
City of Clio, Michigan

**Comprehensive Annual Financial Report
with Supplemental Information
Fiscal Year Ended June 30, 2019**

**Prepared by
Eric Wiederhold, City Administrator
Linda Kingston, Clerk
Donald Dowell, Treasurer**

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List of Elected and Appointed Officials

Elected Officials

Bonnie Bare City Commission - Mayor
David Fejedelem City Commission
D.J. Williams..... City Commission
Duane Mosher..... City Commission
Doug Vance City Commission
A.J. Girard City Commission
Cindy Promenchenkel City Commission

Appointed Officials

Eric Wiederhold City Administrator
Linda Kingston City Clerk
Donald Dowell City Treasurer
Rick Witham Police Chief
Arnold Brown..... Department of Public Service Superintendent
Landmark Appraisal Company..... Assessor



505 West Vienna Street • Clio, Michigan 48420 • (810) 686-5850

Hearing or Speech Impaired Services Available by Dialing 711

www.clio.govoffice.com

November 22, 2019

Honorable Mayor, City Commission and
Citizens of the City of Clio
505 West Vienna Street
Clio, Michigan 48420

The *City of Clio Comprehensive Annual Financial Report with Supplemental Information for the fiscal year ended June 30, 2019* is hereby submitted as required by state law and the Charter of the City of Clio.

This *Report* consists of management's representation of the City's finances. Consequently, management assumes responsibility for the accuracy of the data and the completeness of all statements, schedules, notes and analysis.

Plante & Moran, PLLC, certified public accountants, have issued an unmodified opinion of the City's financial statements. The independent auditors report is located at the front of the financial section of this report.

This letter of transmittal is intended to compliment management's discussion and analysis (MD&A) of the City's basic financial statement and should be read in conjunction with it. The City's MD&A follows the independent auditor's report.

Reporting Entity

This *Report* includes information on the City of Clio and its component unit ---
Downtown Development Authority.

The City provides a full range of municipal services including general government, highways and streets, public safety, public works, recreation and cultural as well as water and sewer.

Government Structure

The City of Clio was incorporated in 1928 as the successor to the Village of Clio which was incorporated in 1873. This community of 2,646 residents encompasses an area approximating one square mile located in northern Genesee County along the I-75 corridor approximately 17 miles north of the City of Flint and 23 miles south of the City of Saginaw.

The City operates under a Council-Manager (Administrator) form of government with registered voters electing a seven-member City Commission to staggered terms of four years. The Commission is the legislative body of the City responsible for the adoption of an annual budget, ordinances and policies.

The City Administrator is appointed by the Commission to an indefinite term as the City's chief administrative officer responsible for the daily operations of the City and its several departments and functions.

Local Economy

The City of Clio is a distressed community with a median household income of \$36,025 (2017) compared to a statewide median household income of \$52,668 (2017); a difference of \$16,643. These median household incomes lag behind a national median household income of \$57,652 (2017) for a difference of \$21,627 and \$4,984 respectively.

The median value of owner occupied [housing] units is \$69,700 (2017) in the City compared with \$136,400 (2017) in the State; a difference of \$66,700. These median values of owner-occupied units lag behind a national median value of owner-occupied units of \$193,500 (2017) for a difference of \$123,000 and \$57,100 respectively.

The median gross rents for occupied units paying rent is \$619 (2017) in the City compared with \$824 (2017) in the State; a difference of \$205. These median gross rents for occupied units paying rents lag behind national median gross rents for occupied units paying rents of \$982 (2017) for a difference of \$363 and \$158 respectively.

Budgeting and Long-term Financial Planning

The City Administrator performs the duties of budget officer as prescribed by state law and Charter. It is the responsibility of the budget officer to prepare and submit to the Commission, on or before the first regular meeting in April of each year, a budget with detailed estimates of anticipated revenues and expected expenditures with supporting explanations.

The Commission shall adopt the budget by the third Monday in May of each year. Amendments to the adopted budget are prepared and submitted to the Commission on a quarterly basis or as may be necessary from time-to-time.

Budgeted expenditures within each fund are authorized, as follows:

- \$1,000 or less requires the approval of the responsible department head;
- greater than \$1,000, but \$5,000 or less requires the approval of the City Administrator; and
- greater than \$5,000 requires the approval of the City Commission.

Unbudgeted expenditures within each fund are authorized, as follows:

- \$500 or less requires the approval of the City Administrator; and
- Greater than \$500 requires the approval of the City Commission

Financial Oversight

State statutes and City Charter require an annual financial audit by independent certified public accountants. The City Commission selected the firm of Plante & Moran, PLLC to perform this audit. Plante & Moran, in conducting its audit of the City's basic financial statements, used auditing standards generally accepted in the United States of America.

Major Initiatives

The City achieved some notable accomplishments during the past fiscal year including:

- Initiated significant water distribution system improvements financed, in part, with proceeds of a \$1,080,000 grant award from the United States Department of Agriculture; and
- Milled and resurfaced Tacoma Court at a cost of \$84,000.

Future Major Initiatives

The City hopes to achieve additional notable accomplishments during the current fiscal year including:

- Complete significant water distribution system improvements begun during the previous fiscal year;
- Complete the City's 2019 Neighborhood Street Improvement Program financed, in part, with proceeds of a \$193,751 grant award from the Michigan Department of Environment, Great Lakes and Environment;
- Construct the Clio City Park Trailhead and Restroom financed, in part, with proceeds from a \$262,500 grant award from the Michigan Department of Natural Resources; and
- Review and amend, as necessary, the *City of Clio Personnel Policies*.

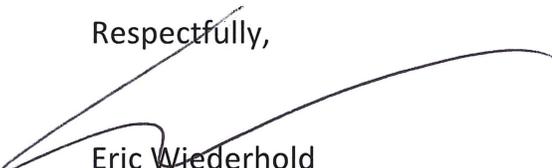
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Clio for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the fifth year that the City has received this recognition.

The GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The goal of the program is not to assess the financial health of participating governments, but rather to ensure that users of their financial statements have the information they need to do so themselves. This Report has been prepared to meet these standards.

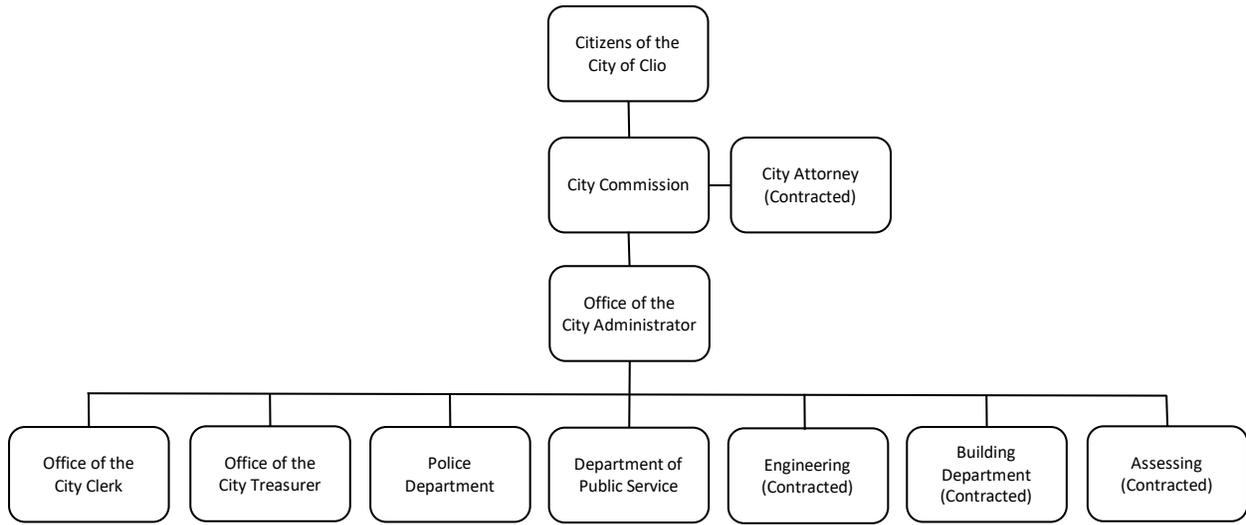
Statewide the City was one of 105 organizations to obtain this recognition. Locally, the cities of Burton, Flint, Fenton and Grand Blanc; the Charter Township of Grand Blanc; and Genesee County have also obtained this recognition.

Respectfully,



Eric Wiederhold
City Administrator

City of Clio Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Clio
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Independent Auditor's Report

To the Board of Commissioners
City of Clio, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clio, Michigan as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Clio, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

To the Board of Commissioners
City of Clio, Michigan

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, schedule of changes in the City's net pension liability and related ratios, schedule of city pension contributions, schedule of changes in the City's net OPEB liability and related ratios, schedule of city OPEB contributions, and schedule of city OPEB investment returns 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 Clio, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and the introductory and statistical section schedules are presented for the purpose of additional analysis and are 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.

The introductory and statistical section schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the City of Clio, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clio, Michigan's internal control over financial reporting and compliance.



November 22, 2019

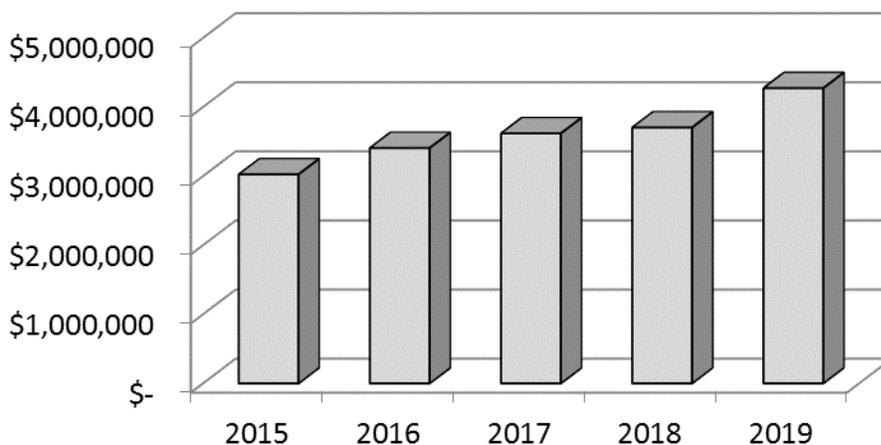
Overview of the Financial Statements

Management’s discussion and analysis of the City of Clio, Michigan’s (the “City”) financial performance, presented here, provides a narrative overview and analysis of the City’s financial activities for the fiscal year ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with the information furnished in the letter of transmittal presented earlier in this report and the financial statements which follow.

Financial Highlights

- Net position from governmental activities increased \$195,877 or 4.58 percent from \$4,273,510 to \$4,469,387; the sixth consecutive increase in the net position from governmental activities.

Net Position from Governmental Activities



- Net position from business-type activities increased \$729,821 or 18.92 percent from \$3,857,020 to \$4,586,841.

Net position from business-type activities increased during each fiscal year since the fiscal year ended June 30, 2004.

- General Fund property tax receipts increased \$19,129 or 2.48 percent from \$770,801 to \$789,930.

This is the first increase in property tax receipts since the property tax rate was increased 0.9246 mills or 5.16 percent from 17.0000 mills to 17.9246 mill for the fiscal year ended June 30, 2012. Beginning the fiscal year ended June 30, 2017, there was a slight property tax rate decrease of 0.0431 or 0.2 percent from 17.9246 mills to 17.8815 mills pursuant to Michigan’s Headlee Amendment.

Overall, the City’s property tax receipts are \$84,251 or 10.67 percent less than its fiscal year ended June 30, 2010 high of \$874,181.

Management's Discussion and Analysis (Continued)

The City as a Whole

The statement of net position and the statement of activities provide financial information about the City as a whole using the accrual method of accounting.

The statement of net position presents financial information about the City's assets and liabilities with the difference between the two reported as net position.

The statement of activities presents financial information about the City's revenue and expenditures during the past fiscal year with the difference between the two resulting in a change in net position from the previous year.

Changes in net position can serve as a barometer of the City's financial health with a positive trend in net position indicative of improving financial conditions.

These statements are divided into three categories:

- Governmental activities are normally financed by taxes or intergovernmental revenue that support the City's basic services to include administration, community and economic development, highways and streets, public safety, public service, and recreation and culture.
- Business-type activities are normally financed by fees and charges for services and include the City's amphitheater, sewer, and water.
- Component units are legally separate entities over which the City exercises control and include the City of Clio Downtown Development Authority and the City of Clio Neighborhood Improvement Authority.

Over the past fiscal year, the City's overall net position increased \$925,698 or 11.39 percent from \$8,130,530 to \$9,056,228 with the net position from governmental activities increasing \$195,877 or 4.58 percent from \$4,273,510 to \$4,469,387 and the net position from business-type activities increasing \$729,821 or 18.92 percent from \$3,857,020 to \$4,586,841 (see Exhibit 1).

Components of the City's net position include net investment in capital assets, restricted (net position) and unrestricted (net position). Investment in capital assets consists of capital assets (i.e. land, buildings, and equipment), net of accumulated depreciation, less any related debt attributable to the acquisition, construction, or improvement of those assets. Over the past fiscal year, the City's net investment in capital assets increased \$401,960 or 5.75 percent from \$6,989,507 to \$7,391,467 with the net investment in capital assets from governmental activities decreasing \$100,645 or 2.85% from \$3,531,194 to \$3,430,549 and the net investment in capital assets from business-type activities increasing \$502,605 or 14.53 percent from \$3,458,313 to \$3,960,918 (see Exhibit 1).

The City's restricted net position includes cash resources set aside for a specific purpose. Over the past fiscal year, the City's restricted net position increased \$252,354 or 82.21 percent from \$306,948 to \$559,302 with the restricted net position from governmental activities increasing \$242,154 or 78.89 percent from \$306,948 to \$549,102 and the restricted net position from business-type activities increasing \$10,200 or 100 percent from \$0 to \$10,200 (see Exhibit 1).

Management’s Discussion and Analysis (Continued)

The City’s unrestricted net position includes cash resources that may be utilized for general expenses. Over the past fiscal year, the City’s unrestricted net position increased \$271,384 or 32.54 percent from \$834,075 to \$1,105,459 with the unrestricted net position from governmental activities increasing \$54,368 or 12.49% from \$435,368 to \$489,736 and the unrestricted net position from business-type activities increasing \$217,016 or 54.43 percent from \$398,707 to \$615,723 (see Exhibit 1).

Exhibit 1: Summary Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Other assets	\$ 1,277,219	\$ 1,642,878	\$ 830,490	\$ 1,035,923	\$ 2,107,709	\$ 2,678,801
Capital assets	<u>3,789,473</u>	<u>3,649,571</u>	<u>3,475,313</u>	<u>5,268,918</u>	<u>7,264,786</u>	<u>8,918,489</u>
Total assets	5,066,692	5,292,449	4,305,803	6,304,841	9,372,495	11,597,290
Deferred outflows of resources	61,993	133,518	29,178	62,838	91,171	196,356
Current liabilities	45,676	81,990	200,847	164,022	246,523	246,012
Long-term liabilities	<u>754,768</u>	<u>798,498</u>	<u>251,360</u>	<u>1,581,008</u>	<u>1,006,128</u>	<u>2,379,506</u>
Total liabilities	800,444	880,488	452,207	1,745,030	1,252,651	2,625,518
Deferred inflows of resources	<u>54,731</u>	<u>76,092</u>	<u>25,754</u>	<u>35,808</u>	<u>80,485</u>	<u>111,900</u>
Net position:						
Net investment in capital assets	3,531,194	3,430,549	3,458,313	3,960,918	6,989,507	7,391,467
Restricted	306,948	549,102	-	10,200	306,948	559,302
Unrestricted	<u>435,368</u>	<u>489,736</u>	<u>398,707</u>	<u>615,723</u>	<u>834,075</u>	<u>1,105,459</u>
Total net position	<u>\$ 4,273,510</u>	<u>\$ 4,469,387</u>	<u>\$ 3,857,020</u>	<u>\$ 4,586,841</u>	<u>\$ 8,130,530</u>	<u>\$ 9,056,228</u>

Management's Discussion and Analysis (Continued)

Over the past fiscal year, the City's total revenue increased \$812,024 or 26.05 percent from \$3,117,004 to \$3,929,028 (including capital grants from federal sources) while total program expenses increased \$197,226 or 7.03 percent from \$2,806,104 to \$3,003,330. Revenue from governmental activities increased \$116,063 or 7.13 percent from \$1,627,054 to \$1,743,117 while program expenses from governmental activities increased \$14,375 or 0.94 percent from \$1,532,865 to 1,547,240. Revenue from business-type activities increased \$695,961 or 46.71 percent from \$1,489,950 to \$2,185,911 (including capital grants from federal sources) while program expenses from business-type activities increased \$182,851 or 14.36 percent from \$1,273,239 to \$1,456,090 (see Exhibit 2).

Exhibit 2: Summary Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenue						
Program revenue:						
Charges for services	\$ 184,324	\$ 202,219	\$ 1,489,722	\$ 1,498,253	\$ 1,674,046	\$ 1,700,472
Operating grants	283,862	270,622	-	-	283,862	270,622
Capital grants	11,975	41,413	-	-	11,975	41,413
General revenue:						
Property taxes	770,801	789,930	-	-	770,801	789,930
State-shared revenue	308,946	318,913	-	-	308,946	318,913
Investment earnings	3,294	14,186	228	7,392	3,522	21,578
Cable franchise fees	39,535	37,920	-	-	39,535	37,920
Gain on sale of capital assets	-	28,153	-	-	-	28,153
Other revenue	24,317	39,761	-	-	24,317	39,761
Total revenue	1,627,054	1,743,117	1,489,950	1,505,645	3,117,004	3,248,762
Program Expenses						
General government	386,332	386,305	-	-	386,332	386,305
Highways and streets	257,486	293,705	-	-	257,486	293,705
Public safety	582,124	546,035	-	-	582,124	546,035
Public works	224,505	243,607	-	-	224,505	243,607
Community and economic development	12,344	12,763	-	-	12,344	12,763
Recreation and culture	58,524	58,131	-	-	58,524	58,131
Interest on long-term debt	11,550	6,694	-	-	11,550	6,694
Water	-	-	815,202	974,146	815,202	974,146
Sewer	-	-	424,578	438,321	424,578	438,321
Amphitheater	-	-	33,459	43,623	33,459	43,623
Total expenses	1,532,865	1,547,240	1,273,239	1,456,090	2,806,104	3,003,330
Capital Contributions - Capital Grants- Federal Sources	-	-	-	680,266	-	680,266
Change in Net Position	94,189	195,877	216,711	729,821	310,900	925,698
Net Position - Beginning of year, as previously reported	3,677,851	4,273,510	3,444,516	3,857,020	7,122,367	8,130,530
Impact of GASB Statement No. 75*	501,470	-	195,793	-	697,263	-
Net Position - Beginning of year, as restated	4,179,321	4,273,510	3,640,309	3,857,020	7,819,630	8,130,530
Net Position - End of year	\$ 4,273,510	\$ 4,469,387	\$ 3,857,020	\$ 4,586,841	\$ 8,130,530	\$ 9,056,228

Fund Financial Statements

The fund financial statements provide more detailed information of the City's most significant funds during the past fiscal year. A fund is a self-balancing set of accounts used to maintain control over financial resources that have been segregated for specific activities or purposes. The City's most significant funds include its General Fund, Major Street Fund, and Local Street Fund, as well as its Water Fund and Sewer Fund.

The City's General Fund accounts for revenue not otherwise designated for a specific purpose.

Over the past fiscal year, the City's General Fund revenue increased \$57,506 or 4.86 percent from \$1,182,279 to \$1,239,785 while expenditures decreased \$27,342 or 2.63 percent from \$1,041,346 to \$1,014,004 with other financing uses subtracting \$188,556 for an increase in fund balance of \$37,225 or 5.64 percent from \$660,162 to \$697,387. The City maintains a fund balance to adequately account for cash flows and unexpected expenditures, and adverse fluctuations in the economy (see Exhibit 3).

Amendments to the City's General Fund budget are regularly considered throughout the fiscal year to adjust for variances to include the following amendments considered significant by management due to their percentage variation (in excess of 10 percent) and dollar value variance (over \$5,000):

- Commission decreased from its adopted budget of \$20,025 to its final amended budget of \$17,025 due to reduced City Commission attendance and a reduction in community promotion.
- Office of the Mayor decreased from its adopted budget of \$3,936 to its final amended budget of \$3,500 due to reduction in training and the lack of submissions for reimbursed travel.
- Elections decreased from its adopted budget of \$5,188 to its final amended budget of \$2,042 due as a result of fewer scheduled elections than anticipated.
- Retirement decreased from its adopted budget of \$6,223 to its final amended budget of \$5,000 due to lower than expected cost for retiree medical insurance benefit.
- Code enforcement increased from its adopted budget of \$2,388 to its final amended budget of \$4,388 due to higher than expected activity.
- Public service decreased from its adopted budget of \$101,217 to its final amended budget of \$84,217 due to the inability to undertake Department of Public Service yard improvements.
- Stormwater regulations decreased from its adopted budget of \$4,247 to its final amended budget of \$2,800 due to lower than anticipated costs.
- Zoning decreased from its adopted budget of \$469 to its final amended budget of \$0 due to the lack of applications.
- Planning decreased from its adopted budget of \$5,432 to its final amended budget of \$2,500 due to the lack of applications or activity.
- Parks decreased from its adopted budget of \$28,724 to its final amended budget of \$24,000 due to lower than anticipated costs for maintenance.

Management's Discussion and Analysis (Continued)

- Civic buildings increased from its adopted budget of \$12,644 to its final amended budget of \$31,100 due to the installation of a new heating and cooling system at Rogers Lodge and other improvements.
- Bike path decreased from its adopted budget of \$12,915 to its final amended budget of \$10,000 due to lower than anticipated costs for maintenance.

Readers desiring more detailed information on the City's General Fund variances should refer to the Budgetary Comparison Schedule - General Fund in the Required Supplemental Information.

Exhibit 3: Summary Statement of Governmental Funds Revenue and Expenditures

	General Fund		Major Street Fund		Local Street Fund	
	2018	2019	2018	2019	2018	2019
Revenue						
Program revenue:						
Charges for services	\$ 78,947	\$ 94,046	\$ -	\$ -	\$ 750	\$ 2,850
Operating grants	6,614	3,750	199,048	241,854	78,200	64,289
Capital grants	-	-	1,650	1,650	-	-
General revenue:						
Property taxes	770,801	789,930	-	-	-	-
State-shared revenue	243,574	253,551	-	-	-	-
Investment earnings	3,261	8,587	-	2,038	-	2,170
Other revenue	79,082	89,921	-	-	-	-
Total revenue	1,182,279	1,239,785	200,698	245,542	78,950	69,309
Program Expenses						
General government	285,020	270,215	15,285	13,503	12,713	10,654
Highways and streets	-	-	52,053	175,246	143,653	35,495
Public safety	575,954	537,920	-	-	-	-
Public works	124,367	139,227	-	-	-	-
Community and economic development	12,526	12,924	-	-	-	-
Recreation and culture	43,479	53,718	-	-	-	-
Capital outlay	-	-	-	-	-	-
Interest on long-term debt	-	-	62,423	-	2,150	686
Total expenses	1,041,346	1,014,004	129,761	188,749	158,516	46,835
Excess of Revenue Over (Under) Program Expenses	140,933	225,781	70,937	56,793	(79,566)	22,474
Other Financing (Uses) Sources	(140,946)	(188,556)	1,126	33,119	132,690	131,781
Change in Fund Balance	(13)	37,225	72,063	89,912	53,124	154,255
Fund Balance - Beginning of year	660,175	660,162	114,297	186,360	29,312	82,436
Fund Balance - End of year	\$ 660,162	\$ 697,387	\$ 186,360	\$ 276,272	\$ 82,436	\$ 236,691

The City's Major Street Fund accounts for revenue derived from the state gas and weight tax and other revenue sources that are restricted for use on its major streets.

Over the past fiscal year, the City's Major Street Fund revenue increased \$44,844 or 22.34 percent from \$200,698 to \$245,542 while expenditures increased \$58,988 or 45.46 percent from \$129,761 to \$188,749 with other financing sources adding \$33,119 for an increase in fund balance of \$89,912 or 48.25 percent from \$186,360 to \$276,272. The City maintains a fund balance to adequately account for cash flows, unexpected expenditures, and the undertaking of future street improvements without incurring unnecessary debt to include the \$200,000 mill and resurface of Smith Street in 2020 (see Exhibit 3).

Management's Discussion and Analysis (Continued)

The City's Local Street Fund accounts for revenue derived from the state gas and weight tax and other revenue sources that are restricted for use on its major streets.

Over the past fiscal year, the City's Local Street Fund revenue decreased \$9,641 or 12.21 percent from \$78,950 to \$69,309 while expenditures decreased \$111,681 or 70.45 percent from \$158,516 to \$46,835 with other financing sources adding \$131,781 for an increase in fund balance of \$154,255 or 187.12 percent from \$82,436 to \$236,691. The City maintains a fund balance to adequately account for cash flows, unexpected expenditures, and the undertaking of future street improvements without incurring unnecessary debt (see Exhibit 3).

The City's Water Fund accounts for revenue derived from the operations of its water distribution system.

Over the past fiscal year, the cash provided by operations of the City's Water Fund decreased \$407,106 or 140.56 percent from \$289,623 to a use of cash of \$117,483; the use of cash from capital and related financing activities decreased \$454,216 or 115.82 percent from a use of \$392,188 to cash provided of \$62,028; and cash provided from investment activities increased \$2,432 or 2,133.33 percent from \$114 to \$2,546 for a net decrease in cash and cash equivalents of \$52,909 or 22.07 percent from \$239,779 to \$186,870. The City maintains a cash balance to adequately account for cash flows, unexpected expenditures, adverse fluctuations in the economy, and undertake future water system improvements without incurring unnecessary debt (see Exhibit 4).

The City's Sewer Fund accounts for revenue derived from the operations of its sanitary sewer system.

Over the past fiscal year, the cash provided by operations of the City's Sewer Fund increased \$105,454 or 378.45 percent from \$27,865 to \$133,319; the use of cash from capital and related financing activities decreased \$49,419 or 82.65 percent from \$59,792 to \$10,373; and cash provided from investment activities increased \$4,732 or 4,150.88 percent from \$114 to \$4,846 for a net increase in cash and cash equivalents of \$127,792 or 34.28 percent from \$372,837 to \$500,629. The City maintains a cash balance to adequately account for cash flows, unexpected expenditures, adverse fluctuations in the economy, and the undertake future sanitary sewer system improvements without incurring unnecessary debt (see Exhibit 4).

Management’s Discussion and Analysis (Continued)

Exhibit 4: Summary Statement of Proprietary Funds’ Cash Flow

	Water Fund		Sewer Fund	
	2018	2019	2018	2019
Cash Flows from Operating Activities				
Receipt from customers	\$ 893,098	\$ 787,792	\$ 617,481	\$ 518,940
Receipts from interfund services	69,684		90,789	
Payments to suppliers	(484,731)	(736,426)	(565,041)	(260,763)
Payments to employees	(125,263)	(193,199)	(115,711)	(126,873)
Internal activity - Payments (to) from other funds	(90,430)	(1,445)	-	606
Other receipts	27,265	25,795	347	1,409
Net cash provided by (used in) operating activities	289,623	(117,483)	27,865	133,319
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(152,132)	(1,881,742)	(1,402)	(10,373)
Principal and interest paid on capital debt	(240,056)	(44,496)	(58,390)	
Receipt of capital grants		680,266		
Loan Proceeds		1,308,000		
Net cash (used in) provided by capital and related financing activities	(392,188)	62,028	(59,792)	(10,373)
Cash Flows from Investing Activities - Interest received on investments	114	2,546	114	4,846
Net (Decrease) Increase in Cash and Cash Equivalents	(102,451)	(52,909)	(31,813)	127,792
Cash and Cash Equivalents - Beginning of year	342,230	239,779	404,650	372,837
Cash and Cash Equivalents - End of year	<u>\$ 239,779</u>	<u>\$ 186,870</u>	<u>\$ 372,837</u>	<u>\$ 500,629</u>

Capital Assets and Debt Administration

The City maintains a broad range of capital assets to include buildings and property; parks and trails; police and public service vehicles and equipment; streets and sidewalks; and a water distribution system and a sanitary sewer system. The total value of these assets is made up of additions, disposals, and depreciation costs and reported as net investments in capital assets.

The City has incurred debt for public improvements to include streets and water mains.

Over the past fiscal year, the City’s debt has increased \$1,251,743 or 454.72 percent from \$275,279 to \$1,527,022, resulting from a decrease in debt from governmental activities of \$39,257 or 15.20 percent from \$258,279 to \$219,022 and an increase in debt from business-type activities of \$1,291,000 or 7,594.11 percent from \$17,000 to \$1,308,000. The increase in debt is attributable to water distribution system improvements financed during the past fiscal year with proceeds of a \$1,325,000 in loan and up to \$1,080,000 in grants through the United States Department of Agriculture. The work on these improvements began in July of 2018 is to be completed during the current fiscal year (see Note 6).

Readers desiring more detailed information on the City’s capital asset and long-term debt should refer to Notes 4 and 6.

Economic Factors and Next Year’s Budget and Rates

The City’s budget for the next fiscal year seeks to maintain the current level of municipal services provided in past years while improving deteriorating or failed infrastructure. However, the City will continue to be challenged to maintain this level of service and improve essential

Management's Discussion and Analysis (Continued)

infrastructure as a consequence of a decline in taxable value of \$8,156,527 or 18.37 percent from high of \$50,003,103 for the fiscal year ended June 30, 2009 to \$41,846,576 for the fiscal year ended June 30, 2019. It is for this reason, the City continues to aggressively seek grants to compensate for the resultant loss of property taxes and to minimize the impact of financing improvements to its essential infrastructure.

The City's water distribution system has a documented annual average water loss during the past 10 years of 18.28 percent which increased to 28.14 percent during the past fiscal year. The United States Environmental Protection Agency (EPA) estimated the average water loss in systems throughout the United States to average 16.00 percent of which "up to 75 percent of that is recoverable." Water loss increases the cost to operate the City's distribution system. This added cost must be incorporated in the City's rate schedule without benefit to rate payers. It is for this reason, the City undertook efforts to minimize its water loss with bonded improvements during the past fiscal year to include the installation of a master meter to Park Place, a private water system, and the replacement of older mains identified as "High Priority Projects" in *The City of Clio Water Reliability Study* and recently contracted for a leak analysis to locate undetected leaks.

Contacting the City's Management

This letter and these financial statements are intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show its accountability for the money it receives. You are welcome to contact the city administrator if you have questions about this letter or these financial statements or need additional information about the City.

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 1,502,680	\$ 767,216	\$ 2,269,896	\$ 53,783
Receivables:				
Customer receivables	-	136,496	136,496	-
Other receivables	31,934	-	31,934	-
Due from other governments	80,772	122,052	202,824	-
Prepaid expenses and other assets	-	10,159	10,159	-
Inventory - Land	27,492	-	27,492	-
Capital assets: (Note 4)				
Assets not subject to depreciation	520,377	27,545	547,922	305,175
Assets subject to depreciation	3,129,194	5,241,373	8,370,567	41,955
Total assets	5,292,449	6,304,841	11,597,290	400,913
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	115,678	54,442	170,120	-
Deferred OPEB costs (Note 10)	17,840	8,396	26,236	-
Total deferred outflows of resources	133,518	62,838	196,356	-
Liabilities				
Accounts payable	48,288	134,851	183,139	4,832
Accrued liabilities and other	33,702	15,421	49,123	-
Unearned revenue	-	13,750	13,750	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Compensated absences	4,839	2,578	7,417	-
Current portion of long-term debt	40,512	17,000	57,512	-
Due in more than one year:				
Net pension liability (Note 9)	372,032	175,088	547,120	-
Net OPEB liability (Note 10)	202,605	95,342	297,947	-
Long-term debt (Note 6)	178,510	1,291,000	1,469,510	-
Total liabilities	880,488	1,745,030	2,625,518	4,832
Deferred Inflows of Resources				
Deferred pension costs (Note 9)	24,433	11,496	35,929	-
Deferred OPEB costs (Note 10)	51,659	24,312	75,971	-
Total deferred inflows of resources	76,092	35,808	111,900	-
Net Position				
Net investment in capital assets	3,430,549	3,960,918	7,391,467	347,130
Restricted:				
Streets and highways	512,963	-	512,963	-
Sanitation	36,139	-	36,139	-
USDA Series A Revenue Bond Redemption Fund	-	3,900	3,900	-
USDA Series B Revenue Bond Redemption Fund	-	2,100	2,100	-
USDA Series A and B Revenue Bond Repair and Replacement Fund	-	4,200	4,200	-
Unrestricted	489,736	615,723	1,105,459	48,951
Total net position	<u>\$ 4,469,387</u>	<u>\$ 4,586,841</u>	<u>\$ 9,056,228</u>	<u>\$ 396,081</u>

City of Clio, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 386,305	\$ 50,977	\$ 29,842	\$ 39,763
Highways and streets	293,705	2,850	237,030	1,650
Public safety	546,035	25,853	3,750	-
Public works	243,607	104,919	-	-
Other community and economic development	12,763	-	-	-
Recreation and culture	58,131	17,620	-	-
Interest on long-term debt	6,694	-	-	-
Total governmental activities	1,547,240	202,219	270,622	41,413
Business-type activities:				
Water	974,146	941,432	-	680,266
Sewer	438,321	508,632	-	-
Amphitheater	43,623	48,189	-	-
Total business-type activities	1,456,090	1,498,253	-	680,266
Total primary government	\$ 3,003,330	\$ 1,700,472	\$ 270,622	\$ 721,679
Component units				
Downtown Development Authority	\$ 23,126	\$ -	\$ -	\$ -
Neighborhood Improvement Authority	-	-	-	-
Total component units	\$ 23,126	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Gain on sale of assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (265,723)	\$ -	\$ (265,723)	\$ -
(52,175)	-	(52,175)	-
(516,432)	-	(516,432)	-
(138,688)	-	(138,688)	-
(12,763)	-	(12,763)	-
(40,511)	-	(40,511)	-
(6,694)	-	(6,694)	-
(1,032,986)	-	(1,032,986)	-
-	647,552	647,552	-
-	70,311	70,311	-
-	4,566	4,566	-
-	722,429	722,429	-
(1,032,986)	722,429	(310,557)	-
-	-	-	(23,126)
-	-	-	-
-	-	-	(23,126)
789,930	-	789,930	37,562
318,913	-	318,913	-
14,186	7,392	21,578	5
37,920	-	37,920	-
28,153	-	28,153	-
39,761	-	39,761	-
1,228,863	7,392	1,236,255	37,567
195,877	729,821	925,698	14,441
4,273,510	3,857,020	8,130,530	381,640
\$ 4,469,387	\$ 4,586,841	\$ 9,056,228	\$ 396,081

Governmental Funds
Balance Sheet

June 30, 2019

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 685,643	\$ 243,144	\$ 226,816	\$ 201,449	\$ 1,357,052
Receivables:					
Other receivables	20,364	-	-	11,570	31,934
Due from other governments	35,600	33,986	11,186	-	80,772
Due from other funds	14,200	-	-	-	14,200
Inventory - Land	27,492	-	-	-	27,492
Total assets	\$ 783,299	\$ 277,130	\$ 238,002	\$ 213,019	\$ 1,511,450
Liabilities					
Accounts payable	\$ 41,037	\$ 346	\$ 1,092	\$ 2,253	\$ 44,728
Due to other funds	14,100	-	-	100	14,200
Accrued liabilities and other	25,433	512	219	232	26,396
Total liabilities	80,570	858	1,311	2,585	85,324
Deferred Inflows of Resources - Unavailable revenue	5,342	-	-	-	5,342
Total liabilities and deferred inflows of resources	85,912	858	1,311	2,585	90,666
Fund Balances					
Nonspendable - Inventory - Land	27,492	-	-	-	27,492
Restricted:					
Roads	-	276,272	236,691	-	512,963
Sanitation collection	-	-	-	36,139	36,139
Committed - Public improvements	113,651	-	-	-	113,651
Assigned - Capital projects	-	-	-	174,295	174,295
Unassigned	556,244	-	-	-	556,244
Total fund balances	697,387	276,272	236,691	210,434	1,420,784
Total liabilities, deferred inflows of resources, and fund balances	\$ 783,299	\$ 277,130	\$ 238,002	\$ 213,019	\$ 1,511,450

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 1,420,784
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:	
Cost of capital assets	5,888,530
Accumulated depreciation	<u>(2,501,448)</u>
Net capital assets used in governmental activities	3,387,082
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	5,342
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(219,022)
Accrued interest is not due and payable in the current period and is not reported in the funds	(7,306)
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:	
Employee compensated absences	(4,819)
Net pension liability	(372,032)
Net other postemployment benefit liability	(202,605)
Deferred outflows of resources - Pension (Note 9)	115,678
Deferred inflows of resources - Pension (Note 9)	(24,433)
Deferred outflows of resources - OPEB (Note 10)	17,840
Deferred inflows of resources - OPEB (Note 10)	(51,659)
Internal service funds are included as part of governmental activities:	
Capital assets-related items	262,489
All other items	<u>142,048</u>
Net Position of Governmental Activities	<u><u>\$ 4,469,387</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 789,930	\$ -	\$ -	\$ -	\$ 789,930
Special assessments	-	-	-	103,323	103,323
State sources	253,551	243,504	64,289	105,125	666,469
Charges for services	27,524	-	2,850	-	30,374
Fines and forfeitures	22,158	-	-	-	22,158
Fees:					
Cable franchise fees	37,920	-	-	-	37,920
Other licenses and permits	1,986	-	-	-	1,986
Investment income	8,587	2,038	2,170	-	12,795
Other miscellaneous income	70,886	-	-	14,155	85,041
Total revenue	<u>1,212,542</u>	<u>245,542</u>	<u>69,309</u>	<u>222,603</u>	<u>1,749,996</u>
Expenditures					
Current services:					
General government	270,215	13,503	10,654	-	294,372
Highways and streets	-	175,246	35,495	-	210,741
Public safety	537,920	-	-	-	537,920
Public works	139,227	-	-	105,336	244,563
Recreation and culture	66,642	-	-	35,005	101,647
Debt service	-	-	686	45,265	45,951
Total expenditures	<u>1,014,004</u>	<u>188,749</u>	<u>46,835</u>	<u>185,606</u>	<u>1,435,194</u>
Excess of Revenue Over Expenditures	198,538	56,793	22,474	36,997	314,802
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	33,119	149,435	77,249	259,803
Transfers out (Note 5)	(188,556)	-	(17,654)	(53,593)	(259,803)
Sale of assets	27,243	-	-	-	27,243
Total other financing (uses) sources	<u>(161,313)</u>	<u>33,119</u>	<u>131,781</u>	<u>23,656</u>	<u>27,243</u>
Net Change in Fund Balances	37,225	89,912	154,255	60,653	342,045
Fund Balances - Beginning of year	<u>660,162</u>	<u>186,360</u>	<u>82,436</u>	<u>149,781</u>	<u>1,078,739</u>
Fund Balances - End of year	<u><u>\$ 697,387</u></u>	<u><u>\$ 276,272</u></u>	<u><u>\$ 236,691</u></u>	<u><u>\$ 210,434</u></u>	<u><u>\$ 1,420,784</u></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

Net Change in Fund Balances Reported in Governmental Funds	\$ 342,045
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	171,061
Depreciation expense	(248,700)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(38,423)
The change in the net pension asset and related deferred inflows and outflows are recorded when incurred in the statement of activities	(30,210)
The change in the net OPEB asset and related deferred inflows and outflows are recorded when incurred in the statement of activities	(2,118)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	39,257
The change in accumulated employee compensated absences reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment	(495)
Internal service funds are included as part of governmental activities - All other items	<u>(36,540)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 195,877</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2019

	Enterprise Funds			Governmental Activities	
	Water	Sewer	Nonmajor Enterprise - Amphitheater	Total Enterprise Funds	Proprietary Internal Service Fund
Assets					
Current assets:					
Cash and cash equivalents (Note 3)	\$ 186,870	\$ 500,629	\$ 79,717	\$ 767,216	\$ 145,628
Receivables:					
Customer receivables	90,957	45,539	-	136,496	-
Due from other governments	122,052	-	-	122,052	-
Prepaid expenses and other assets	134	-	10,025	10,159	-
Total current assets	400,013	546,168	89,742	1,035,923	145,628
Noncurrent assets - Capital assets: (Note 4)					
Assets not subject to depreciation	-	27,545	-	27,545	-
Assets subject to depreciation	3,851,121	1,390,252	-	5,241,373	262,489
Total noncurrent assets	3,851,121	1,417,797	-	5,268,918	262,489
Total assets	4,251,134	1,963,965	89,742	6,304,841	408,117
Deferred Outflows of Resources					
Deferred pension costs (Note 9)	27,221	27,221	-	54,442	-
Deferred OPEB costs (Note 10)	4,198	4,198	-	8,396	-
Total deferred outflows of resources	31,419	31,419	-	62,838	-
Liabilities					
Current liabilities:					
Accounts payable	107,556	24,106	3,189	134,851	3,560
Accrued liabilities and other	10,526	4,850	45	15,421	-
Unearned revenue	-	-	13,750	13,750	-
Compensated absences	1,289	1,289	-	2,578	20
Current portion of long-term debt	17,000	-	-	17,000	-
Total current liabilities	136,371	30,245	16,984	183,600	3,580
Noncurrent liabilities:					
Net pension liability	87,544	87,544	-	175,088	-
Net OPEB liability	47,671	47,671	-	95,342	-
Long-term debt (Note 6)	1,291,000	-	-	1,291,000	-
Total noncurrent liabilities	1,426,215	135,215	-	1,561,430	-
Total liabilities	1,562,586	165,460	16,984	1,745,030	3,580
Deferred Inflows of Resources					
Deferred pension costs (Note 9)	5,748	5,748	-	11,496	-
Deferred OPEB costs (Note 10)	12,156	12,156	-	24,312	-
Total deferred inflows of resources	17,904	17,904	-	35,808	-
Net Position					
Net investment in capital assets	2,543,121	1,417,797	-	3,960,918	262,489
Restricted:					
USDA Series A Revenue Bond Redemption Fund	3,900	-	-	3,900	-
USDA Series B Revenue Bond Redemption Fund	2,100	-	-	2,100	-
USDA Series A and B Revenue Bond Repair and Replacement Fund	4,200	-	-	4,200	-
Unrestricted	148,742	394,223	72,758	615,723	142,048
Total net position	\$ 2,702,063	\$ 1,812,020	\$ 72,758	\$ 4,586,841	\$ 404,537

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

Year Ended June 30, 2019

	Enterprise Funds			Total Enterprise Funds	Governmental Activities
	Water	Sewer	Nonmajor Enterprise - Amphitheater		Proprietary Internal Service Fund
Operating Revenue					
Sale of water	\$ 893,296	\$ -	\$ -	\$ 893,296	\$ -
Sewage disposal charges	-	506,400	-	506,400	-
Other revenue	48,136	2,232	-	50,368	-
Ticket sales	-	-	26,901	26,901	-
Advertising sales	-	-	8,625	8,625	-
Local donation	-	-	12,663	12,663	-
Rental income	-	-	-	-	85,883
Total operating revenue	941,432	508,632	48,189	1,498,253	85,883
Operating Expenses					
Cost of water	613,122	-	-	613,122	-
Cost of sewage treatment	-	228,816	-	228,816	-
Other operation and maintenance	270,780	173,743	43,623	488,146	51,954
Depreciation	62,748	35,762	-	98,510	72,770
Total operating expenses	946,650	438,321	43,623	1,428,594	124,724
Operating (Loss) Income	(5,218)	70,311	4,566	69,659	(38,841)
Nonoperating Revenue (Expense)					
Investment income	2,546	4,846	-	7,392	1,391
Interest expense	(27,496)	-	-	(27,496)	-
Gain on sale of assets	-	-	-	-	910
Total nonoperating (expense) revenue	(24,950)	4,846	-	(20,104)	2,301
(Loss) Income - Before capital contributions	(30,168)	75,157	4,566	49,555	(36,540)
Capital Contributions - Capital grants - Federal sources	680,266	-	-	680,266	-
Change in Net Position	650,098	75,157	4,566	729,821	(36,540)
Net Position - Beginning of year	2,051,965	1,736,863	68,192	3,857,020	441,077
Net Position - End of year	\$ 2,702,063	\$ 1,812,020	\$ 72,758	\$ 4,586,841	\$ 404,537

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds				Governmental
	Water	Sewer	Nonmajor Enterprise - Amphitheater	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers	\$ 787,792	\$ 518,940	\$ 51,189	\$ 1,357,921	\$ -
Receipts from interfund services	-	-	-	-	85,883
Payments to suppliers	(736,426)	(260,763)	(41,237)	(1,038,426)	3,374
Payments to employees and fringes	(193,199)	(126,873)	(6,420)	(326,492)	(51,780)
Payments (to) from other funds	(1,445)	606	-	(839)	-
Other receipts	25,795	1,409	-	27,204	-
Net cash and cash equivalents (used in) provided by operating activities	(117,483)	133,319	3,532	19,368	37,477
Cash Flows from Capital and Related Financing Activities					
Receipt of capital grants	680,266	-	-	680,266	-
Proceeds from sale of capital assets	-	-	-	-	910
Purchase of capital assets	(1,881,742)	(10,373)	-	(1,892,115)	(10,507)
Principal and interest paid on capital debt	(44,496)	-	-	(44,496)	-
Loan proceeds	1,308,000	-	-	1,308,000	-
Net cash and cash equivalents provided by (used in) capital and related financing activities	62,028	(10,373)	-	51,655	(9,597)
Cash Flows Provided by Investing Activities -					
Interest received on investments	2,546	4,846	-	7,392	1,391
Net (Decrease) Increase in Cash and Cash Equivalents	(52,909)	127,792	3,532	78,415	29,271
Cash and Cash Equivalents - Beginning of year	239,779	372,837	76,185	688,801	116,357
Cash and Cash Equivalents - End of year	<u>\$ 186,870</u>	<u>\$ 500,629</u>	<u>\$ 79,717</u>	<u>\$ 767,216</u>	<u>\$ 145,628</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities					
Operating (loss) income	\$ (5,218)	\$ 70,311	\$ 4,566	\$ 69,659	\$ (38,841)
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation	62,748	35,762	-	98,510	72,770
Changes in assets and liabilities:					
Receivables	(130,555)	11,176	3,000	(116,379)	-
Due to other funds	(1,445)	606	-	(839)	-
Prepaid and other assets	-	-	(6,800)	(6,800)	-
Accrued and other liabilities	12,388	11,461	45	23,894	-
Accounts payable	(55,401)	4,003	2,721	(48,677)	3,548
Net cash and cash equivalents (used in) provided by operating activities	<u>\$ (117,483)</u>	<u>\$ 133,319</u>	<u>\$ 3,532</u>	<u>\$ 19,368</u>	<u>\$ 37,477</u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2019

	Other Postemployment Benefits Trust	Agency
Assets		
Cash and cash equivalents (Note 3)	\$ 226	\$ 418
Investments:		
Equity mutual funds	50,221	-
Fixed-income mutual funds	26,563	-
Total assets	77,010	\$ 418
Liabilities -		
Accounts payable	-	\$ 418
Total liabilities	-	\$ 418
Net Position Restricted for Other Postemployment Benefits	\$ 77,010	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Other Postemployment Benefits Trust

Year Ended June 30, 2019

Additions	
Investment income	\$ 3,527
Contributions	<u>8,666</u>
Total additions	12,193
Deductions	
Benefit payments	8,666
Administrative expenses	<u>368</u>
Total deductions	<u>9,034</u>
Net Increase in Net Position Restricted for Other Postemployment Benefits	3,159
Net Position Restricted for Other Postemployment Benefits - Beginning of year	<u>73,851</u>
Net Position Restricted for Other Postemployment Benefits - End of year	<u><u>\$ 77,010</u></u>

**Component Units
Statement of Net Position**

June 30, 2019

	Downtown Development Authority	Neighborhood Improvement Authority	Total
Assets			
Cash and cash equivalents	\$ 31,464	\$ 22,319	\$ 53,783
Capital assets:			
Assets not subject to depreciation	305,175	-	305,175
Assets subject to depreciation	41,955	-	41,955
Total assets	378,594	22,319	400,913
Liabilities - Accounts payable	4,832	-	4,832
Net Position			
Net investment in capital assets	347,130	-	347,130
Unrestricted	26,632	22,319	48,951
Total net position	\$ 373,762	\$ 22,319	\$ 396,081

Component Units
Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Neighborhood Improvement Authority	Total
Downtown Development Authority	\$ 23,126	\$ -	\$ -	\$ -	\$ (23,126)	\$ -	\$ (23,126)
Neighborhood Improvement Authority	-	-	-	-	-	-	-
Total component units	\$ 23,126	\$ -	\$ -	\$ -	(23,126)	-	(23,126)
General revenue:							
Property taxes:							
Property taxes					21,662	15,900	37,562
Unrestricted investment income					5	-	5
Total general revenue					21,667	15,900	37,567
Change in Net Position					(1,459)	15,900	14,441
Net Position - Beginning of year					375,221	6,419	381,640
Net Position - End of year					\$ 373,762	\$ 22,319	\$ 396,081

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Clio, Michigan (the "City") is governed by an elected seven-member commission (the "Board of Commissioners"). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "DDA") is reported within the component unit column in the statements of net position and activities. The DDA was created to correct and prevent deterioration in the downtown district and to promote economic growth within the downtown district. The DDA's governing body, consisting of nine individuals, is selected by the City Commission. There is a financial benefit/burden relationship, and the City is able to impose its will on the DDA. There is no separately issued report for this component unit.

Neighborhood Improvement Authority

The Neighborhood Improvement Authority (the "NIA") is reported within the component unit column in the statements of net position and activities. The NIA was created to correct and prevent deterioration in the City's neighborhoods. The NIA's governing body, consisting of six individuals, is appointed by the mayor and subject to the approval of the City Commission. There is a financial benefit/burden relationship, and the City is able to impose its will on the NIA. There is no separately issued report for this component unit.

Accounting and Reporting Principles

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

Report Presentation

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

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

Note 1 - Significant Accounting Policies (Continued)

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

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

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, and interest associated with the current fiscal period. Conversely, miscellaneous receivables will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources."

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 Major Street Fund accounts for repairs and maintenance of major streets in the City that are financed primarily through state-shared revenue and miscellaneous local sources.
- The Local Street Fund accounts for repairs and maintenance of local streets in the City that are financed primarily through state-shared revenue and miscellaneous local sources.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

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

- The Water Fund accounts for the activities of the water distribution system, which provides services to citizens, financed primarily by a user charge for the provision of these services.
- Sewer Fund - The Sewer Fund accounts for the activities of the sewage collection system, which provides services to citizens, financed primarily by a user charge for the provision of these services.

The City’s internal service fund is used to allocate machinery and equipment purchases and maintenance to the various funds on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City’s programs. Activities that are reported as fiduciary include the following:

- The Other Postemployment Benefits Trust Fund accounts for the activities and accumulates resources for healthcare insurance benefits provided to retirees.
- The Agency Fund accounts for assets held by the City in a trustee capacity. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of operations. It records primarily tax collections received and remitted to other units of government (the county, community college, school district, etc.), as well as building bonds and deposits, held for temporary periods.

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Note 1 - Significant Accounting Policies (Continued)

Receivables and Payables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings	50
Office and other equipment	3 to 10
Land improvements	3 to 10
Roads and sidewalks	20
Vehicles and related equipment	5 to 7
Water and transmission lines	50
Treatment facilities	7 to 35
Machinery and equipment	7

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" and bond discounts as "other financing uses." The General Fund, Water Fund, and Sewer Fund are generally used to liquidate long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019, the City reported deferred outflows of resources related to the defined benefit pension plan of \$115,678 for governmental activities and \$54,442 for business-type activities. See Note 9 for details. The City also reported deferred outflows of resources related to the OPEB plan in the amount of \$17,840 for governmental activities and \$8,396 for business-type activities. See Note 10 for details.

Note 1 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources related to the defined benefit pension plan of \$24,433 for governmental activities and \$11,496 for business-type activities. See Note 9 for details. The City also has deferred inflows of resources related to the OPEB plan in the amount of \$51,659 for governmental activities and \$24,312 for business-type activities. See Note 10 for details. The City also has deferred inflows of \$5,342 recorded in the governmental funds related to unavailable revenue.

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 and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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).

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's Board of Commissioners 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.

Note 1 - Significant Accounting Policies (Continued)

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

Property Tax Revenue

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 30 of the following year, at which time penalties and interest are assessed.

The 2018 taxable valuation of the City totaled \$41,938,252, on which taxes levied consisted of 17.8815 mills for operating purposes, resulting in approximately \$745,000 for the City, including various administrative fees and delinquent tax revenue.

In addition, the component unit's 2018 taxable value is \$9,790,860 at a millage rate of 1.9782 mills, resulting in taxes levied of approximately \$19,000 for its operations. These amounts are recognized in the statement of activities as tax revenue.

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 City of Clio Employees' Pension Plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The City offers retiree healthcare benefits to retirees. The City 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 the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by 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.

The General Fund, Water Fund, and Sewer Fund are used to liquidate the pension and OPEB obligations.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund, Water Fund, and Sewer Fund are used to liquidate the compensated absences. The full amount of the compensated absences is presented as a current liability, as the paid time off will be used by employees in the next fiscal year.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. 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 year ending June 30, 2020.

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 were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

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

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The City has entered an agreement dated January 1, 2015 with Vienna Township (the "Township") for the Township to provide oversight of building construction to the City, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services, and the City receives quarterly payments from the Township for 10 percent of these fees collected by the Township. The City records the activities relating to the construction code in the General Fund, consisting of the fee revenue and no related expenses. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

Noncompliance with Legal or Contractual Provisions

The City's original Capital Fund budget included a budgeted deficit, which is in violation of Michigan Public Act 2 of 1968.

Note 3 - Deposits and Investments

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

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

The City has designated one bank 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.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had no bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Deposits and Investments (Continued)

In addition, the component units' cash deposits are subject to custodial credit risk. The component units do not have a deposit policy for custodial credit risk. At year end, all of the bank deposits were fully covered by FDIC insurance.

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.

At year end, the City had the following investment:

Investment	Fair Value	Weighted- average Maturity (Years)
Fiduciary Funds		
Mutual fund - Fixed income	\$ 26,563	2.82

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

- Mutual funds of \$76,784 are valued using quoted market prices (Level 1 inputs).

June 30, 2019

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 472,772	\$ -	\$ -	\$ -	\$ 472,772
Construction in progress	15,466	(15,466)	47,605	-	47,605
Subtotal	488,238	(15,466)	47,605	-	520,377
Capital assets being depreciated:					
Roads and sidewalks	3,996,399	-	123,456	-	4,119,855
Buildings and improvements	859,821	15,466	-	-	875,287
Machinery and equipment	644,291	-	-	-	644,291
Vehicles and related equipment	499,194	-	10,507	-	509,701
Land improvements	83,309	-	-	-	83,309
Subtotal	6,083,014	15,466	133,963	-	6,232,443
Accumulated depreciation:					
Roads and sidewalks	1,453,044	-	218,804	-	1,671,848
Buildings and improvements	496,108	-	21,105	-	517,213
Machinery and equipment	519,755	-	31,957	-	551,712
Vehicles and related equipment	277,054	-	44,051	-	321,105
Land improvements	35,818	-	5,553	-	41,371
Subtotal	2,781,779	-	321,470	-	3,103,249
Net capital assets being depreciated	3,301,235	15,466	(187,507)	-	3,129,194
Net governmental activities capital assets	\$ 3,789,473	\$ -	\$ (139,902)	\$ -	\$ 3,649,571

June 30, 2019

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated - Construction in progress	\$ 150,118	\$ (126,263)	\$ 3,690	\$ -	\$ 27,545
Capital assets being depreciated:					
Water and sewer lines	4,372,305	126,263	1,875,059	-	6,373,627
Machinery and equipment	360,326	-	13,366	-	373,692
Sewer plant	298,519	-	-	-	298,519
Subtotal	5,031,150	126,263	1,888,425	-	7,045,838
Accumulated depreciation:					
Water and sewer lines	1,181,178	-	87,446	-	1,268,624
Machinery and equipment	226,258	-	11,064	-	237,322
Sewer plant	298,519	-	-	-	298,519
Subtotal	1,705,955	-	98,510	-	1,804,465
Net capital assets being depreciated	3,325,195	126,263	1,789,915	-	5,241,373
Net business-type activities capital assets	\$ 3,475,313	\$ -	\$ 1,793,605	\$ -	\$ 5,268,918

Component Units

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 305,175	\$ -	\$ -	\$ -	\$ 305,175
Capital assets being depreciated - Land improvements	82,688	-	-	-	82,688
Accumulated depreciation - Land improvements	35,221	-	5,512	-	40,733
Net capital assets being depreciated	47,467	-	(5,512)	-	41,955
Net component units capital assets	\$ 352,642	\$ -	\$ (5,512)	\$ -	\$ 347,130

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

Governmental activities:	
General government	\$ 7,990
Public safety	1,555
Public works	149
Highways and streets	218,804
Recreation and culture	20,202
Internal service fund depreciation is charged to the various functions based on their usage of the asset	72,770
Total governmental activities	\$ 321,470

June 30, 2019

Note 4 - Capital Assets (Continued)

Business-type activities:		
Water		\$ 62,748
Sewer		<u>35,762</u>
Total business-type activities		<u><u>\$ 98,510</u></u>
Component unit activities - Downtown Development Authority		\$ 5,512

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 100
	Internal service fund	<u>14,100</u>
	Total General Fund	<u><u>\$ 14,200</u></u>

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

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

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Major Street Fund (2)	\$ 33,119
	Other nonmajor governmental funds (2)	31,983
	Local Street Fund (2)	<u>123,454</u>
	Total General Fund	188,556
Local Street Fund	PNC Loan Debt Service Fund (1)	17,654
Capital Fund	Local Street Fund (2)	25,981
	PNC Loan Debt Service Fund (1)	<u>27,612</u>
	Total Capital Fund	<u>53,593</u>
	Total	<u><u>\$ 259,803</u></u>

(1) Transfer to cover debt service
(2) Transfer for capital improvements

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefiting from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements - Installment purchase agreement - 2014 PNC Note Payable - Paving Project: Amount of issue: \$400,000 Maturing through 2024	2.50%	\$6,784 - \$44,553	\$ 258,279	\$ -	\$ (39,257)	\$ 219,022	\$ 40,512
Compensated absences			4,344	4,839	(4,344)	4,839	4,839
Total governmental activities long- term debt			<u>\$ 262,623</u>	<u>\$ 4,839</u>	<u>\$ (43,601)</u>	<u>\$ 223,861</u>	<u>\$ 45,351</u>

June 30, 2019

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements - 2018 A and B Water System Revenue Bonds: Amount of issue: \$1,325,000 Maturing through 2058	3.125%	\$17,000 - \$63,000	\$ 17,000	\$ 1,308,000	\$ (17,000)	\$ 1,308,000	\$ 17,000
Compensated absences			<u>2,752</u>	<u>2,578</u>	<u>(2,752)</u>	<u>2,578</u>	<u>2,578</u>
Total business-type activities long- term debt			<u>\$ 19,752</u>	<u>\$ 1,310,578</u>	<u>\$ (19,752)</u>	<u>\$ 1,310,578</u>	<u>\$ 19,578</u>

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. The City has pledged substantially all of the Water Fund, net of operating expenses, to repay the water revenue bonds listed above. Proceeds from the bond provided financing for the construction of the water main. The bonds are payable solely from the net revenue from the water system. The remaining principal and interest to be paid on the bonds is \$2,281,532. During the current year, net income of the system was \$40,031, compared to annual debt requirements of \$44,496.

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities					
	Direct Borrowings and Direct Placements		Other Debt			Total
	Principal	Interest	Principal	Interest	Interest Subsidy	
2020	\$ 40,512	\$ 5,008	\$ -	\$ -	\$ -	\$ 45,520
2021	41,337	3,988	-	-	-	45,325
2022	42,382	2,943	-	-	-	45,325
2023	43,454	1,871	-	-	-	45,325
2024	44,553	772	-	-	-	45,325
Thereafter	6,784	20	-	-	-	6,804
Total	\$ 219,022	\$ 14,602	\$ -	\$ -	\$ -	\$ 233,624

Years Ending June 30	Business-type Activities					
	Direct Borrowings and Direct Placements		Other Debt			Total
	Principal	Interest	Principal	Interest	Interest Subsidy	
2020	\$ 17,000	\$ 40,875	\$ -	\$ -	\$ -	\$ 57,875
2021	18,000	40,344	-	-	-	58,344
2022	18,000	39,781	-	-	-	57,781
2023	19,000	32,267	-	-	-	51,267
2024	20,000	38,594	-	-	-	58,594
Thereafter	1,216,000	781,671	-	-	-	1,997,671
Total	\$ 1,308,000	\$ 973,532	\$ -	\$ -	\$ -	\$ 2,281,532

Significant Terms

Direct Borrowings and Direct Placements

The outstanding 2018 A and B Water System Revenue Bonds contain a default clause indicating that, in the event of default, the original principal amount of the loan, with interest at the rate of 5 percent per annum from the date of default, is required to be repaid. Furthermore, if there is a default in the payment of the principal or interest of the bonds, any court having jurisdiction may appoint a receiver to administer and operate the water system on behalf of the City and, under direction of the court, perform all duties of the officers of the City.

Note 7 - 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 relating to risks associated with property loss, torts, and errors and omissions, as well as medical benefits other than dental and optical coverage. The City participates in the Michigan Municipal League for claims relating to employee injuries (workers' compensation). The City is uninsured for employee dental and optical claims, for which the City reimburses each employee annually, up to a maximum of \$1,000 per employee. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Risk Management (Continued)

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 8 - Joint Ventures

The City is a member of the Clio Area Fire Authority, which provides fire protection services to the residents of the City of Clio, Michigan; Vienna Township; and Thetford Township. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$42,000 for its operations. The City is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Clio Area Fire Authority can be obtained from the administrative offices at 3400 W. Vienna Road, Clio, MI 48420.

The City is a member of the Clio Area Library, which provides library services to the residents of the City of Clio, Michigan; Vienna Township; and Thetford Township. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$10,000 for its operations. 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 Clio Area Library can be obtained from the administrative offices at 3400 W. Vienna Road, Clio, MI 48420.

The investments in joint ventures are not recorded in the financial statements, as the City does not hold a definable interest in either of the entities and would not be able to collect payment upon terminating the relationship.

Note 9 - Pension Plan

Plan Description

The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan) that covers all employees of the City. MERS of Michigan 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 of Michigan issues a publicly available financial report that includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS of Michigan at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

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

The MERS of Michigan plan covers the City of Clio, Michigan's employees.

Retirement benefits for employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

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

Note 9 - Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>MERS of Michigan</u>
Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>17</u>
Total employees covered by the plan	<u><u>29</u></u>

Contributions

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

For the year ended June 30, 2019, the average active employee contribution rate was 6.65 percent of annual pay, and the City's average contribution rate was 10.00 percent of annual payroll.

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.

Note 9 - Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 1,816,725	\$ 1,443,211	\$ 373,514
Changes for the year:			
Service cost	81,632	-	81,632
Interest	144,370	-	144,370
Changes in benefits	(15,976)	-	(15,976)
Differences between expected and actual experience	(1,380)	-	(1,380)
Contributions - Employer	-	67,307	(67,307)
Contributions - Employee	-	27,713	(27,713)
Net investment loss	-	(57,167)	57,167
Benefit payments, including refunds	(105,835)	(105,835)	-
Administrative expenses	-	(2,813)	2,813
Net changes	102,811	(70,795)	173,606
Balance at December 31, 2018	<u>\$ 1,919,536</u>	<u>\$ 1,372,416</u>	<u>\$ 547,120</u>

The Plan's fiduciary net position represents 71.50 percent of the total pension liability.

Benefit Changes

For the December 31, 2018 actuarial valuation, there was a benefit change that resulted in a decrease in the calculated total pension liability. The benefit change was a change in the member contribution rate from 3.60 percent for July 1, 2017 to 6.65 percent for July 1, 2018.

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 \$110,051.

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	\$ 9,887	\$ (35,929)
Changes in assumptions	23,936	-
Net difference between projected and actual earnings on pension plan investments	102,454	-
Employer contributions to the plan subsequent to the measurement date	33,843	-
Total	<u>\$ 170,120</u>	<u>\$ (35,929)</u>

Note 9 - Pension Plan (Continued)

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

Years Ending June 30	Amount
2020	\$ 36,333
2021	13,842
2022	15,756
2023	34,417
Total	<u>\$ 100,348</u>

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 8.00 percent, and the RP-2014 Mortality Tables.

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.

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, 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

Note 9 - Pension Plan (Continued)

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

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the City	\$ 778,865	\$ 547,120	\$ 354,433

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

Note 10 - Other Postemployment Benefit Plan

Plan Administration

The City administers the Other Postemployment Benefit (OPEB) Plan (the "Plan"), a single-employer defined benefit OPEB plan, that is used to provide postemployment benefits other than pensions for certain retirees and their beneficiaries in accordance with labor contracts.

Management of the Plan is vested with the Board of Commissioners, which consists of seven members, and the city clerk, who serves as an ex officio member.

The financial statements of the OPEB plan are included in these financial statements as an other employee benefit trust fund (a fiduciary fund).

Benefits Provided

The Plan provides postemployment healthcare for retirees and their beneficiaries in accordance with labor contracts. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>OPEB Plan</u>
Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	1
Active plan members	3
Total plan members	<u>4</u>

Note 10 - Other Postemployment Benefit Plan (Continued)

Contributions

The authority to establish and amend the contribution requirements of the City and plan members is held by the Board of Commissioners. The Board of Commissioners establishes contribution rates based on an actuarially determined rate per a funding valuation. 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 of \$8,666.

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
Balance at July 1, 2018	\$ 424,090	\$ 73,851	\$ 350,239
Changes for the year:			
Service cost	18,554	-	18,554
Interest	14,377	-	14,377
Differences between expected and actual experience	(101,209)	-	(101,209)
Changes in assumptions	27,811	-	27,811
Contributions - Employer	-	8,666	(8,666)
Net investment income	-	3,527	(3,527)
Benefit payments, including refunds	(8,666)	(8,666)	-
Administrative expenses	-	(368)	368
Net changes	(49,133)	3,159	(52,292)
Balance at June 30, 2019	\$ 374,957	\$ 77,010	\$ 297,947

The Plan's fiduciary net position represents 20.54 percent of the total OPEB liability.

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 \$11,780.

June 30, 2019

Note 10 - 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	\$ 3,579	\$ (75,971)
Changes in assumptions	22,577	-
Net difference between projected and actual earnings on OPEB plan investments	80	-
Total	\$ 26,236	\$ (75,971)

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	\$ (17,064)
2021	(17,064)
2022	(17,064)
2023	1,278
2024	179
Total	\$ (49,735)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2 percent; assumed salary increases (including inflation) of 3.5 percent; an investment rate of return (net of investment expenses) of 7.09 percent; a healthcare cost trend rate of 8.5 percent for 2019, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2035 and later years for pre-Medicare premiums and 7.0 percent for 2019, decreasing by 0.25 percent per year to an ultimate rate of 4.5 percent for 2029 and later years for post-Medicare premiums; and the 2010 Public General and Public Safety, Heatcount-weighted, Employee and Healthy Retiree with MP-2018 Mortality Improvement Scale Mortality Tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.31 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 not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate, which was 2.79 percent. The source of that bond rate was based on information published by Bartel Associates, LLC. The long-term expected rate of return was applied to projected benefit payments from fiscal years 2019 through 2028, and the municipal bond rate was applied to the remaining periods.

Note 10 - 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 footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	64.70 %	6.00 %
Global fixed income	28.60	3.50
Real assets	4.40	4.20
Diversifying strategies	2.30	0.75

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 3.31 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 (2.31%)	Current Discount Rate (3.31%)	1 Percent Increase (4.31%)
Net OPEB liability of the OPEB Plan	\$ 337,833	\$ 297,947	\$ 262,670

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, 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	Current Healthcare Cost Trend Rate	1 Percent Increase
Net OPEB liability of the OPEB Plan	\$ 261,330	\$ 297,947	\$ 339,410

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established by an investment policy and may be amended by the Board of Commissioners by a majority vote of its members. It is the policy of the Board of Commissioners to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The Board of Commissioners does not have an adopted asset allocation policy.

Concentrations

At June 30, 2019, the Plan held approximately 18.58 and 7.66 percent of its investment portfolio in Schwab 1000 Index Inv and JPMorgan US Small Company R4, respectively.

June 30, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 8.05 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 11 - Tax Abatements

The City has entered a payment in lieu of taxes (PILOT) agreement with a taxpayer to provide housing for elderly or low-income persons or families. Under the program, the City has agreed to receive an annual payment in lieu of taxes from this taxpayer.

For the fiscal year ended June 30, 2019, the City abated \$17,456 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 791,074	\$ 791,876	\$ 789,930	\$ (1,946)
State sources	247,516	253,365	253,551	186
Charges for services	34,400	27,570	27,524	(46)
Fines and forfeitures	21,720	21,941	22,158	217
Fees	40,500	40,396	39,906	(490)
Investment income	1,711	7,386	7,325	(61)
Other miscellaneous income	67,590	68,541	70,886	2,345
Total revenue	1,204,511	1,211,075	1,211,280	205
Expenditures				
Current services:				
General government:				
Commission	20,025	17,025	16,317	708
Office of the Mayor	3,936	3,500	3,377	123
Administration	38,380	40,300	39,428	872
Treasurer	39,939	37,000	34,975	2,025
Assessing	16,862	16,862	16,501	361
Board of review	1,206	1,131	1,130	1
Clerk	62,731	62,731	56,438	6,293
City hall	68,067	70,000	73,504	(3,504)
Legal services	20,900	21,400	21,547	(147)
Elections	5,188	2,042	2,041	1
Retirement activities	6,223	5,000	4,957	43
Public safety:				
Police	526,490	500,000	491,809	8,191
Fire	41,938	41,935	41,935	-
Code enforcement	2,388	4,388	4,176	212
Public works:				
Public services	101,217	84,217	88,248	(4,031)
Stormwater regulation	4,247	2,800	2,796	4
Street lighting	43,420	46,100	46,321	(221)
Zoning	469	-	-	-
Planning	5,432	2,500	1,862	638
Recreation and culture:				
Library	10,350	9,821	9,821	-
Parks	28,724	24,000	20,486	3,514
Civic buildings	12,644	31,100	30,442	658
Bike path	12,915	10,000	5,893	4,107
Total expenditures	1,073,691	1,033,852	1,014,004	19,848
Excess of Revenue Over Expenditures	130,820	177,223	197,276	20,053
Other Financing (Uses) Sources				
Transfers out	(130,820)	(188,557)	(188,556)	1
Sale of assets	-	27,242	27,243	1
Total other financing uses	(130,820)	(161,315)	(161,313)	2
Net Change in Fund Balance	-	15,908	35,963	20,055
Fund Balance - Beginning of year	547,773	547,773	547,773	-
Fund Balance - End of year	\$ 547,773	\$ 563,681	\$ 583,736	\$ 20,055

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Major Street Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	\$ 307,222	\$ 240,038	\$ 243,504	\$ 3,466
Investment income	-	1,990	2,038	48
Total revenue	307,222	242,028	245,542	3,514
Expenditures				
Current services:				
General government	15,028	15,028	13,503	1,525
Highways and streets	325,313	198,628	175,246	23,382
Debt service	-	150	-	150
Total expenditures	340,341	213,806	188,749	25,057
Excess of Revenue (Under) Over Expenditures	(33,119)	28,222	56,793	28,571
Other Financing Sources - Transfers in	33,119	33,119	33,119	-
Net Change in Fund Balance	-	61,341	89,912	28,571
Fund Balance - Beginning of year	186,360	186,360	186,360	-
Fund Balance - End of year	<u>\$ 186,360</u>	<u>\$ 247,701</u>	<u>\$ 276,272</u>	<u>\$ 28,571</u>

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Local Street Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 157,349	\$ 62,411	\$ 64,289	\$ 1,878
Charges for services	450	2,850	2,850	-
Investment income	-	2,137	2,170	33
Other miscellaneous income	3,500	-	-	-
Total revenue	161,299	67,398	69,309	1,911
Expenditures				
Current services:				
General government	8,925	11,760	10,654	1,106
Highways and streets	255,666	38,639	35,495	3,144
Debt service	1,803	687	686	1
Total expenditures	266,394	51,086	46,835	4,251
Excess of Revenue (Under) Over Expenditures	(105,095)	16,312	22,474	6,162
Other Financing Sources (Uses)				
Transfers in	122,742	149,435	149,435	-
Transfers out	(17,647)	(17,654)	(17,654)	-
Total other financing sources	105,095	131,781	131,781	-
Net Change in Fund Balance	-	148,093	154,255	6,162
Fund Balance - Beginning of year	82,436	82,436	82,436	-
Fund Balance - End of year	<u>\$ 82,436</u>	<u>\$ 230,529</u>	<u>\$ 236,691</u>	<u>\$ 6,162</u>

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

	Most Recent Fiscal Years				
	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 81,632	\$ 72,879	\$ 70,774	\$ 67,841	\$ 63,766
Interest	144,370	138,284	127,294	118,309	108,620
Changes in benefit terms	(15,976)	(770)	(1,133)	(4,721)	-
Differences between expected and actual experience	(1,380)	(39,101)	19,771	(34,301)	-
Changes in assumptions	-	-	-	71,809	-
Benefit payments, including refunds	(105,835)	(93,348)	(67,429)	(59,126)	(54,835)
Net Change in Total Pension Liability	102,811	77,944	149,277	159,811	117,551
Total Pension Liability - Beginning of year	1,816,725	1,738,781	1,589,504	1,429,693	1,312,142
Total Pension Liability - End of year	<u>\$ 1,919,536</u>	<u>\$ 1,816,725</u>	<u>\$ 1,738,781</u>	<u>\$ 1,589,504</u>	<u>\$ 1,429,693</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 67,307	\$ 60,888	\$ 61,618	\$ 59,046	\$ 51,087
Contributions - Member	27,713	22,898	22,091	16,398	7,196
Net investment (loss) income	(57,167)	171,199	132,428	(17,665)	68,345
Administrative expenses	(2,813)	(2,708)	(2,610)	(2,544)	(2,517)
Benefit payments, including refunds	(105,835)	(93,348)	(67,429)	(59,126)	(54,835)
Net Change in Plan Fiduciary Net Position	(70,795)	158,929	146,098	(3,891)	69,276
Plan Fiduciary Net Position - Beginning of year	1,443,211	1,284,282	1,138,184	1,142,075	1,072,799
Plan Fiduciary Net Position - End of year	<u>\$ 1,372,416</u>	<u>\$ 1,443,211</u>	<u>\$ 1,284,282</u>	<u>\$ 1,138,184</u>	<u>\$ 1,142,075</u>
City's Net Pension Liability - Ending	<u>\$ 547,120</u>	<u>\$ 373,514</u>	<u>\$ 454,499</u>	<u>\$ 451,320</u>	<u>\$ 287,618</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.50 %	79.44 %	73.86 %	71.61 %	79.88 %
Covered Payroll	\$ 717,331	\$ 630,904	\$ 617,725	\$ 677,383	\$ 646,708
City's Net Pension Liability as a Percentage of Covered Payroll	76.27 %	59.20 %	73.58 %	66.63 %	44.47 %

* This schedule is intended to show information for 10 years. Additional years' information will be reported as it becomes available.

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	\$ 61,396	\$ 63,090	\$ 61,719	\$ 61,755	\$ 58,716	\$ 54,811	\$ 57,503	\$ 51,589	\$ 55,229	\$ 61,787
Contributions in relation to the actuarially determined contribution	61,396	63,090	61,719	61,755	58,716	54,811	57,503	51,589	55,229	68,040
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,253
Covered Payroll	\$ 717,331	\$ 630,904	\$ 617,725	\$ 677,383	\$ 646,708	\$ 550,115	\$ 498,107	\$ 524,568	\$ 458,335	\$ 491,932
Contributions as a Percentage of Covered Payroll	8.56 %	10.00 %	9.99 %	9.12 %	9.08 %	9.96 %	11.54 %	9.83 %	12.05 %	13.83 %

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. Contributions for the City's fiscal year ended June 30, 2019 were determined based on the actuarial valuation as of December 31, 2016. The most recent valuation is as of December 31, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay
Remaining amortization period	20 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent in the long term
Investment rate of return	8 percent - Net of investment expense, including inflation
Retirement age	Experience-based table of rates is specific to the type of eligibility condition
Mortality	RP-2014 Disabled Retiree Mortality Tables of a 50 percent male and 50 percent female blend
Other information	None

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

	Most Recent Fiscal Years		
	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 18,554	\$ 18,039	\$ 16,586
Interest	14,377	13,699	13,646
Differences between expected and actual experience	(101,209)	5,310	-
Changes in assumptions	27,811	2,523	11,497
Benefit payments, including refunds	(8,666)	(15,109)	(30,782)
Net Change in Total OPEB Liability	(49,133)	24,462	10,947
Total OPEB Liability - Beginning of year	424,090	399,628	388,681
Total OPEB Liability - End of year	\$ 374,957	\$ 424,090	\$ 399,628
Plan Fiduciary Net Position			
Contributions - Employer	\$ 8,666	\$ 15,109	\$ 30,782
Net investment income	3,527	5,876	8,188
Administrative expenses	(368)	(358)	(317)
Benefit payments, including refunds	(8,666)	(15,109)	(30,782)
Net Change in Plan Fiduciary Net Position	3,159	5,518	7,871
Plan Fiduciary Net Position - Beginning of year	73,851	68,333	60,462
Plan Fiduciary Net Position - End of year	\$ 77,010	\$ 73,851	\$ 68,333
Net OPEB Liability - Ending	\$ 297,947	\$ 350,239	\$ 331,295
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	20.54 %	17.41 %	17.10 %
Covered Employee Payroll	\$ 421,324	\$ 674,252	\$ 686,604
Net OPEB Liability as a Percentage of Covered Employee Payroll	70.72 %	51.94 %	48.25 %

*This schedule is intended to show information for 10 years. Additional years' information will be reported as it becomes available.

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	\$ 72,283	\$ 56,061	\$ 50,871	\$ 69,828	\$ 69,828	\$ 168,499	\$ 168,499	\$ 168,499	\$ 242,834	\$ 242,834
Contributions in relation to the actuarially determined contribution	8,666	15,109	30,782	21,126	16,686	13,003	14,638	19,295	24,710	26,524
Contribution Deficiency	\$ (63,617)	\$ (40,952)	\$ (20,089)	\$ (48,702)	\$ (53,142)	\$ (155,496)	\$ (153,861)	\$ (149,204)	\$ (218,124)	\$ (216,310)
Covered Employee Payroll	\$ 421,324	\$ 674,252	\$ 686,604	\$ 678,784	\$ 646,708	\$ 631,948	\$ 672,911	\$ 670,051	\$ 702,133	\$ 774,639
Contributions as a Percentage of Covered Employee Payroll	2.06 %	2.24 %	4.48 %	3.11 %	2.58 %	2.06 %	2.18 %	2.88 %	3.52 %	3.42 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Contributions for the City's fiscal year ended June 30, 2019 were determined based on the actuarial valuation as of June 30, 2019. The most recent valuation is as of June 30, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay
Remaining amortization period	13 years
Asset valuation method	Market value
Inflation	2.00 percent
Healthcare cost trend rates	Pre-Medicare premiums: 8.5 percent graded down to 4.5 percent by 0.25 percent per year; post-Medicare: 7.0 percent graded down to 4.5 percent by 0.25 percent per year
Salary increase	3.5 percent
Investment rate of return	7.09 percent, net of investment expense, including inflation
Retirement age	Experience-based table of rates is specific to the type of eligibility condition
Mortality	2010 Public General and Public Safety, Headcount-weighted, Employee and Healthy Retiree with MP-2018 Mortality Improvement Scale
Other information	None

Required Supplemental Information
Schedule of OPEB Investment Returns

	Most Recent Fiscal Years		
	Years Ended June 30		
	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	8.05 %	8.08 %	13.00 %

Budgetary Information

The annual budget is prepared by city management and adopted by the Board of Commissioners (the "Commission"); subsequent amendments are approved by the Commission. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2019 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." Unexpended appropriations lapse at year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The budget officer shall prepare and submit to the Commission, on or before the first regular meeting in April of each year, a budget document covering the next fiscal year tabulating the recommendations of several department heads and officials.
2. Not later than the third Monday of May, the Commission shall, by resolution, adopt the budget for the next fiscal year.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and each of the major special revenue funds' budgets, as adopted by the Commission, is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor special revenue funds' budgets, as adopted by the City, is available at the city clerk's office.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is shown below. This reconciliation illustrates the effects of GASB Statement No. 54 on the General Fund; a fund that was previously considered to be a special revenue fund is now included in the General Fund on the fund-based statements.

General Fund	Total Revenue	Total Expenditures	Fund Balance
Amounts per operating statement	\$ 1,212,542	\$ 1,014,004	\$ 697,387
Public Improvement Fund	(1,262)	-	(113,651)
Amounts per budget statement	<u>\$ 1,211,280</u>	<u>\$ 1,014,004</u>	<u>\$ 583,736</u>

The budget variances for the year were as follows:

	Budget	Actual	Variance
General Fund:			
General government:			
City hall	\$ 70,000	\$ 73,504	\$ (3,504)
Legal services	21,400	21,547	(147)
Public works:			
Public services	84,217	88,248	(4,031)
Street lighting	46,100	46,321	(221)
Sanitation Collection Fund - Rubbish disposal	103,000	105,336	(2,336)
PNC Loan Debt Service Fund - Debt service - Principal	39,239	39,257	(18)
Capital Fund - Recreation and culture	35,000	35,005	(5)

The budget variances above were due to unanticipated expenditures.

Changes in Assumptions

In 2016, mortality tables were adjusted to reflect longer lifetimes, and the investment rate of return was lowered by 0.25 percent, which resulted in an increase in the total pension liability of approximately \$72,000.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Nonmajor Special Revenue Fund	Nonmajor Debt Service Fund	Nonmajor Capital Project Fund	
	Sanitation Collection Fund	PNC Loan Debt Service Fund	Capital Fund	Total
Assets				
Cash and cash equivalents	\$ 35,846	\$ 101	\$ 165,502	\$ 201,449
Receivables - Other receivables	673	-	10,897	11,570
Total assets	\$ 36,519	\$ 101	\$ 176,399	\$ 213,019
Liabilities				
Accounts payable	\$ 148	-	\$ 2,105	\$ 2,253
Due to other funds	-	100	-	100
Accrued liabilities and other	232	-	-	232
Total liabilities	380	100	2,105	2,585
Fund Balances				
Restricted - Sanitation collection	36,139	-	-	36,139
Assigned - Capital projects	-	1	174,294	174,295
Total fund balances	36,139	1	174,294	210,434
Total liabilities and fund balances	\$ 36,519	\$ 101	\$ 176,399	\$ 213,019

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

Year Ended June 30, 2019

	Nonmajor Special Revenue Fund	Nonmajor Debt Service Fund	Nonmajor Capital Project Fund	Total
	Sanitation Collection Fund	PNC Loan Debt Service Fund	Capital Fund	
Revenue				
Special assessments	\$ 103,323	\$ -	\$ -	\$ 103,323
State sources	-	-	105,125	105,125
Other miscellaneous income	-	-	14,155	14,155
Total revenue	103,323	-	119,280	222,603
Expenditures				
Current services:				
Public works	105,336	-	-	105,336
Recreation and culture	-	-	35,005	35,005
Debt service	-	45,265	-	45,265
Total expenditures	105,336	45,265	35,005	185,606
Excess of Revenue (Under) Over Expenditures	(2,013)	(45,265)	84,275	36,997
Other Financing Sources (Uses)				
Transfers in	-	45,266	31,983	77,249
Transfers out	-	-	(53,593)	(53,593)
Total other financing sources (uses)	-	45,266	(21,610)	23,656
Net Change in Fund Balances	(2,013)	1	62,665	60,653
Fund Balances - Beginning of year	38,152	-	111,629	149,781
Fund Balances - End of year	\$ 36,139	\$ 1	\$ 174,294	\$ 210,434

City of Clio, Michigan

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
Sanitation Collection Fund

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Special assessments	\$ 103,360	\$ 103,322	\$ 103,323	\$ 1
Expenditures - Current services - Rubbish disposal	101,371	103,000	105,336	(2,336)
Net Change in Fund Balance	1,989	322	(2,013)	(2,335)
Fund Balance - Beginning of year	38,152	38,152	38,152	-
Fund Balance - End of year	<u><u>\$ 40,141</u></u>	<u><u>\$ 38,474</u></u>	<u><u>\$ 36,139</u></u>	<u><u>\$ (2,335)</u></u>

City of Clio, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 PNC Loan Debt Service Fund

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service:				
Principal	39,239	39,239	39,257	(18)
Interest and fiscal charges	6,011	6,011	6,008	3
Total expenditures	<u>45,250</u>	<u>45,250</u>	<u>45,265</u>	<u>(15)</u>
Excess of Expenditures Over Revenue	(45,250)	(45,250)	(45,265)	(15)
Other Financing Sources - Transfers in	<u>45,250</u>	<u>45,266</u>	<u>45,266</u>	<u>-</u>
Net Change in Fund Balance	-	16	1	(15)
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 1</u>	<u>\$ (15)</u>

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Capital Fund

Year Ended June 30, 2019

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
State sources	\$ 325,724	\$ 102,987	\$ 105,125	\$ 2,138
Other miscellaneous income	14,085	14,154	14,155	1
Total revenue	339,809	117,141	119,280	2,139
Expenditures - Current services - Recreation and culture	500,000	35,000	35,005	(5)
Excess of Revenue (Under) Over Expenditures	(160,191)	82,141	84,275	2,134
Other Financing Sources (Uses)				
Transfers in	11,983	31,983	31,983	-
Transfers out	(64,627)	(53,593)	(53,593)	-
Total other financing uses	(52,644)	(21,610)	(21,610)	-
Net Change in Fund Balance	(212,835)	60,531	62,665	2,134
Fund Balance - Beginning of year	111,629	111,629	111,629	-
Fund Balance - End of year	<u>\$ (101,206)</u>	<u>\$ 172,160</u>	<u>\$ 174,294</u>	<u>\$ 2,134</u>

Other Supplemental Information
Statement of Net Position/Governmental Fund Balance Sheet
Component Units

June 30, 2019

	Downtown Development Authority	Neighborhood Improvement Authority	Adjustments	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 31,464	\$ 22,319	\$ -	\$ 53,783
Capital assets:				
Assets not subject to depreciation	-	-	305,175	305,175
Assets subject to depreciation	-	-	41,955	41,955
Total assets	\$ 31,464	\$ 22,319	347,130	400,913
Liabilities - Accounts payable	\$ 4,832	\$ -	-	4,832
Fund Balances	26,632	22,319	(48,951)	-
Total liabilities and fund balances	\$ 31,464	\$ 22,319		
Net Position				
Net investment in capital assets			347,130	347,130
Unrestricted			48,951	48,951
Total net position			\$ 396,081	\$ 396,081

Other Supplemental Information
Statement of Revenue, Expenditures, and Changes in Fund Balances/Statement of Activities
Component Units

Year Ended June 30, 2019

	Downtown Development Authority	Neighborhood Improvement Authority	Adjustments	Statement of Activities
Revenue				
Property taxes	\$ 21,662	\$ 15,900	\$ -	\$ 37,562
Investment income	5	-	-	5
Total revenue	21,667	15,900	-	37,567
Expenditures				
Current services -				
General government:				
Community promotion	17,614	-	-	17,614
Depreciation	-	-	5,512	5,512
Total expenditures	17,614	-	5,512	23,126
Net Change in Fund Balances/Net Position	4,053	15,900	(5,512)	14,441
Fund Balances/Net Position - Beginning of year	22,579	6,419	352,642	381,640
Fund Balances/Net Position - End of year	\$ 26,632	\$ 22,319	\$ 347,130	\$ 396,081

Other Supplemental Information
Statement of Changes in Assets and Liabilities
Agency Fund

Year Ended June 30, 2019

	Tax Collection			
	July 1, 2018	Additions	Deductions	
Assets - Cash and investments	<u>\$ 2,000</u>	<u>\$ 1,455,773</u>	<u>\$ (1,457,355)</u>	<u>\$ 418</u>
Liabilities - Accounts payable	<u>\$ 2,000</u>	<u>\$ 1,382,481</u>	<u>\$ (1,384,063)</u>	<u>\$ 418</u>

Statistical Section

This part of the City of Clio's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. Many of the schedules present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statements.

The statistical section is organized into the following main categories:

Financial trends

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

Revenue capacity

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

Debt capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and economic information

These schedules help the reader understand the environment within which the government's financial activities take place.

Operating information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB State No. 34 in 2003; schedules representing government-wide information include information beginning in that year

Net Position by Component

Last Ten Fiscal Years

June 30, 2019

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Net investment in capital assets	\$ 2,414,209	\$ 2,322,643	\$ 2,260,724	\$ 2,221,895	\$ 2,620,455	\$ 3,114,015	\$ 3,392,174	\$ 3,546,759	\$ 3,531,194	\$ 3,430,549
Restricted	123,280	168,134	142,149	298,840	204,541	199,710	163,586	177,445	306,948	549,102
Unrestricted	611,236	493,303	544,097	339,013	199,783	93,812	63,863	(46,353)	435,368	489,736
Total governmental activities	<u>\$ 3,148,725</u>	<u>\$ 2,984,080</u>	<u>\$ 2,946,970</u>	<u>\$ 2,859,748</u>	<u>\$ 3,024,779</u>	<u>\$ 3,407,537</u>	<u>\$ 3,619,623</u>	<u>\$ 3,677,851</u>	<u>\$ 4,273,510</u>	<u>\$ 4,469,387</u>
Business Type Activities:										
Net investment in capital assets	\$ 1,052,831	\$ 1,141,507	\$ 1,559,477	\$ 1,740,951	\$ 1,933,477	\$ 2,429,908	\$ 2,490,307	\$ 3,115,214	\$ 3,458,313	\$ 3,960,918
Restricted	-	-	-	-	-	-	-	-	-	10,200
Unrestricted	499,085	680,465	658,125	724,255	714,662	489,777	651,720	329,302	398,707	615,723
Total business-type activities	<u>\$ 1,551,916</u>	<u>\$ 1,821,972</u>	<u>\$ 2,217,602</u>	<u>\$ 2,465,206</u>	<u>\$ 2,648,139</u>	<u>\$ 2,919,685</u>	<u>\$ 3,142,027</u>	<u>\$ 3,444,516</u>	<u>\$ 3,857,020</u>	<u>\$ 4,586,841</u>
Primary government in total:										
Net investment in capital assets	\$ 3,467,040	\$ 3,464,150	\$ 3,820,201	\$ 3,962,846	\$ 4,553,932	\$ 5,543,923	\$ 5,882,481	\$ 6,661,973	\$ 6,989,507	\$ 7,391,467
Restricted	123,280	168,134	142,149	298,840	204,541	199,710	163,586	177,445	306,948	559,302
Unrestricted	1,110,321	1,173,768	1,202,222	1,063,268	914,445	583,589	715,583	282,949	834,075	1,105,459
Total primary government net position	<u>\$ 4,700,641</u>	<u>\$ 4,806,052</u>	<u>\$ 5,164,572</u>	<u>\$ 5,324,954</u>	<u>\$ 5,672,918</u>	<u>\$ 6,327,222</u>	<u>\$ 6,761,650</u>	<u>\$ 7,122,367</u>	<u>\$ 8,130,530</u>	<u>\$ 9,056,228</u>

Note: The City implemented GASB Statement No. 75 in fiscal year 2018. Previous years were not restated.

Changes in Governmental Net Position

Last Ten Fiscal Years

June 30, 2019

	Fiscal Years Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 401,984	\$ 396,083	\$ 354,617	\$ 338,430	\$ 344,215	\$ 329,498	\$ 350,707	\$ 333,603	\$ 386,332	\$ 386,305
Highways and streets	193,004	237,314	209,432	315,612	237,103	192,168	215,611	304,884	257,486	293,705
Public safety	678,332	636,955	605,220	618,900	611,103	543,703	627,785	635,419	582,124	546,035
Public works	244,045	221,100	261,526	206,971	241,833	207,011	236,191	246,157	224,505	243,607
Health and welfare	-	-	-	-	-	-	-	-	-	-
Community and economic development	13,943	11,018	16,715	16,655	8,067	11,250	9,154	9,166	12,344	12,763
Recreation and culture	149,046	83,073	81,379	78,572	58,963	67,211	75,713	80,704	58,524	58,131
Interest and long-term debt	21,213	18,468	15,633	12,720	13,047	18,512	17,580	14,381	11,550	6,694
Total governmental activities	1,701,567	1,604,011	1,544,522	1,587,860	1,514,331	1,369,353	1,532,741	1,624,314	1,532,865	1,547,240
Business-type activities:										
Water	671,302	615,902	585,914	653,429	747,829	668,884	747,814	791,020	815,202	974,146
Sewer	468,576	443,214	410,711	487,286	388,096	443,845	767,952	525,318	424,578	438,321
Amphitheater	-	67,042	53,935	54,098	41,856	42,789	33,737	37,502	33,459	43,623
Total business-type activities	1,139,878	1,126,158	1,050,560	1,194,813	1,177,781	1,155,518	1,549,503	1,353,840	1,273,239	1,456,090
Total expenses	2,841,445	2,730,169	2,595,082	2,782,673	2,692,112	2,524,871	3,082,244	2,978,154	2,806,104	3,003,330
Program revenue										
Governmental activities:										
Charges for services:										
General government	9,782	11,378	12,062	11,976	29,046	31,856	33,112	37,220	35,152	50,977
Highways and streets	-	300	600	600	150	669	300	900	750	2,850
Public safety	38,917	31,001	44,825	42,225	31,540	30,871	26,266	26,352	29,312	25,853
Public works	85,188	106,408	102,462	103,320	107,768	118,391	111,392	107,616	106,070	104,919
Community and economic development	31,404	20,925	32,175	31,490	9,868	12,465	13,745	13,005	13,040	-
Recreation and cultural	-	-	-	-	-	-	-	-	-	17,620
Operating grants and contributions	186,434	173,154	181,054	171,636	372,591	548,898	334,951	297,780	283,862	270,622
Capital grants and contributions	101,352	23,486	2,972	1,743	504	1,050	1,570	12,650	11,975	41,413
Total governmental activities	453,077	366,652	376,150	362,990	551,467	744,200	521,336	495,523	480,161	514,254
Business-type activities:										
Charges for services:										
Water	707,669	712,896	721,309	726,506	813,173	916,146	901,764	908,353	909,620	941,432
Sewer	625,594	604,001	596,332	590,586	502,377	539,288	559,678	545,813	531,470	508,632
Amphitheater	-	78,373	63,644	53,115	36,838	39,734	49,381	48,955	48,632	48,189
Operating grants and contributions	-	-	-	2,100	-	-	260,758	152,904	-	-
Capital grants and contributions	-	-	64,111	69,594	-	-	-	-	-	680,266
Total business-type activities	1,333,263	1,395,270	1,445,396	1,441,901	1,352,388	1,495,168	1,771,581	1,656,025	1,489,722	2,178,519
Total program revenue	1,786,340	1,761,922	1,821,546	1,804,891	1,903,855	2,239,368	2,292,917	2,151,548	1,969,883	2,692,773

Changes in Governmental Net Position (Continued)

Last Ten Fiscal Years
June 30, 2019

	Fiscal Years									
	Ended June 30, 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expenses) Revenue										
Governmental activities	\$ (1,248,490)	\$ (1,237,359)	\$ (1,168,372)	\$ (1,224,870)	\$ (962,864)	\$ (625,153)	\$ (1,011,405)	\$ (1,128,791)	\$ (1,052,704)	\$ (1,032,986)
Business-type activities	193,385	269,112	394,836	247,088	174,607	339,650	222,078	302,185	216,483	722,429
Total expenses	<u>\$ (1,055,105)</u>	<u>\$ (968,247)</u>	<u>\$ (773,536)</u>	<u>\$ (977,782)</u>	<u>\$ (788,257)</u>	<u>\$ (285,503)</u>	<u>\$ (789,327)</u>	<u>\$ (826,606)</u>	<u>\$ (836,221)</u>	<u>\$ (310,557)</u>
General Revenue and Other										
Changes in Net Position										
Governmental activities:										
Property taxes	874,181	801,942	820,443	770,313	765,150	756,300	767,100	773,065	770,801	789,930
State-shared revenue	240,733	240,929	247,351	295,842	262,606	267,793	293,108	289,846	308,946	318,913
Unrestricted investment earnings	4,120	3,867	2,452	1,735	3,891	3,544	3,154	3,080	3,294	14,186
Loss on sale of capital assets	-	-	-	-	-	-	-	-	-	28,153
Unrestricted fees and other	57,387	59,440	61,016	69,758	96,248	131,291	160,129	121,028	63,852	77,681
Total governmental activities	<u>1,176,421</u>	<u>1,106,178</u>	<u>1,131,262</u>	<u>1,137,648</u>	<u>1,127,895</u>	<u>1,158,928</u>	<u>1,223,491</u>	<u>1,187,019</u>	<u>1,146,893</u>	<u>1,228,863</u>
Business-type activities:										
Unrestricted investment earnings	769	944	794	516	476	360	264	304	228	7,392
Unrestricted fees and other	286	-	-	-	7,850	-	-	-	-	-
Total business-type activities	<u>1,055</u>	<u>944</u>	<u>794</u>	<u>516</u>	<u>8,326</u>	<u>360</u>	<u>264</u>	<u>304</u>	<u>228</u>	<u>7,392</u>
Total primary government	<u>\$ 1,177,476</u>	<u>\$ 1,107,122</u>	<u>\$ 1,132,056</u>	<u>\$ 1,138,164</u>	<u>\$ 1,136,221</u>	<u>\$ 1,159,288</u>	<u>\$ 1,223,755</u>	<u>\$ 1,187,323</u>	<u>\$ 1,147,121</u>	<u>\$ 1,236,255</u>
Changes in Net Position										
Governmental activities	(72,069)	(131,181)	(37,110)	(87,222)	165,031	533,775	212,086	58,228	94,189	195,877
Business-type activities	194,440	270,056	395,630	247,604	182,933	340,010	222,342	302,489	216,711	729,821
Total changes in net position	<u>\$ 122,371</u>	<u>\$ 138,875</u>	<u>\$ 358,520</u>	<u>\$ 160,382</u>	<u>\$ 347,964</u>	<u>\$ 873,785</u>	<u>\$ 434,428</u>	<u>\$ 360,717</u>	<u>\$ 310,900</u>	<u>\$ 925,698</u>

Note : Increases or decreases in fund balances in the City's several funds are intended to adequately account for cash flows, unexpected expenditures, commitments and the undertaking of planned expenditures.

Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2019

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Unreserved, undesignated/unassigned	\$ 369,984	\$ 531,115	\$ 448,105	\$ 453,688	\$ 307,553	\$ 335,542	\$ 350,528	\$ 399,855	\$ 476,018	\$ 556,244
Unreserved, designated for amphitheater	-	-	-	-	-	-	-	-	-	-
Nonspendable:										
Inventory - Land	-	1,351	1,653	4,480	3,129	26,911	27,472	27,731	27,751	27,492
Long-term advance	-	-	-	-	165,054	148,811	132,260	114,456	44,004	-
Prepays	-	7,361	3,993	-	-	-	-	-	-	-
Reserved:										
Parks and park improvements	1,211	-	-	-	-	-	-	-	-	-
Prepaid costs and other assets	16,715	-	-	-	-	-	-	-	-	-
Police equipment	-	-	-	-	-	-	-	-	-	-
Committed										
Public improvements	-	-	111,851	104,652	106,298	108,066	109,660	111,087	112,389	113,651
Debt service	-	-	-	-	-	-	21,479	7,046	-	-
Assigned - Park improvements	-	7,540	3,270	342	394	434	-	-	-	-
Total general fund	<u>\$ 387,910</u>	<u>\$ 547,367</u>	<u>\$ 568,872</u>	<u>\$ 563,162</u>	<u>\$ 582,428</u>	<u>\$ 619,764</u>	<u>\$ 641,399</u>	<u>\$ 660,175</u>	<u>\$ 660,162</u>	<u>\$ 697,387</u>
All other governmental funds:										
Nonspendable - Prepays	-	632	7,515	-	-	-	-	-	-	-
Restricted:										
Roads	-	141,800	133,241	267,198	203,559	185,746	141,186	143,609	268,796	512,963
Debt service	-	15,475	5,562	386	-	-	-	-	-	-
Sanitation collection	-	2,687	163	-	982	13,964	22,001	33,336	38,152	36,139
Reserved - Park and park improvements	7,411	-	-	-	-	-	-	-	-	-
Assigned:										
Capital projects	-	-	-	39,076	109,112	36,101	71,106	57,092	111,629	174,295
Roads	-	-	123,669	-	-	-	-	-	-	-
Debt service	-	-	-	-	600	-	5	-	-	-
Unreserved, undesignated - Reported in:										
Special Revenue Fund	222,864	-	-	-	-	-	-	-	-	-
Debt Service Fund	25,678	-	-	-	-	-	-	-	-	-
Capital Fund	10,468	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(5,797)	-	(1,354)	-	(51,782)	-
Total all other governmental funds	<u>266,421</u>	<u>160,594</u>	<u>270,150</u>	<u>306,660</u>	<u>314,253</u>	<u>235,811</u>	<u>234,298</u>	<u>234,037</u>	<u>418,577</u>	<u>723,397</u>

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2019

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue										
Property taxes	\$ 874,181	\$ 801,942	\$ 820,443	\$ 770,313	\$ 765,150	\$ 756,300	\$ 767,100	\$ 773,065	\$ 770,801	\$ 789,930
Special assessments	-	-	-	-	-	-	-	-	104,627	103,323
Licenses and permits	10,667	9,258	15,188	1,920	180	781	1,061	1,583	-	-
Federal sources	-	18,481	-	-	-	-	-	-	-	-
State sources	462,475	417,703	421,327	470,511	662,779	761,991	624,933	585,091	604,281	666,469
Charges for services	103,453	129,228	128,108	127,183	151,095	24,543	60,243	44,168	31,901	30,374
Fines and forfeitures	25,899	18,195	26,159	37,835	28,537	27,181	22,245	21,805	25,527	22,158
Investment income	3,770	3,543	2,196	1,567	3,757	3,440	3,087	3,016	3,258	12,795
Other revenue	152,638	83,257	89,713	93,390	98,807	266,954	242,117	214,601	118,831	124,947
Total revenue	1,633,083	1,481,607	1,503,134	1,502,719	1,710,305	1,841,190	1,720,786	1,643,329	1,659,226	1,749,996
Expenditures										
General government	378,974	369,311	334,503	297,226	317,999	304,905	348,395	353,668	315,471	294,372
Highways and streets	210,779	123,958	108,940	211,153	531,389	407,966	400,455	290,071	193,253	210,741
Public safety	594,612	521,966	530,883	537,430	513,762	510,660	572,046	585,964	575,954	537,920
Public works	238,860	231,828	253,743	233,461	236,061	208,045	231,625	242,138	224,178	244,563
Health and welfare	-	-	-	-	-	-	-	-	-	-
Community and economic development	-	453	-	-	-	-	-	-	-	-
Recreation and cultral	122,930	68,529	74,168	89,405	53,106	66,930	69,140	76,248	56,005	101,647
Civic buildings	15,311	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	21,081	23,510	638,830	-	-	-	-
Debt service - Principal	60,000	60,000	60,000	65,000	45,000	74,666	61,423	62,344	98,288	39,257
Debt service - Interest	21,213	18,468	15,633	12,720	13,047	18,512	17,580	14,381	11,550	6,694
Total expenditures	1,642,679	1,394,513	1,377,870	1,467,476	1,733,874	2,230,514	1,700,664	1,624,814	1,474,699	1,435,194
Excess of Revenue (Under) Over										
Expenditures	(9,596)	87,094	125,264	35,243	(23,569)	(389,324)	20,122	18,515	184,527	314,802
Other Financing Sources (Uses)										
Proceeds from debt issuance	-	-	-	-	-	400,000	-	-	-	-
Sale of assets	-	-	-	-	-	-	-	-	-	27,243
Transfers in	73,969	88,234	130,894	160,120	123,352	632,016	174,094	196,817	223,206	259,803
Transfers out	(73,969)	(88,234)	(130,894)	(160,120)	(123,352)	(632,016)	(174,094)	(196,817)	(223,206)	(259,803)
Total other financing sources (uses)	-	-	-	-	-	400,000	-	-	-	27,243
Net change in fund balances	(9,596)	87,094	125,264	35,243	(23,569)	10,676	20,122	18,515	184,527	342,045
Fund Balances - Beginning of year	663,927	620,867	707,961	833,225	868,468	844,899	855,575	875,697	894,212	1,078,739
Fund Balances - End of year	\$ 654,331	\$ 707,961	\$ 833,225	\$ 868,468	\$ 844,899	\$ 855,575	\$ 875,697	\$ 894,212	\$ 1,078,739	\$ 1,420,784
Debt service as a percentage of noncapital expenditures	4.94%	5.82%	5.50%	5.48%	4.40%	7.54%	5.92%	5.39%	8.29%	3.68%

Taxable Value by Property Type and Actual Value
Last Ten Fiscal Years

Fiscal Year	Real Property				Real Property		Total Ad - Val	Total Abated	Total Taxable Value	Actual Value	As a Percent	
	Residential	Commercial	Industrial	IFT Real	Personal Property	IFT Personal					of Actual Value	Total Direct Taxes
2019	\$ 23,439,333	\$ 14,639,161	\$ 769,982	\$ -	\$ 2,998,100	\$ -	\$ 41,846,576	\$ -	\$ 41,846,576	\$ 47,953,900	87.26%	16.8815
2018	22,688,179	14,534,250	755,020	-	2,842,300	-	40,819,749	\$ -	40,819,749	\$ 45,481,099	89.75%	16.8815
2017	22,436,369	14,565,276	749,221	-	3,165,200	-	40,916,066	\$ -	40,916,066	45,481,100	89.96%	17.8815
2016	22,568,480	14,457,306	747,222	-	3,031,100	-	40,804,108	\$ -	40,804,108	43,425,200	93.96%	17.9246
2015	22,234,234	14,307,326	743,567	-	3,018,800	-	40,303,927	\$ -	40,303,927	41,174,200	97.89%	17.9246
2014	22,673,446	14,137,661	739,458	-	3,417,250	-	40,967,815	\$ -	40,967,815	41,754,600	98.12%	17.9246
2013	23,135,686	14,415,846	748,201	-	3,461,132	-	41,760,865	\$ -	41,760,865	42,880,200	97.39%	17.9246
2012	23,768,293	15,288,921	1,042,523	-	3,562,758	-	43,662,495	\$ -	43,662,495	45,763,300	95.41%	17.9246
2011	25,060,694	16,484,377	403,703	-	3,301,740	-	45,250,514	\$ -	45,250,514	48,326,800	93.63%	17.0000
2010	27,651,932	15,091,871	2,296,517	-	3,455,137	-	48,495,457	\$ -	48,495,457	56,668,200	85.58%	17.0000

Source: City of Clio, Michigan

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Tax Year	Millage Rates - Direct City			Overlapping taxes					Millage Rate - Total	
	General		Total direct taxes	Community		Intermediate School District	School District		Homestead	Non-homestead
	Operating	Fired		County	College		Homestead	Non-homestead		
2019	16.8815	1.0000	17.8815	12.4242	2.8047	3.7732	7.9958	25.9958	44.8794	62.8794
2018	16.8815	1.0000	17.8815	11.4896	2.0860	3.7826	7.9992	25.9992	43.2389	61.2389
2017	16.8815	1.0000	17.8815	10.2643	2.8096	3.7826	8.0000	26	42.7380	60.7380
2016	16.9246	1.0000	17.9246	11.4897	2.8596	3.5341	8.0000	26	43.8080	61.8080
2015	16.9246	1.0000	17.9246	11.0642	2.8596	3.5341	8.0000	26	43.3825	61.3825
2014	16.9246	1.0000	17.9246	10.5594	2.8596	3.5341	8.0000	26	42.8777	60.8777
2013	16.9246	1.0000	17.9246	10.5594	2.8596	3.5341	8.0000	26	42.8777	60.8777
2012	16.9246	1.0000	17.9246	10.4594	2.8596	3.5341	8.0000	26	42.7777	60.7777
2011	16.0000	1.0000	17.0000	10.2094	2.6796	3.5341	8.0000	26	41.4231	59.4231
2010	16.0000	1.0000	17.0000	10.2094	2.6796	3.5341	8.0000	26	41.4231	59.4231

Source: City of Clio, Michigan

Principal Property Taxpayers

Fiscal Year Ended June 30, 2019

Fiscal Year Ended June 30, 2018

Rank	Principal Taxpayer	Type of Business	Taxable Value	Percentage of Total Taxable		Rank	Taxable Value	Percentage of Total Taxable Value	
				Value				Taxable Value	Taxable Value
1	Mill Creek Apartment	Apartments	\$ 1,806,426	1.50%		1	\$ 1,764,088	4.31%	
2	Spartan Stores	Grocery	1,020,286	1.40%		2	996,374	2.44%	
3	Larkhite Development	Modular Home Park	918,184	1.30%		3	896,665	2.19%	
4	Madison Court Apartme	Apartments	673,456	1.20%		4	657,672	1.61%	
5	Fuller Apartments	Apartments	373,349	1.10%		5	364,599	0.89%	
6	RX Clio Investors	Pharmacy	338,900	1.00%		6	334,057	0.82%	
7	Tam Partners	Post Office	338,035	0.90%		7	330,113	0.81%	
8	R&E Morgan	Commercial Strip Mall	317,422	0.80%		8	309,983	0.76%	
9	Cardinal Machine	Machine Shop	306,646	0.70%		9	299,459	0.73%	
10	PNC Bank	Bank	275,309	0.60%		N/A	N/A	N/A	

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Tax Collections	Percentage of Taxes Levy Collected	Delinquent Tax Collection	Tax Collection and Delinquent Taxes Collected	Percentage of Tax Collections and Delinquent Taxes Collected
2019	\$ 748,001	\$ 687,062	91.85%	\$ 60,939	\$ 748,001	100.00%
2018	729,847	670,062	91.81%	59,785	\$ 729,847	100.00%
2017	731,633	670,004	91.58%	61,629	\$ 731,633	100.00%
2016	726,022	654,663	90.17%	71,359	\$ 726,022	100.00%
2015	720,515	645,159	89.54%	74,725	\$ 719,884	99.91%
2014	733,327	675,113	92.06%	55,635	\$ 730,748	99.65%
2013	744,670	676,413	90.83%	57,043	\$ 733,456	98.49%
2012	782,654	698,247	89.22%	82,838	\$ 781,085	99.80%
2011	769,258	686,036	89.18%	78,483	\$ 764,519	99.38%
2010	852,118	764,171	89.68%	64,596	\$ 828,767	97.26%

Source: City of Clio, Michigan

Ratios of Outstanding Debt
Last Ten Fiscal Years

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
General obligation bonds	\$ 335,000	\$ 285,000	\$ 235,000	\$ 180,000	\$ 145,000	\$ 110,000	\$ 85,000	\$ 60,000	\$ -	\$ -
Installment notes	-	-	-	-	-	370,334	333,911	296,567	258,279	219,022
Special assessment bonds	50,000	40,000	30,000	20,000	10,000	-	-	-	-	-
Total governmental activities	<u>385,000</u>	<u>325,000</u>	<u>265,000</u>	<u>200,000</u>	<u>155,000</u>	<u>480,334</u>	<u>418,911</u>	<u>356,567</u>	<u>258,279</u>	<u>219,022</u>
Business Type Activities:										
General obligation bonds	1,085,000	990,000	885,000	780,000	670,000	550,000	430,000	300,000	-	-
Installment notes	105,268	82,136	58,028	32,925	6,739	-	-	-	-	-
Revenue bonds	-	-	-	-	-	-	-	-	17,000	1,308,000
Special assessment bonds	-	-	-	-	-	-	-	-	-	-
Total business type activities	<u>1,190,268</u>	<u>1,072,136</u>	<u>943,028</u>	<u>812,925</u>	<u>676,739</u>	<u>550,000</u>	<u>430,000</u>	<u>300,000</u>	<u>17,000</u>	<u>1,308,000</u>
Total debt of the government	<u>\$ 1,575,268</u>	<u>\$ 1,397,136</u>	<u>\$ 1,208,028</u>	<u>\$ 1,012,925</u>	<u>\$ 831,739</u>	<u>\$ 1,030,334</u>	<u>\$ 848,911</u>	<u>\$ 656,567</u>	<u>\$ 275,279</u>	<u>\$ 1,527,022</u>
 Total debt as a percent of taxable value	3.25%	3.09%	2.77%	2.43%	2.03%	2.56%	2.08%	1.60%	0.67%	3.18%
 Total debt as a percent of personal income	2.93%	2.80%	2.50%	2.17%	1.79%	2.24%	1.93%	1.42%	0.56%	2.91%
 Total debt per capita	595.34	529.42	461.43	390.79	323.13	403.74	335.41	260.96	109.72	610.81

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Pledged Debt Service Funds	Net General Bonded Debt	Taxable value	Net general bonded debt as a percentage of taxable value	Population	General Obligation Debt per Capita
2019	-	-	-	47,953,900	0.00%	2,646	-
2018	-	-	-	40,819,749	0.00%	2,645	-
2017	360,000	-	360,000	40,916,066	0.88%	2,646	136.05
2016	515,000	-	515,000	40,804,108	1.26%	2,646	194.63
2015	660,000	-	660,000	40,303,927	1.64%	2,646	249.43
2014	815,000	-	815,000	40,967,815	1.99%	2,646	308.01
2013	960,000	-	960,000	41,760,865	2.30%	2,646	362.81
2012	1,120,000	-	1,120,000	43,662,495	2.57%	2,646	423.28
2011	1,275,000	-	1,275,000	45,250,514	2.82%	2,646	481.86
2010	1,420,000	-	1,420,000	48,495,457	2.93%	2,646	536.66

City of Clio, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2019

Date of Financial Information	Jurisdiction	Debt Outstanding	Percentage of Debt Applicable to the City of Clio	Amount Applicable to the City of Clio
6/30/2019	Direct debt - City of Clio	\$ 219,022	100.00%	\$ 219,022
Overlapping debt:				
9/30/2017	Bishop Airport*#	\$ 9,355	0.47%	44
3/31/2018	Clio Area Fire Authority*##	539,978	7.84%	42,334
6/30/2018	Clio Area School District*###	420,470		-
9/30/2017	Genesee County*#	25,965,784	0.47%	122,039
9/30/2017	Mott Community College	60,828,588		-
	Genesee Intermediate School District*#	6,780,410	0.47%	<u>31,868</u>
	Total overlapping debt	<u>94,544,585</u>		<u>196,285</u>
	Total direct and overlapping debt	<u>\$ 94,763,607</u>		<u>\$ 415,307</u>

Note: The overlapping debt is debt of all jurisdictions that overlap the City's boundaries. The residents of the City are responsible for that portion of that debt based on the percentage of the City's taxable value as compared to the taxable value of the overlapping jurisdiction.

* Michigan Department of Treasury State Tax Commission 2016, Assessed and Equalized Valuation for Separately Equalized Classifications - Genesee County.

*# Genesee County, Michigan Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2017.

*## Clio Area Fire Authority, Clio, Michigan, Report on Financial Statements, Year Ended March 31, 2018.

*### Clio Area Schools Financial Statements, June 30, 2018.

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Calculation of debt limit										
State-equalized valuation	\$ 56,685,700	\$ 48,326,800	\$ 45,765,800	\$ 42,845,100	\$ 41,755,500	\$ 41,174,200	\$ 43,425,200	\$ 45,567,700	\$ 46,182,700	\$ 50,288,900
Debt limit (10% of state-equalized value)	\$ 5,668,570	\$ 4,832,680	\$ 4,576,580	\$ 4,284,510	\$ 4,175,550	\$ 4,117,420	\$ 4,342,520	\$ 4,556,770	\$ 4,618,270	\$ 5,028,890
Calculation of debt subject to limit										
Total debt	385,000	325,000	265,000	200,000	155,000	480,334	418,911	356,567	258,279	219,022
Less deductions allowed by law:										
General obligation limited tax bonds	335,000	285,000	235,000	180,000	145,000	110,000	85,000	60,000	-	-
Special assessment bonds	50,000	40,000	30,000	20,000	10,000	-	-	-	-	-
Net debt subject to limit	-	-	-	-	-	370,334	333,911	296,567	258,279	219,022
Legal debt margin	5,668,570	4,832,680	4,576,580	4,284,510	4,175,550	3,747,086	4,008,609	4,260,203	4,359,991	4,809,868
Net debt subject to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	9.88%	8.33%	6.96%	5.92%	4.55%

State-equalized valuation obtained from Michigan Department of Treasury State Tax Commission, Assessed and Equalized Valuation for Separately Equalized.

As of July 1	Population	Per Capita Personal Income	Median		Unemployment rate	Percent of People Below the Poverty Line	Total Personal Income
			Family Income	Household Income			
2019	2,500	20,959	48,088	36,025	14.00%	20.90%	\$ 52,397,500
2018	2,509	19,727	42,155	35,859	6.20%	21.00%	49,495,043
2017	2,516	18,404	38,438	33,307	7.20%	19.30%	46,304,464
2016	2,531	17,398	35,526	31,136	12.80%	21.10%	44,034,338
2015	2,552	18,049	36,594	32,500	12.60%	16.90%	46,061,048
2014	2,574	18,049	36,594	32,500	11.40%	17.70%	46,458,126
2013	2,592	18,049	36,594	32,500	9.50%	20.20%	46,783,008
2012	2,618	18,451	36,371	30,423	7.70%	18.30%	48,304,718
2011	2,639	18,898	36,974	32,581	6.20%	20.20%	49,871,822
2010	2,646	20,329	36,923	32,992	4.20%	18.30%	53,790,534

Source: United States Census Bureau, American Fact Finder

Principal Employers

Rank	Employer	Fiscal Year Ended June 30, 2019		
		Industry (NAICS) Code	Number of Establishments	Number of Employees
1	Retail trade	44-45	20	228
2	Accommodations and food services	72	8	169
3	Manufacturing	31-33	4	46
4	Finance and insurance	52	7	33
5	Professional, scientific, and technical services	54	5	31
6	Real estate and rental and leasing	53	5	12
7	Admin. /support /waste mgt. /remediation services	56	4	Data withheld to avoid disclosing data for individual companies
8	Arts, entertainment, and recreation	71	1	
9	Health care and social assistance	62	8	
10	Information	51	1	
	Other services	81	10	
	Transportation and warehousing	48-49	1	
	Wholesale trade	42	2	

Full-Time Government Employees

Last Ten Fiscal Years

June 30, 2019

Function/ program:	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration										
City administrator - Full time	2	2	2	2	2	2	2	2	2	2
City clerk - Full time	1	1	1	1	1	1	1	1	1	1
City treasurer - Full time	2	2	2	1	1	1	1	1	1	1
City treasurer - Part time	-	-	-	1	1	1	1	1	1	1
Public Safety - Police officers										
Police officers - Full time	4	4	4	4	4	4	4	4	4	4
Police officers - Part time	NA	NA	NA	NA	NA	8	8	7	7	6
Public Service										
Laborers - Full time	3	3	3	3	2	3	3	1	3	2
Laborers - Part time (seasonal)	NA	NA	NA	NA	3	1	2	1	1	1
Total full-time employees	NA	12	12	11	10	11	11	9	11	10
Total part-time employees	NA	NA	NA	NA	1	4	11	9	9	8

Source: City of Clio, Michigan

Function/ program	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Courtesy checks*								13,341	16,675	10,622
Radio Calls*								1,440	1,684	
Accidents*								40	35	30
Arrest totals	119	89	144	119	156	171	111			
Felony*								18	20	22
Misdemeanor*								132	141	142
Juvenile*								5	-	
Tickets:										
Appearance*								253	142	
Parking *								95	125	52
Traffic	512	479	598	1,093	832	618	659	495	499	441
Code Enforcement										
Notice of Violations										
Building Code*								1	-	-
Clio City Code*								139	283	154
Property Maintenance Code*								217	249	97
Sign Ordinance*								9	9	11
Zoning Code*								27	30	23
Public Service										
Water loss	25.76%	18.98%	10.17%	23.50%	25.73%	10.39%	12.03%	16.15%	16.93%	28.14%

* Performance tracking began 2017.

Source: City of Clio, Michigan

Function/ program	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration/ Police Department Offices	1	1	1	1	1	1	1	1	1	1
Administration Vehicles	1	1	1	1	1	1	1	1	1	1
Public Safety Vehicles	3	3	3	3	4	4	4	4	4	4
Administrative: Offices/Garage Vehicles	2 7	2 7	2 6	2 6	2 6	2 7	2 7	2 7	2 7	2 7
Streets: Square footage										
Major, miles	3.82	3.82	3.82	3.82	3.82	3.82	3.82	3.82	3.82	3.82
Local, miles	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.60
Water mains, feet	NA	83,582	83,582	83,582	83,582	83,582	83,582	83,582	83,582	83,582
Sanitary lift station	1	1	1	1	1	1	1	1	1	1

Source: City of Clio, Michigan

City of Clio, Michigan

Federal Awards Supplemental Information
June 30, 2019

Independent Auditor's Reports

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 1

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government
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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Commissioners
City of Clio, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clio, 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's basic financial statements. We issued our report thereon dated November 22, 2019, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 22, 2019.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

November 22, 2019

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Commissioners
City of Clio, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clio, 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's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2019-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Commissioners
City of Clio, Michigan

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

November 22, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Commissioners
City of Clio, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Clio, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended June 30, 2019. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

To the Board of Commissioners
City of Clio, Michigan

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

November 22, 2019

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Water and Waste Disposal Systems for Rural Communities - Loan	10.760	N/A	\$ -	\$ 1,308,000
Water and Waste Disposal Systems for Rural Communities - Grant	10.760	N/A	-	726,739
Total federal expenditures			\$ -	\$ 2,034,739

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Clio, Michigan (the "City") under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
10.760	Water and Waste Disposal Systems for Rural Communities	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings

Reference Number	Finding
2019-001	<p>Finding Type - Material weakness</p> <p>Criteria - The City should have a review process in place when transitioning between accounting systems.</p> <p>Condition - There was no review procedure in place to ensure that the account balances transitioned properly between systems.</p> <p>Context - The City switched accounting systems during the current year from Fund Balance to BS&A. After the transition, the City did not perform a review of accounts to ensure the transition was complete and that all data had been transferred.</p> <p>Cause - The City did not review the transition due to BS&A performing the transition and assisting with any questions the City may have had.</p> <p>Effect - The utility accounts receivable balances recorded in the general ledger for water and sewer did not agree to the subsidiary ledger balance once the transition occurred from Fund Balance to BS&A.</p> <p>Recommendation - We recommend that the City perform a review of the transition from Fund Balance to BS&A to ensure the account balances are proper.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The city treasurer and vendor representative met to determine the cause of the utility billing account balance error in the transition of the City's financial software. Corrective action was implemented to include a change in the percentage breakdown in utility billing and recording general ledger entries immediately as opposed to when the refund check is made in accounts payable. If, or when, the City of Clio, Michigan changes its accounting software system for utility billing, a part of the process will be to compare all general ledger number balances from before the switch to the general ledger number balances after the switch to ensure they match.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-002	<p>Finding Type - Significant deficiency</p> <p>Criteria - The City should have a review process in place that includes all possible accounts that might have expenditures that need to be capitalized at year end.</p> <p>Condition - During the audit, there were expenditures identified that should have been capitalized at year end.</p> <p>Context - The City has a review process in place to review capital outlay expenditure accounts for capitalization at year end. However, there was an immaterial erroneous posting to a professional services account that the City did not capitalize.</p> <p>Cause - Due to erroneous posting of an expenditure to a professional services account, the City's review process in place for identifying capital outlay by reviewing expenditure accounts did not identify this item.</p> <p>Effect - Had the City not capitalized the expenditures found during the audit, the City would have overstated its expenditures by \$12,600 and understated its capital assets by \$12,600.</p> <p>Recommendation - We recommend the City include capital outlay and professional services expenditure accounts in the review for fixed assets to be capitalized in order to ensure all fixed assets are recognized.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has a process in place to review all capital outlay expenditure accounts for possible fixed assets at year end and plans to implement a review biannually. Had the expenditure been material, the City would have identified the erroneous posting to professional services as part of the budget-to-actual process and reclassified and capitalized the expenditure.</p>

Section III - Federal Program Audit Findings

None



505 West Vienna Street • Clio, Michigan 48420

(810) 686-5850, Hearing or Speech Impaired Services Available by Dialing 711.

City of Clio

11/15/2019

Summary Schedule of Prior Audit Findings

Prior Year Finding Number: N/A

Fiscal Year in Which the Finding Initially Occurred: 2018.

Federal Program, CFDA Number and Name: N/A

Original Finding Description: There is not a review procedure in place to ensure that all donated and purchased capital assets are included on the capital asset schedule and to ensure all completed projects are transferred to depreciable assets.

Status/ Partial Corrective Action (as applicable): Fully corrected.

Planned Corrective Action: N/A



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City of Clio
11/22/2019
Corrective Action Plan

Finding Number: 2019-001

Condition: There was not a review procedure in place to ensure that the account balances transitioned between systems properly.

Planned Corrective Action: The City Treasurer and vender representative met to determine the cause of the utility billing account balance error in the transition of the City's financial software. Corrective action was implemented to include a change in the percentage breakdown in utility billing and recording general ledger entries immediately as opposed to when the refund check is made in accounts payable. If, or when, the City of Clio changes its accounting software system for utility billing, a part of the process will be to compare all general ledger number balances before the switch match with the general ledger number balances after the switch.

Contact person responsible for corrective action: Don Dowell, City Treasurer

Anticipated Completion Date: Corrective action has been implemented for this specific condition and the more general corrective action will occur if, or when, the City changes its accounting software system.

Finding Number: 2019-002

Condition: During the audit, there were expenditures identified that should have been capitalized at year end.

Planned Corrective Action: To pull a capital (fixed asset) report bi-annually, for all departments, and verify that they match amounts listed on the capitalization report. Additionally, pull the reports that have over \$5,000.00 and listed as capital assets and list as capital assets and have department heads review asset list for any disposals.

Contact person responsible for corrective action: Linda Kingston, City Clerk

Anticipated Completion Date: Ongoing.



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City of Clio

11/22/2019

Summary Schedule of Prior Audit Findings

Prior Year Finding Number: N/A

Fiscal Year in Which the Finding Initially Occurred: 2018.

Federal Program, CFDA Number and Name: N/A

Original Finding Description: There is not a review procedure in place to ensure that all donated and purchased capital assets are included on the capital asset schedule and to ensure all completed projects are transferred to depreciable assets.

Status/ Partial Corrective Action (as applicable): Fully corrected.

Planned Corrective Action: N/A

November 22, 2019

To the Board of Commissioners
City of Clio, Michigan

We have audited the financial statements of the City of Clio, Michigan (the "City") as of and for the year ended June 30, 2019 and have issued our report thereon dated November 22, 2019. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Board of Commissioners of the City of Clio, Michigan.

Section II presents updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Board of Commissioners and management of the City of Clio, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

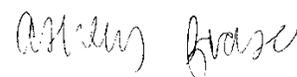
We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



David Helisek, CPA



Ashley Frase, CPA

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 17, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the City's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the City, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated November 22, 2019 regarding our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 18, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019 except for the adoption of GASB Statement No. 88 requiring additional debt disclosures.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Section I - Required Communications with Those Charged with Governance (Continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the net other postemployment benefit liability and the net pension liability. Management's estimates of the net other postemployment benefit liability and the net pension liability are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the net OPEB liability and the net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosure of the net pension liability in Note 9 and the net OPEB liability in Note 10 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

**Section I - Required Communications with Those Charged with Governance
(Continued)**

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the City’s financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the introductory and statistical sections, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Attachments

Client: **City of Clio, Michigan**
 Opinion Unit: **Major Street Fund**
 Y/E: **6/30/2019**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:											
A1	To record overpayment from MDOT				\$ 734				\$ (734)		\$ (734)
JUDGMENTAL ADJUSTMENTS:											
B1	None										
PROJECTED ADJUSTMENTS:											
C1	None										
	Total	\$ -	\$ -	\$ -	\$ 734	\$ -	\$ -	\$ -	\$ (734)	\$ -	\$ (734)
PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:											
D1	None										

Client: **City of Clio, Michigan**
 Opinion Unit: **Local Street Fund**
 Y/E: **6/30/2019**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:											
A1	To record overpayment from MDOT				\$ 249				\$ (249)		\$ (249)
JUDGMENTAL ADJUSTMENTS:											
B1	None										
PROJECTED ADJUSTMENTS:											
C1	None										
	Total	\$ -	\$ -	\$ -	\$ 249	\$ -	\$ -	\$ -	\$ (249)	\$ -	\$ (249)
PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:											
D1	None										

Section II - Legislative and Informational Items

Updated Uniform Chart of Accounts

In April 2017, the State released an updated Uniform Chart of Accounts. Originally, local units of government were expected to comply with the changes beginning with June 30, 2018 year ends. However, on June 4, 2018, the State extended the deadline for compliance to “sometime in 2019.” On September 18, 2019, the State issued a memo that sets an implementation date for fiscal years ending on September 20, 2021 and thereafter. The State has committed to releasing various tools in the coming months to help local units with implementation. On October 31, 2019, the FAQs will be released along with clarification on which accounts should be used when implementing GASB 84. A significant revision will be issued on December 31, 2019 that will incorporate feedback that the Treasury has received. This revision will include significant changes to the expenditure accounts 700-999, which will now mirror the old approach that allowed for various numbers within certain ranges. Going forward, the Treasury will issue the following three documents for any future revisions: a revised chart of accounts, a marked-up version of the chart showing the changes, and a summary of the revisions report. In addition, the FAQs will be a live document that will be updated as questions arise. Local units can sign up for alerts at this link: https://public.govdelivery.com/accounts/MITREAS/subscriber/new?qsp=MITREAS_1.

Revenue Sharing

The fiscal year 2020 governor’s budget recommendation includes \$1.4 billion for revenue sharing broken down as follows:

Description	Final 2019 Budget	Final 2020 Budget
Constitutionally required payments	\$835.3 M	\$886.5 M
CVTRS	243.0 M	262.8 M
CVTRS - One-time payments	5.8 M	0 M
County revenue sharing	177.2 M	184.8 M
County incentive program	43.3 M	43.3 M
County one-time payments	1.0 M	0 M
Fiscally distressed community grants	2.5 M	5.0 M
Supplemental CVTRS	6.2 M	0 M
Total	\$1,314.3 M	\$1,382.4 M

For the third year in a row, local units will experience an increase in 2020 based on the governor’s budget recommendation, as the constitutional payment budget has been increased by \$68.1 million over the 2019 budget act appropriated amount. The FY 2020 budget also includes the “City, Village, and Township Revenue Sharing” (CVTRS) appropriation that was established in FY 2015, and that number increased to \$262.8 million. Each community’s overall increase will vary, as each has a different mix of constitutional and CVTRS.

In order to receive the CVTRS payments in FY 2020, qualified local units will once again need to comply with the same best practices as they did last year, as follows:

- A citizen’s guide to local finances with disclosure of unfunded liabilities
- Performance dashboard
- Debt service report
- Two-year budget projection

Section II - Legislative and Informational Items (Continued)

The amount budgeted for distressed CVTRS has been increased from \$2.5 million in 2019 to \$5 million in 2020. The governor's recommendation has removed \$6.2 million for "supplemental CVTRS" payments in FY 2020.

Launch of MI Community Financial Dashboard

The Michigan Department of Treasury launched the MI Community Financial Dashboard. This dashboard will provide you and your community members with easy-to-use visual data regarding your municipality. The data presented on the dashboard is pulled from the Annual Local Fiscal Report (F65) submitted by your local unit. The dashboard will present data from fiscal years 2010 through 2017. You can sign in and review the dashboard here:

<http://micommunityfinancials.michigan.gov/#!/dashboard/COUNTY/?lat=44.731431779455505&lng=-83.018211069625&zoom=5>.

Legacy Cost Reporting

Public Act 530 of 2016

On December 31, 2016, the governor signed Public Act 530 of 2016, which amends Public Act 314 of 1965, also known as the Public Employee Retirement System Investment Act (PERSIA). This act was effective on March 29, 2017.

Under the prior act, communities were required to publish a summary annual report setting forth key information related to pension and retiree healthcare plans. The amendment requires that this summary annual report also be submitted to the Michigan Department of Treasury within 30 days of publication.

In addition, for any system (either pension or retiree health care) that is not funded at a level of at least 60 percent, the community must now post a report to its website indicating steps that are being undertaken to address the liability. In addition, this report must be submitted to the Department of Treasury within a reasonable time frame.

The legislation calls for the Department of Treasury to accumulate all of the reports and publish a summary of funding levels throughout the state.

Public Act 202 of 2017

On January 5, 2018, the Michigan Department of Treasury released initial reporting requirements under Public Act 202 of 2017 (the "Act"), which were a primary component of the Act. These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits.

On September 25, 2018, the Michigan Department of Treasury released the final uniform assumptions to be used for reporting requirements under the Act. Local units must begin reporting funded ratios and contributions in accordance with the uniform assumptions, starting with their fiscal year 2019 if their audited financial statements are based on an actuarial valuation issued after December 31, 2018. If their fiscal year 2019 audited financial statements are based on an actuarial valuation issued prior to December 31, 2018, the local units must begin reporting on the uniform assumptions starting with their fiscal year 2020. This means that the local unit may potentially need three valuations: a funding valuation (if the local unit chooses to have different assumptions for funding purposes), a valuation that complies with GAAP to be used for financial statement reporting, and a valuation that complies with the State's new uniform assumptions.

Section II - Legislative and Informational Items (Continued)

The releases by the Department of Treasury include the letter titled "Public Act 202: Selection of the Uniform Assumptions," Numbered Letter 2018-1, Form 5572, detailed instructions for completion of Form 5572, and a listing of frequently asked questions. All documents can be located at http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html.

Form 5572 is due annually for both pension and OPEB plans provided by an employer no later than six months after the end of your fiscal year.

In addition to submitting this new form to the Department of Treasury, a local unit must also post this information on its website, or in a public place if the local unit does not have a website. The governing body of a local unit will also need to receive a copy of this form, in accordance with the Act, but the Act does not require approval by the governing body before submission to the Treasury.

Public Act 202 defines that a local unit of government is in "underfunded status" if any of the following apply:

1. OPEB - Total plan assets are less than 40 percent of total plan liabilities according to the most recent annual report, and, for primary units of government*, the annual required contribution for all of the retirement health systems of the local unit is greater than 12 percent of the local unit of government's governmental funds operations revenue.
2. Retirement pension plans - Total plan assets are less than 60 percent of plan total liabilities according to the most recent annual report, and, for primary units of government, the annual required contribution for all of the retirement pension systems of the local unit is greater than 10 percent of the local unit of government's governmental funds operations revenue.

If, after submission of Form 5572, the Treasury determines your community to have underfunded status, you will have the opportunity to file a "waiver" under Section 6 of the Act. The waiver needs to provide a plan for how the underfunding is being addressed. This waiver will then be submitted to the Treasury.

In the event that a local unit has underfunded plans and does not submit a waiver or the waiver is not approved, the Treasury will perform an internal review. The local unit will also need to submit a corrective action plan to the newly created Municipal Stability Board (under Section 7 of the Act). The local unit will be responsible for creating the corrective action plan.

For governments with OPEB plans, Section 4(l)(a)(i)(ii) of Public Act 202 of 2017 requires the local unit to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018. The actuary will likely need to calculate this number in order for governments to comply. In addition, if communities must essentially prefund this additional cost, those communities without a qualifying OPEB trust will need to consider where these contributions will go.

Questions should be directed via email to the Treasury offices at LocalRetirementReporting@michigan.gov or by visiting its website at www.Michigan.gov/LocalRetirementReporting.

*Primary units of government are cities, villages, townships, and counties.

Section II - Legislative and Informational Items (Continued)

Public Act 57 Consolidation of Tax Increment Authorities

Public Act 57 of 2018, otherwise known as The Recodified Tax Increment Financing Act (PA 57), went into effect on January 1, 2019. PA 57 consolidated the ability to create and operate tax increment authorities (other than brownfield redevelopment authorities) into a single statute. All previously created authorities will remain; however, the following acts were repealed, and the corresponding authorities will now operate under PA 57:

- Downtown Development Authority Act (PA 197 of 1975)
- Tax Increment Finance Authority Act (PA 450 of 1980)
- Local Development Finance Authority Act (PA 281 of 1986)
- Nonprofit Street Railway Act (PA 35 of 1867)
- Corridor Improvement Authority Act (PA 280 of 2005)
- Water Resource Improvement Tax Increment Finance Authority Act (PA 94 of 2008)
- Neighborhood Improvement Authority Act (PA 61 of 2007)

Note that the above acts were repealed and recodified into PA 57. The acts listed below were repealed; however, they were not recodified:

- Historical Neighborhood Tax Increment Finance Authority Act (PA 530 of 2004)
- Private Investment Infrastructure Funding Act (PA 250 of 2010)

Any obligation, or refunding of an obligation, that was issued by an authority or by the municipality that created the authority, under a statute that was repealed by Public Act 57, will continue in effect under its original terms under the corresponding part of PA 57.

Transparency and Reporting Requirements

1. By April 1, 2019, each authority was required to submit its currently adopted development plan or tax increment finance plan to the Department of Treasury.
2. Annually, after January 1, 2019, each authority must submit a comprehensive annual report to the Treasury, the governing bodies of its related municipality, and each taxing unit levying taxes that are captured by the authority. This report must contain detailed information on the capture and use of tax increment revenue and is due concurrent with the authority's audit report due date (typically six months after the fiscal year end).
3. Within 180 days after the authority's fiscal year end, subsequent to January 1, 2019, the municipality that created the authority must give public access (either on its website or at a physical location within the municipality) to the following documents:
 - Minutes of all authority board meetings
 - Current authority staff contact information
 - Authority's approved budgets and annual audits
 - Currently adopted development and/or tax increment financing plans
 - Current contracts with descriptions
 - Annual synopsis of the authority's activity, which includes the following:
 - For any tax increment revenue not expended within five years of receipt, include the reasoning for accumulating the funds, their expected uses, and a time frame of when they will be expended.

Section II - Legislative and Informational Items (Continued)

- For any tax increment revenue not expended within 10 years of receipt, include the amount of those funds, along with a written explanation for the reason the funds have not been expended.
 - For the immediately preceding fiscal year, a list of the authority's accomplishments, projects, investments, events, and promotional campaigns
4. The authority must hold, at a minimum, two informational meetings each year and give a 14-day advance notice to the public and to the governing body of each taxing unit. These meetings may be held in conjunction with other public meetings of the authority or municipality.

Any authority not in compliance with the above reporting requirements will receive a notice from the Department of Treasury. If the authority is still in noncompliance status 60 days after receipt of the notice, the authority will be prohibited from capturing tax increment revenue in excess of the amounts needed to pay bonded indebtedness and other obligations of the authority during this period of noncompliance.

Additional Information

To view Public Act 57 of 2018, regarding the consolidation of tax increment authorities and additional reporting requirements, visit the State of Michigan's website: [http://www.legislature.mi.gov/\(S\(nhbog4doz1h4bwbqb0gcxqim\)\)/mileg.aspx?page=GetObject&objectname=mcl-Act-57-of-2018](http://www.legislature.mi.gov/(S(nhbog4doz1h4bwbqb0gcxqim))/mileg.aspx?page=GetObject&objectname=mcl-Act-57-of-2018).

Other New Legislation

Opportunity Zones

The Tax Cuts and Jobs Act of 2017 (TCJA) introduced "opportunity zones," a new incentive to encourage investment in low-income communities by providing tax benefits to investors. The new law shares some similarities with other incentives by focusing on specific disadvantaged geographic areas, but, unlike other programs that provide tax credits or accelerated deductions for making investments or creating jobs in distressed areas, the opportunity zone program allows taxpayers to defer and possibly exclude gains from taxable income. To realize the benefits of the program, investments must be made into a new type of investment vehicle known as a "qualified opportunity fund" (QOF). Any entity, group, or organization can establish a QOF as long as they follow the proper guidelines. The QOFs use these funds to respond to the needs of the community, allowing for investment in businesses, equipment, and/or real property. Opportunity zones were established through a nomination by the State, followed by a certification from the Secretary of the U.S. Treasury, via his delegation authority to the IRS. We encourage you to become familiar with where these opportunity zones are located and the potential impact on your community. Local units that will be affected should start to consider a plan for the designated opportunity zone and what types of developments you would like to see come to the area. For more information, please refer to the IRS website at <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions> or to Plante & Moran, PLLC's article at <https://www.plante-moran.com/explore-our-thinking/insight/2018/05/opportunity-zones-offer-tax-benefits-to-invest-in-new-qof>, which addresses some of the details and complexities of the program.

Section II - Legislative and Informational Items (Continued)

Transformational Brownfields (PA 46-50 of 2017)

This reintroduced legislation became Public Acts 46-50 of 2017 with immediate effect. Public Act 46 of 2017 has created a new type of brownfield, while Public Acts 47-50 of 2017 amend prior acts for this change. The acts grant the ability to create “transformational brownfields,” allowing the capture of income taxes and exemption of sales and use tax from “certain” personal property. In order to qualify, projects must obtain approval from the local brownfield redevelopment authority, the local governing body, and the Michigan Strategic Fund (MSF).

Projects should have a transformational impact on local economic development and community revitalization. Each project must meet the definition of a “large-scale investment.” This definition varies based upon population. The minimum is \$15 million for communities under 25,000, but increases based upon population (for example, the City of Detroit, Michigan, at over 600,000 in population, would have a minimum of \$500 million).

During the construction, renovation, or improvement phases, projects could capture up to 50 percent of income taxes (state and city, if applicable) related to the wages paid for those physically present and working on the project. Upon completion, the project would capture up to 50 percent of income taxes related to those domiciled within the property. The limit for total tax capture over the life of the bill is \$1 billion, with a maximum of \$40 million per year and a further limit of five projects in any one community prior to December 31, 2022. In addition, in one calendar year, the MSF may not approve more than five transformational brownfield plans (with the exception that if fewer than five are approved in a year, the unused quota can carry over to the next calendar year). Tax captures per parcel are limited to 20 years.

Public Act 47 amends the Income Tax Act to allow for the income tax captures noted above. Public Act 48 amends the General Sales Tax Act to exempt from sales tax the sale of goods for use in eligible projects. Public Act 49 amends the Use Tax Act and would not apply to goods used in the project. Public Act 50 amends the Michigan Renaissance Zone Act so that income tax exemptions would not apply.

LCSA Act Amendments

Public Acts 247 and 248 of 2018 were signed into law on June 27, 2018 by Governor Snyder. These acts significantly impact the Local Community Stabilization Authority (LCSA) Act, including how personal property tax reimbursements are calculated.

The State Department of Treasury issued a summary of the amendments in July 2018, which can be found at the following link: https://www.michigan.gov/documents/treasury/Overview_of_2018_LCSA_Act_Amendments_627459_7.pdf.

This summary document lists the following changes that resulted from these acts:

1. Accelerate some reporting deadlines and add two new reporting requirements.
2. Change the calculation of the millage rate to be used in the calculation of the PPT reimbursements.
3. Change the calculation of the personal property exemption loss and eliminate the requirements to recalculate prior year taxable values.
4. Change the millage rate to be used in the calculation of a tax increment finance authority’s (TIFA) PPT reimbursement.

Section II - Legislative and Informational Items (Continued)

5. Make the local community stabilization authority responsible for distributing the fire protection services payments.
6. Create a process for correcting PPT reimbursements.
7. Allow for a one-time PPT advance for prior year underpayments of \$500,000 or more.
8. Change the payment dates of the PPT reimbursements to allow for corrections to current year reimbursements and delay the payment of qualified loss in excess of 100 percent until May 20.
9. Change how municipalities are required to record and allocate the revenue.

While we strongly recommend reviewing the link provided above for an in-depth look at the changes, highlighted below are the more significant changes:

- PPT reimbursement calculations are changing as follows:
 - The requirements for recalculation of prior year taxable value have changed. Going forward, prior year property tax values for commercial and industrial personal property will only be modified for municipality boundary changes, as well as to exclude any that were classified in the municipality where they are currently located as utility personal property or real property after 2012.
 - The calculation of PPT reimbursements that are based on the acquisition cost of eligible personal property for two years has been delayed until 2021.
 - Reimbursement for 100 percent of the calculated qualified loss going forward will be received in either October or February.
 - Each year, any remaining balance of the local community stabilization share fund revenue for the calendar year will be distributed to counties, cities, townships, villages, and community colleges. The allocation will be based on each municipality's share of the total reimbursement based on the acquisition cost of all eligible personal property and qualified loss. These reimbursement payments will be a separate payment that will be reimbursed in May. This allows time for any errors in that year's PPT reimbursement calculation to be identified and corrected.
 - There are also changes to the tax increment finance authority PPT reimbursement calculation; please refer to the link above for more details.
- Fire protection service payments were distributed by LCSA to municipalities starting in 2018. The payment distributions will continue to occur by November 30 each year. Each municipality is to continue to complete and submit the required questionnaire to LARA in order to qualify.
- The timing of PPT reimbursements has changed as follows:
 - Tax increment finance authorities - For a TIFA that previously received payments in November, reimbursements will be issued on October 20 of each year. Corrections for the underpayment of a prior year PPT reimbursement or a current year reimbursement will be issued on May 20 of each year.

**Section II - Legislative and Informational Items
(Continued)**

- Municipalities, excluding school districts, ISDs, and TIFAs - For a municipality that previously received payments in November, reimbursements for essential services, small taxpayer exemption loss, and qualified loss up to 100 percent will be issued on October 20 of each year. For municipalities that previously received payments in February, reimbursements for essential services, small taxpayer exemption loss, and qualified loss up to 100 percent will continue to be issued on February 20 of each year. Corrections for the underpayment of a prior year PPT reimbursement or a current year reimbursement will be issued on May 20 of each year, as will the portion of qualified loss exceeding 100 percent reimbursement.

The table below provides a schedule of payment dates for all municipalities.

Description of PPT Reimbursement	Date of Reimbursement
Payment of calculated current year PPT reimbursements up to 100 percent of the calculated losses for county-allocated millage to municipalities that do not levy millage 100 percent in December and TIFAs (note that payment must be allocated to the funds based on millages)	October 20 (each year)
Payment of calculated current year PPT reimbursements up to 100 percent of the calculated losses for townships, county extra-voted millage, and to municipalities that levy millage 100 percent in December	February 20 (each following year)
Payment of prior year underpayment that was not advanced and current year underpayment and prorated qualified loss in excess of 100 percent (Note that payment does not need to be allocated based on millages. If the local unit chooses, this can be fully recorded in the General Fund)	May 20 (each following year)

- Changes to the requirement to restrict revenue - To date, the previous LCSA act had only required a municipality to use the reimbursement amount received for debt millage to pay for debt and to use the essential service reimbursement to pay for the cost of essential services. The newly signed amendment now also requires that each municipality allocate and record the payments received in the same manner as the millage levied, up to 100 percent reimbursement. The October payment represents the 100 percent reimbursement and should be allocated by millages. The May payment does not represent reimbursement and can be receipted into the General Fund at the discretion of the local unit.

In addition, for county road millages levied under Section 20b of 1909 PA 283, MCL 224.20b, a formula to allocate a portion of the PPT reimbursement to each city and village must be decided on by March 31 by the cities, villages, and road commission. If this does not occur, a formula for allocating payments will be determined by the Department of Treasury.

As a reminder, the LCSA reimbursements should not be reported on the financial statements with property taxes; instead, they should be included with other intergovernmental revenue from the State (state-shared revenue, grants, and other). The State has created a new account number for the revenue, 573, and titled it "Local Community Stabilization Share Appropriation." As always, communities should follow the State's guidance related to the Uniform Chart of Accounts.

Section II - Legislative and Informational Items (Continued)

Upcoming Accounting Standards Requiring Preparation

GASB Statement No. 84 - Fiduciary Activities

This new pronouncement will be effective for the City's fiscal year ending June 30, 2020. This statement provides criteria for state and local governments to use to identify whether an activity is fiduciary and should be reported as a fiduciary fund type in its financial statements. In addition, once identified as a fiduciary activity, GASB 84 also provides specific reporting requirements.

This statement has the potential to significantly impact what governments report currently as a fiduciary activity. Upon adoption, we anticipate that some governments' fiduciary activities will need to move to governmental funds, while other activities that never before were considered fiduciary will now be reported as such. It is also possible that certain pension and OPEB fiduciary funds will no longer be reported in a local unit's financial statements.

Given the potential to have a major impact on many governments, not only to their external financial statements, but also to their accounting system requirements and budget documents, we encourage you to start analyzing the impact of this standard now. The first step to implementation is identifying the types of activities that should be analyzed and then running those activities through the lens of this standard.

GASB Statement No. 87 - Leases

This new accounting pronouncement will be effective for the City's fiscal year ending June 30, 2021. 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.

We recommend beginning to accumulate information now related to all significant lease agreements in order to more efficiently implement this new standard once it becomes effective.

Plante & Moran, PLLC will be providing trainings and other resources to our clients over the coming months in order to help prepare for the implementation of all these new standards. In the interim, please reach out to your engagement team for assistance in getting started.

GASB Statement No. 89 - Interest Incurred during Construction

This new accounting pronouncement will be effective for the City's fiscal year ending June 30, 2021. This statement eliminates capitalized interest and instead requires all interest expense, including the portion incurred during construction of a capital asset, to be expensed. Early adoption is encouraged.

GASB Statement No. 90 - Majority Equity Interest

This new accounting pronouncement will be effective for the City's fiscal year ending June 30, 2020. This statement requires that governments analyze the holdings of legally separate organizations to see if the ownership of a majority interest in a separate legal organization qualifies as an investment or a component unit. Plante & Moran, PLLC will be providing resources to assist with this analysis.