, \$9,495,154 has been allocated to governmental activities, and \$417,635 and \$1,168,795 have been allocated to the Water and Sewer funds, respectively.

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,492,074.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 167,177	\$ (44,400)
Changes in assumptions	-	(1,441)
Net difference between projected and actual earnings on pension plan investments	1,297,480	-
Employer contributions to the plan subsequent to the measurement date	7,995	-
Total	<u>\$ 1,472,652</u>	<u>\$ (45,841)</u>

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

Of the net deferred outflows of resources, \$1,263,498 has been allocated to governmental activities, and \$68,633 and \$140,521 have been allocated to the Water and Sewer funds, respectively. Of the net deferred inflows of resources, \$39,393 has been allocated to governmental activities, and \$2,634 and \$3,814 has been allocated to the Water and Sewer funds, respectively.

Amounts reported as deferred outflows of resources and deferred inflows 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 (\$7,993), which will impact the net pension liability in fiscal year 2019, rather than pension expense.

Years Ending June 30	Amount
2020	\$ 575,793
2021	156,461
2022	258,585
2023	427,977
Total	<u>\$ 1,418,816</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	Long-term wage inflation
Investment rate of return	8.00%	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP2014 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend, with rates multiplied by 105 percent. For disabled retirees, the rates were based on the RP2014 Disabled Retiree Mortality Tables.

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

**Discount Rate**

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

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



June 30, 2019

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

**Investment Rate of Return**

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 the December 31, 2018 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the MERS Plan	\$ 13,951,251	\$ 11,081,584	\$ 8,618,591

**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 of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 11 - Joint Venture**

The City participates as a member of the Saline area fire department, which provides fire protection services to the residents of the City of Saline, Michigan 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	\$ 388,805
Fire runs	2,862
Capital improvements	16,945
Total	<u>\$ 408,612</u>

The City has a liability related to this joint venture of \$711,483 as of June 30, 2019.



June 30, 2019

**Note 11 - Joint Venture (Continued)**

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:

	Primary Government			Total
	Combining General Fund	Saline Recreation Complex Fund	Nonmajor Funds	
Nonspendable - Long-term receivable	\$ 151,382	\$ -	\$ -	\$ 151,382
Restricted:				
State 911 dispatch training	12,823	-	-	12,823
Recreation	-	223,984	-	223,984
Solid waste	-	-	51,901	51,901
Roads	-	-	2,292,050	2,292,050
CADETS	3,788	-	-	3,788
Drug forfeiture	6,023	-	-	6,023
DARE/TEAM	5,104	-	-	5,104
Total restricted	27,738	223,984	2,343,951	2,595,673
Committed:				
TIFA/Business area	3,135	-	-	3,135
Recreation	-	807,561	-	807,561
Cemetery perpetual care	-	-	875,084	875,084
Building authority	-	-	28,831	28,831
TIFA projects	42,000	-	-	42,000
Total committed	45,135	807,561	903,915	1,756,611
Assigned:				
Legislative changes	867,627	-	-	867,627
Unfunded liabilities	350,000	-	-	350,000
Donations to public safety	15,133	-	-	15,133
Sauk Trail	986,154	-	-	986,154
Culture and arts	1,141	-	-	1,141
Total assigned	2,220,055	-	-	2,220,055
Unassigned*	1,786,183	-	-	1,786,183
Total fund balance	\$ 4,230,493	\$ 1,031,545	\$ 3,247,866	\$ 8,509,904

\*Unassigned fund balance contains \$32,408 related to the Fire Department Special Assessment component of the General Fund.

**Note 13 - Fair Value Measurements**

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

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

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

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

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

As of June 30, 2019, the fair value of those investments are as follows:

Michigan CLASS investment pool	\$ 6,226,482
Comerica J Fund	<u>116,741</u>
Total investments measured at NAV	<u><u>\$ 6,343,223</u></u>

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

The Comerica J Fund is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares since the pool does not meet the requirements under GASB Statement No. 79 to report its value for financial reporting purposes at amortized cost.

There were no unfunded commitments or redemptions associated with these investments.

**Note 14 - Tax Abatements**

The City receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) granted by cities, villages, and townships within the boundaries of the City. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property for up to 12 years.

For the fiscal year ended June 30, 2019, the City abated \$163,949 of taxes under these programs. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 5,976,937	\$ 6,012,750	\$ 6,016,348	\$ 3,598
State sources	1,167,869	1,315,714	1,512,361	196,647
Charges for services	778,150	786,050	792,077	6,027
Fines and forfeitures	36,700	46,700	58,454	11,754
Licenses and permits:				
Cable franchise fees	241,500	241,500	238,944	(2,556)
Other licenses and permits	371,100	463,200	476,481	13,281
Interest and rentals	41,850	70,500	76,776	6,276
Other revenue	710,206	760,728	731,545	(29,183)
Total revenue	9,324,312	9,697,142	9,902,986	205,844
<b>Expenditures</b>				
Current services:				
General government	3,955,926	4,596,604	4,541,397	55,207
Legislative	62,742	64,059	57,312	6,747
Public safety	2,544,186	2,557,672	2,434,982	122,690
Public works	1,064,968	1,069,974	990,001	79,973
Cemetery	39,966	41,394	49,395	(8,001)
Engineering department	123,598	123,670	119,869	3,801
Recreation and culture	313,957	325,938	336,460	(10,522)
Capital outlay	296,000	518,968	393,978	124,990
Debt service	335,783	335,783	335,784	(1)
Total expenditures	8,737,126	9,634,062	9,259,178	374,884
<b>Excess of Revenue Over Expenditures</b>	587,186	63,080	643,808	580,728
<b>Other Financing Sources (Uses)</b>				
Transfers in	16,045	17,395	2,978	(14,417)
Transfers out	(576,000)	(836,100)	(836,100)	-
Total other financing uses	(559,955)	(818,705)	(833,122)	(14,417)
<b>Net Change in Fund Balance</b>	27,231	(755,625)	(189,314)	566,311
<b>Fund Balance - Beginning of year</b>	4,419,807	4,419,807	4,419,807	-
<b>Fund Balance - End of year</b>	<u>\$ 4,447,038</u>	<u>\$ 3,664,182</u>	<u>\$ 4,230,493</u>	<u>\$ 566,311</u>

Required Supplemental Information  
 Budgetary Comparison Schedule - Major Special Revenue Fund  
 Saline Recreation Complex Fund

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Charges for services	\$ 1,536,189	\$ 1,501,192	\$ 1,486,689	\$ (14,503)
Interest and rentals	-	18,100	19,188	1,088
Other revenue	18,500	36,076	36,346	270
Total revenue	1,554,689	1,555,368	1,542,223	(13,145)
<b>Expenditures</b>				
Current services -				
Recreation and culture	1,578,484	1,535,045	1,450,240	84,805
Capital outlay	133,500	149,900	138,232	11,668
Debt service	233,306	233,306	233,179	127
Total expenditures	1,945,290	1,918,251	1,821,651	96,600
<b>Excess of Expenditures Over Revenue</b>	(390,601)	(362,883)	(279,428)	83,455
<b>Other Financing Sources</b> - Transfers in	256,306	256,306	256,306	-
<b>Net Change in Fund Balance</b>	(134,295)	(106,577)	(23,122)	83,455
<b>Fund Balance</b> - Beginning of year	1,054,667	1,054,667	1,054,667	-
<b>Fund Balance</b> - End of year	<u>\$ 920,372</u>	<u>\$ 948,090</u>	<u>\$ 1,031,545</u>	<u>\$ 83,455</u>

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

Last Five Years Ended December 31  
(subsequent to GASB Statement No. 68 implementation in fiscal year 2015)

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 320,359	\$ 316,570	\$ 324,151	\$ 356,277	\$ 362,829
Interest	2,105,574	2,062,003	2,024,122	1,868,660	1,805,002
Differences between expected and actual experience	334,354	(134,191)	(252,310)	642,537	-
Changes in assumptions	(2,881)	-	-	1,286,394	-
Benefit payments, including refunds	(1,736,387)	(1,666,855)	(1,570,430)	(1,403,057)	(1,382,798)
<b>Net Change in Total Pension Liability</b>	1,021,019	577,527	525,533	2,750,811	785,033
<b>Total Pension Liability - Beginning of year</b>	27,027,691	26,450,164	25,924,631	23,173,820	22,388,787
<b>Total Pension Liability - End of year</b>	<b>\$ 28,048,710</b>	<b>\$ 27,027,691</b>	<b>\$ 26,450,164</b>	<b>\$ 25,924,631</b>	<b>\$ 23,173,820</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 1,341,313	\$ 1,112,524	\$ 826,095	\$ 1,019,116	\$ 618,561
Contributions - Member	88,893	77,025	84,072	178,104	129,388
Net investment (loss) income	(710,406)	2,136,303	1,712,804	(233,403)	971,540
Administrative expenses	(34,489)	(33,771)	(33,923)	(34,370)	(35,601)
Benefit payments, including refunds	(1,736,387)	(1,666,855)	(1,570,430)	(1,403,057)	(1,382,798)
<b>Net Change in Plan Fiduciary Net Position</b>	(1,051,076)	1,625,226	1,018,618	(473,610)	301,090
<b>Plan Fiduciary Net Position - Beginning of year</b>	18,018,202	16,392,976	15,374,358	15,847,968	15,546,878
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 16,967,126</b>	<b>\$ 18,018,202</b>	<b>\$ 16,392,976</b>	<b>\$ 15,374,358</b>	<b>\$ 15,847,968</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 11,081,584</b>	<b>\$ 9,009,489</b>	<b>\$ 10,057,188</b>	<b>\$ 10,550,273</b>	<b>\$ 7,325,852</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	60.49 %	66.67 %	61.98 %	59.30 %	68.39 %
<b>Covered Payroll</b>	\$ 2,871,393	\$ 2,757,790	\$ 2,797,436	\$ 3,163,992	\$ 3,209,773
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	385.93 %	326.69 %	359.51 %	333.45 %	228.24 %

Required Supplemental Information  
Schedule of Pension Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,041,888	\$ 973,692	\$ 805,287	\$ 721,984	\$ 615,968	\$ 624,617	\$ 661,319	\$ 710,133	\$ 733,772	\$ 686,876
Contributions in relation to the actuarially determined contribution	1,258,250	1,033,824	985,744	721,984	640,968	624,617	661,319	710,133	1,559,010	686,876
<b>Contribution Excess</b>	<b>\$ 216,362</b>	<b>\$ 60,132</b>	<b>\$ 180,457</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 825,238</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 2,871,393</b>	<b>\$ 2,757,790</b>	<b>\$ 2,797,436</b>	<b>\$ 3,163,992</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>Contributions as a Percentage of Covered Employee Payroll</b>	<b>43.82 %</b>	<b>37.49 %</b>	<b>35.24 %</b>	<b>22.82 %</b>	<b>19.97 %</b>	<b>19.37 %</b>	<b>19.40 %</b>	<b>20.00 %</b>	<b>41.95 %</b>	<b>18.40 %</b>

Notes to Schedule of Pension 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	20 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	8.00 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 percent male 50 percent female blend of the following tables: 1. The RP 2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent 2. The RP 2014 Employee Mortality Tables 3. The RP 2014 Juvenile Mortality Tables
Other information	None

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

	<b>Last Two Fiscal Years</b>	
	<b>(subsequent to GASB Statement No. 75 implementation in fiscal year 2018)</b>	
	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 197,437	\$ 190,302
Interest	751,679	709,188
Differences between expected and actual experience	(1,363,704)	-
Changes in assumptions	454,947	-
Benefit payments, including refunds	(403,330)	(372,374)
<b>Net Change in Total OPEB Liability</b>	(362,971)	527,116
<b>Total OPEB Liability - Beginning of year</b>	10,844,554	10,317,438
<b>Total OPEB Liability - End of year</b>	<b>\$ 10,481,583</b>	<b>\$ 10,844,554</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,119,330	\$ 752,374
Net investment income	185,965	370,122
Administrative expenses	(11,878)	(12,024)
Benefit payments, including refunds	(403,330)	(372,374)
<b>Net Change in Plan Fiduciary Net Position</b>	890,087	738,098
<b>Plan Fiduciary Net Position - Beginning of year</b>	5,162,865	4,424,767
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 6,052,952</b>	<b>\$ 5,162,865</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 4,428,631</b>	<b>\$ 5,681,689</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	57.75 %	47.61 %
<b>Covered Employee Payroll</b>	\$ 2,308,836	\$ 2,285,527
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	191.81 %	248.59 %



Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 503,357	\$ 507,583	\$ 667,807	\$ 674,409	\$ 700,059	\$ 678,269	\$ 623,693	\$ 589,134	\$ 583,089	\$ 557,981
Contributions in relation to the actuarially determined contribution	1,119,330	752,374	667,807	674,409	700,059	678,269	623,693	589,134	583,089	557,981
<b>Contribution Excess</b>	<b>\$ 615,973</b>	<b>\$ 244,791</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,308,836</b>	<b>\$ 2,285,527</b>	<b>\$ 3,542,932</b>	<b>\$ 3,542,932</b>	<b>\$ 3,652,043</b>	<b>\$ 3,458,856</b>	<b>\$ 3,291,325</b>	<b>\$ 3,291,325</b>	<b>\$ 3,397,290</b>	<b>\$ 3,549,884</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>48.48 %</b>	<b>32.92 %</b>	<b>18.85 %</b>	<b>19.04 %</b>	<b>19.17 %</b>	<b>19.61 %</b>	<b>18.95 %</b>	<b>17.90 %</b>	<b>17.16 %</b>	<b>15.72 %</b>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year 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	Individual entry age normal as a level percentage of payroll
Amortization method	Level percent of pay
Remaining amortization period	29 years
Asset valuation method	Market value
Inflation	2.50 percent
Healthcare cost trend rates	8.5 percent, decreasing to 4.5 percent
Salary increase	3.75 percent
Investment rate of return	7.00 percent
Mortality	RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent

***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, 2018 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.

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

**Excess of Expenditures Over Appropriations in Budgeted Funds**

The City had budget overruns in the General Fund. These overruns relate to the overall timing of expenditures that came in subsequent to year end that pertained to the fiscal year ended June 30, 2019.

***Changes in Assumptions***

In 2019, for the OPEB valuation, the annual per capita claims costs were updated based on the most recent plan information provided by the insurer. Inflation was increased to 2.50 percent. The health care claims (cost) trend rates were updated to those detailed in the uniform assumptions published in accordance with Public Act 202 of 2017.

In 2016, the pension valuation changed the investment rate of return, net of investment expense, including inflation, from 8.25 percent to 7.75 percent.

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## Other Supplemental Information

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June 30, 2019

	Special Revenue Funds				Debt Service Funds				Total
	Major Streets Fund	Local Streets Fund	Cemetery Perpetual Care Fund	Solid Waste and Reclamation Fund	Total Special Revenue Funds	Municipal Streets Fund	Building Authority Fund	Total Debt Service Funds	
<b>Assets</b>									
Cash and cash equivalents	\$ 1,449,038	\$ 537,469	\$ 873,660	\$ 173,517	\$ 3,033,684	\$ 16,750	\$ 28,831	\$ 45,581	\$ 3,079,265
Receivables:									
Customer receivables	169,475	-	1,424	-	170,899	-	-	-	170,899
Due from other governments	112,022	39,175	-	-	151,197	-	-	-	151,197
Due from component units	12,404	-	-	190	12,594	-	-	-	12,594
<b>Total assets</b>	<b>\$ 1,742,939</b>	<b>\$ 576,644</b>	<b>\$ 875,084</b>	<b>\$ 173,707</b>	<b>\$ 3,368,374</b>	<b>\$ 16,750</b>	<b>\$ 28,831</b>	<b>\$ 45,581</b>	<b>\$ 3,413,955</b>
<b>Liabilities</b>									
Accounts payable	\$ 30,668	\$ 8,182	\$ -	\$ 120,657	\$ 159,507	\$ -	\$ -	\$ -	\$ 159,507
Accrued liabilities and other	4,014	1,052	-	1,149	6,215	367	-	367	6,582
<b>Total liabilities</b>	<b>34,682</b>	<b>9,234</b>	<b>-</b>	<b>121,806</b>	<b>165,722</b>	<b>367</b>	<b>-</b>	<b>367</b>	<b>166,089</b>
<b>Fund Balances</b>									
Restricted:									
Solid waste	-	-	-	51,901	51,901	-	-	-	51,901
Roads	1,708,257	567,410	-	-	2,275,667	16,383	-	16,383	2,292,050
Committed:									
Cemetery perpetual care	-	-	875,084	-	875,084	-	-	-	875,084
Building authority	-	-	-	-	-	-	28,831	28,831	28,831
<b>Total fund balances</b>	<b>1,708,257</b>	<b>567,410</b>	<b>875,084</b>	<b>51,901</b>	<b>3,202,652</b>	<b>16,383</b>	<b>28,831</b>	<b>45,214</b>	<b>3,247,866</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,742,939</b>	<b>\$ 576,644</b>	<b>\$ 875,084</b>	<b>\$ 173,707</b>	<b>\$ 3,368,374</b>	<b>\$ 16,750</b>	<b>\$ 28,831</b>	<b>\$ 45,581</b>	<b>\$ 3,413,955</b>

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

Year Ended June 30, 2019

	Special Revenue Funds				Debt Service Funds				Total
	Major Streets Fund	Local Streets Fund	Cemetery Perpetual Care Fund	Solid Waste and Reclamation Fund	Total Special Revenue Funds	Municipal Streets Fund	Building Authority Fund	Total Debt Service Funds	
<b>Revenue</b>									
Property taxes	\$ -	\$ -	\$ -	\$ 667,438	\$ 667,438	\$ 224,445	\$ -	\$ 224,445	\$ 891,883
State sources	689,942	326,898	-	-	1,016,840	-	-	-	1,016,840
Charges for services	-	-	45,324	189	45,513	-	-	-	45,513
Interest and rentals	16,885	2,069	11,159	12,333	42,446	457	-	457	42,903
Other revenue	50,000	171,650	-	-	221,650	-	-	-	221,650
<b>Total revenue</b>	<b>756,827</b>	<b>500,617</b>	<b>56,483</b>	<b>679,960</b>	<b>1,993,887</b>	<b>224,902</b>	<b>-</b>	<b>224,902</b>	<b>2,218,789</b>
<b>Expenditures</b>									
Current services:									
General government	-	-	-	272	272	10,086	-	10,086	10,358
Public works	562,807	374,917	-	707,185	1,644,909	-	-	-	1,644,909
Debt service	-	-	-	-	-	222,005	319,694	541,699	541,699
<b>Total expenditures</b>	<b>562,807</b>	<b>374,917</b>	<b>-</b>	<b>707,457</b>	<b>1,645,181</b>	<b>232,091</b>	<b>319,694</b>	<b>551,785</b>	<b>2,196,966</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>194,020</b>	<b>125,700</b>	<b>56,483</b>	<b>(27,497)</b>	<b>348,706</b>	<b>(7,189)</b>	<b>(319,694)</b>	<b>(326,883)</b>	<b>21,823</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in	260,100	80,000	-	-	340,100	-	319,694	319,694	659,794
Transfers out	(80,000)	-	(2,978)	-	(82,978)	-	-	-	(82,978)
<b>Total other financing (uses) sources</b>	<b>180,100</b>	<b>80,000</b>	<b>(2,978)</b>	<b>-</b>	<b>257,122</b>	<b>-</b>	<b>319,694</b>	<b>319,694</b>	<b>576,816</b>
<b>Net Change in Fund Balances</b>	<b>374,120</b>	<b>205,700</b>	<b>53,505</b>	<b>(27,497)</b>	<b>605,828</b>	<b>(7,189)</b>	<b>-</b>	<b>(7,189)</b>	<b>598,639</b>
<b>Fund Balances - Beginning of year</b>	<b>1,334,137</b>	<b>361,710</b>	<b>821,579</b>	<b>79,398</b>	<b>2,596,824</b>	<b>23,572</b>	<b>28,831</b>	<b>52,403</b>	<b>2,649,227</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,708,257</b>	<b>\$ 567,410</b>	<b>\$ 875,084</b>	<b>\$ 51,901</b>	<b>\$ 3,202,652</b>	<b>\$ 16,383</b>	<b>\$ 28,831</b>	<b>\$ 45,214</b>	<b>\$ 3,247,866</b>

**City of Saline, Michigan**

Other Supplemental Information  
Statement of Net Position/Governmental Fund Balance Sheet  
Economic Development Corporation

**June 30, 2019**

	Balance Sheet	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 18,684	\$ -	\$ 18,684
Due from other funds	15,908	-	15,908
Total assets	<b>\$ 34,592</b>	-	34,592
<b>Liabilities - Accounts payable</b>	\$ 10,768	-	10,768
<b>Fund Balance - Assigned</b>	23,824	(23,824)	-
Total liabilities and fund balance	<b>\$ 34,592</b>		
<b>Net Position - Unrestricted</b>		<b>\$ 23,824</b>	<b>\$ 23,824</b>

**City of Saline, Michigan**

Other Supplemental Information  
Statement of Net Position/Governmental Fund Balance Sheet  
Tax Increment Finance Authority

**June 30, 2019**

	Balance Sheet	Adjustments	Statement of Net Position
<b>Assets - Cash</b>	\$ 394,260	\$ -	\$ 394,260
Total assets	<b>\$ 394,260</b>	-	394,260
<b>Liabilities</b>			
Due to other governmental units	\$ 10,257	-	10,257
Due to primary government	69,981	-	69,981
Due to other funds	15,908	-	15,908
Total liabilities	96,146	-	96,146
<b>Fund Balance - Committed</b>	298,114	(298,114)	-
Total liabilities and fund balance - Committed	<b>\$ 394,260</b>		
<b>Net Position - Unrestricted</b>		<b>\$ 298,114</b>	<b>\$ 298,114</b>

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

**June 30, 2019**

	Balance Sheet	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 310,431	\$ -	\$ 310,431
Capital assets - Assets not subject to depreciation	-	40,749	40,749
Total assets	<b>\$ 310,431</b>	40,749	351,180
<b>Liabilities</b>			
Due to other governmental units	\$ 3,043	-	3,043
Due to primary government	12,404	-	12,404
Total liabilities	15,447	-	15,447
<b>Fund Balance - Committed</b>	294,984	(294,984)	-
Total liabilities and fund balance	<b>\$ 310,431</b>		
<b>Net Position</b>			
Net investment in capital assets		40,749	40,749
Unrestricted		294,984	294,984
Total net position		<b>\$ 335,733</b>	<b>\$ 335,733</b>



**Other Supplemental Information  
Budgetary Comparison Schedules - Component Units  
Economic Development Corporation**

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Charges for services	\$ 28,795	\$ 28,795	\$ 18,918	\$ (9,877)
Other revenue	89,585	93,138	95,888	2,750
Total revenue	118,380	121,933	114,806	(7,127)
<b>Expenditures - Current services -</b>				
General government:				
Professional services	42,220	42,022	42,818	(796)
Community relations	36,750	36,750	25,438	11,312
Promotional services	36,130	39,183	20,360	18,823
Other	375	3,055	3,574	(519)
Total expenditures	115,475	121,010	92,190	28,820
<b>Net Change in Fund Balance</b>	2,905	923	22,616	21,693
<b>Fund Balance - Beginning of year</b>	1,208	1,208	1,208	-
<b>Fund Balance - End of year</b>	<b>\$ 4,113</b>	<b>\$ 2,131</b>	<b>\$ 23,824</b>	<b>\$ 21,693</b>

**City of Saline, Michigan**

Other Supplemental Information  
 Budgetary Comparison Schedules - Component Units (Continued)  
 Tax Increment Finance Authority

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 641,178	\$ 644,899	\$ 644,899	\$ -
Unrestricted investment income	4,500	5,500	5,996	496
Total revenue	645,678	650,399	650,895	496
<b>Expenditures - Current services -</b>				
General government:				
Administrative	100,200	100,250	100,486	(236)
Community relations	8,500	4,850	10,435	(5,585)
Contributions to Major Streets Fund	586,845	417,845	412,522	5,323
Contributions to Water and Sewer funds	127,692	66,692	66,692	-
Total expenditures	823,237	589,637	590,135	(498)
<b>Net Change in Fund Balance</b>	(177,559)	60,762	60,760	(2)
<b>Fund Balance - Beginning of year</b>	237,354	237,354	237,354	-
<b>Fund Balance - End of year</b>	<u>\$ 59,795</u>	<u>\$ 298,116</u>	<u>\$ 298,114</u>	<u>\$ (2)</u>

**City of Saline, Michigan**

Other Supplemental Information  
 Budgetary Comparison Schedules - Component Units (Continued)  
 Local Development Finance Authority

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 698,910	\$ 706,908	\$ 706,908	\$ -
Unrestricted investment income	4,500	5,000	5,295	295
Total revenue	703,410	711,908	712,203	295
<b>Expenditures - Current services -</b>				
General government:				
Administrative	98,698	98,645	58,106	40,539
Contributions to Municipal Streets Fund	496,627	480,787	485,734	(4,947)
Contributions to Water and Sewer funds	137,509	137,509	123,856	13,653
Total expenditures	732,834	716,941	667,696	49,245
<b>Net Change in Fund Balance</b>	(29,424)	(5,033)	44,507	49,540
<b>Fund Balance - Beginning of year</b>	291,226	291,226	291,226	-
<b>Fund Balance - End of year</b>	<b>\$ 261,802</b>	<b>\$ 286,193</b>	<b>\$ 335,733</b>	<b>\$ 49,540</b>

Other Supplemental Information  
Combining Balance Sheet  
General Fund

June 30, 2019

	<u>General Fund</u>	<u>Fire Department Special Assessment</u>	<u>Total Combining General Fund</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,912,116	\$ 32,984	\$ 3,945,100
Receivables	454,600	-	454,600
Due from component units	50,001	-	50,001
Due from other funds	3,050	-	3,050
Receivable due in more than one year	151,382	-	151,382
	<u>\$ 4,571,149</u>	<u>\$ 32,984</u>	<u>\$ 4,604,133</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 229,280	\$ 576	\$ 229,856
Due to other funds	326	-	326
Accrued liabilities and other	143,458	-	143,458
	<u>373,064</u>	<u>576</u>	<u>373,640</u>
Total liabilities			
<b>Fund Balances</b>			
Nonspendable	151,382	-	151,382
Restricted	27,738	-	27,738
Committed	45,135	-	45,135
Assigned	2,220,055	-	2,220,055
Unassigned	1,753,775	32,408	1,786,183
	<u>4,198,085</u>	<u>32,408</u>	<u>4,230,493</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 4,571,149</u>	<u>\$ 32,984</u>	<u>\$ 4,604,133</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in Fund**  
**Balances**  
**General Fund**

**Year Ended June 30, 2019**

	General Fund	Fire Department Special Assessment	Total Combining General Fund
<b>Revenue</b>			
Property taxes	\$ 6,016,348	\$ -	\$ 6,016,348
State sources	1,512,361	-	1,512,361
Charges for services	792,077	-	792,077
Fines and forfeitures	58,454	-	58,454
Licenses and permits	715,425	-	715,425
Interest and rentals	76,273	503	76,776
Other revenue	320,795	410,750	731,545
	9,491,733	411,253	9,902,986
<b>Expenditures</b>			
Current services:			
General government	4,541,397	-	4,541,397
Legislative	57,312	-	57,312
Public safety	2,026,425	408,557	2,434,982
Public works	990,001	-	990,001
Cemetery	49,395	-	49,395
Engineering department	119,869	-	119,869
Recreation and culture	336,460	-	336,460
Capital outlay	393,978	-	393,978
Debt service	335,784	-	335,784
	8,850,621	408,557	9,259,178
<b>Excess of Revenue Over Expenditures</b>	641,112	2,696	643,808
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,978	-	2,978
Transfers out	(836,100)	-	(836,100)
	(833,122)	-	(833,122)
<b>Net Change in Fund Balances</b>	(192,010)	2,696	(189,314)
<b>Fund Balances - Beginning of year</b>	4,390,095	29,712	4,419,807
<b>Fund Balances - End of year</b>	\$ 4,198,085	\$ 32,408	\$ 4,230,493