

City of Madison Heights, Michigan

Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and investments	\$ 12,682,968	\$ 8,490,174	\$ 21,173,142	\$ 66,367
Receivables:				
Receivables from sales to customers on account	-	2,840,850	2,840,850	-
Accounts receivable	928,122	87,800	1,015,922	5,051
Due from other governmental units	1,038,938	-	1,038,938	-
Special assessments receivable	227,185	-	227,185	-
Inventory	-	35,322	35,322	-
Prepaid items and deposits	475,630	63,555	539,185	-
Restricted assets (Note 1)	-	146,185	146,185	-
Net pension asset (Note 6)	2,100,847	269,379	2,370,226	-
Capital assets: (Note 3)				
Nondepreciable	3,289,107	164,413	3,453,520	-
Depreciable	58,381,031	36,019,549	94,400,580	640,640
Total assets	79,123,828	48,117,227	127,241,055	712,058
Deferred Outflows of Resources - Pensions (Note 6)	5,019,801	134,173	5,153,974	-
Liabilities				
Accounts payable	1,218,075	1,215,376	2,433,451	1,607
Due to other governmental units	41,731	-	41,731	-
Refundable deposits, bonds, etc.	-	229,025	229,025	-
Accrued liabilities and other	725,329	52,260	777,589	-
Due to pension and OPEB plans	266,896	-	266,896	-
Noncurrent liabilities:				
Due within one year:				
Employee compensated absences - Current portion (Note 4)	575,891	21,820	597,711	-
Provision for insurance claims (Note 5)	228,780	28,106	256,886	-
Long-term debt - Due within one year (Note 4)	1,104,630	978,383	2,083,013	-
Due in more than one year:				
Employee compensated absences - Net of current portion (Note 4)	1,539,947	31,052	1,570,999	-
Net OPEB liability (Note 8)	73,611,836	2,968,110	76,579,946	-
Net pension liability (Note 6)	39,633,675	-	39,633,675	-
Long-term debt (Note 4)	12,629,895	6,422,714	19,052,609	-
Total liabilities	131,576,685	11,946,846	143,523,531	1,607
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 6)	2,239,043	262,208	2,501,251	-
Deferred OPEB cost reductions (Note 8)	434,310	17,976	452,286	-
Total deferred inflows of resources	2,673,353	280,184	2,953,537	-
Net Position				
Net investment in capital assets	59,570,138	30,644,525	90,214,663	640,640
Restricted for:				
Vehicles	323,603	-	323,603	-
Major and Local Street Funds - Construction and operations	2,804,817	-	2,804,817	-
Drug enforcement	283,957	-	283,957	-
Debt administration	13,166	-	13,166	-
Park Improvements and Maintenance Fund - Parks maintenance	657,068	-	657,068	-
Library	134,214	-	134,214	-
Unrestricted	(113,893,372)	5,379,845	(108,513,527)	69,811
Total net position	\$ (50,106,409)	\$ 36,024,370	\$ (14,082,039)	\$ 710,451

City of Madison Heights, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,106,927	\$ 1,739,226	\$ 36,179	\$ -
Public safety	19,822,305	892,242	141,369	-
Public works	4,868,749	81,047	2,882,859	68,936
Solid waste and recycling	2,202,279	8,669	155,282	-
Community and economic development	994,381	760,601	141,843	-
Recreation and culture	1,770,444	334,927	75,361	-
Interest on long-term debt	367,967	-	-	-
Total governmental activities	35,133,052	3,816,712	3,432,893	68,936
Business-type activities - Water and sewer	12,627,194	11,544,664	817,436	-
Total primary government	\$ 47,760,246	\$ 15,361,376	\$ 4,250,329	\$ 68,936
Component units - Downtown Development Authority	\$ 54,512	\$ -	\$ -	\$ -

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Franchise taxes
 Other miscellaneous income
 Total general revenue

Change in Net Position

Net Position - Beginning of year, as restated (Note 1)

Net Position - End of year

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (3,331,522)	\$ -	\$ (3,331,522)	\$ -
(18,788,694)	-	(18,788,694)	-
(1,835,907)	-	(1,835,907)	-
(2,038,328)	-	(2,038,328)	-
(91,937)	-	(91,937)	-
(1,360,156)	-	(1,360,156)	-
(367,967)	-	(367,967)	-
(27,814,511)	-	(27,814,511)	-
-	(265,094)	(265,094)	-
(27,814,511)	(265,094)	(28,079,605)	-
-	-	-	(54,512)
19,017,936	876,726	19,894,662	37,134
5,255,917	-	5,255,917	-
214,280	227,612	441,892	-
506,799	-	506,799	-
759,018	-	759,018	1,157
25,753,950	1,104,338	26,858,288	38,291
(2,060,561)	839,244	(1,221,317)	(16,221)
(48,045,848)	35,185,126	(12,860,722)	726,672
<u>\$ (50,106,409)</u>	<u>\$ 36,024,370</u>	<u>\$ (14,082,039)</u>	<u>\$ 710,451</u>

Note 1 - Significant Accounting Policies

Reporting Entity

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

Blended Component Unit

The Madison Heights Municipal Building Authority (the "Building Authority") is governed by a board that is appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The Authority was inactive during the current fiscal year.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "DDA") was established to correct and prevent stagnation and deterioration within the south-end commercial business district. The DDA has established boundaries that include property abutting John R Road from Gardenia to 10 Mile Road and 11 Mile Road from Interstate 75 to Lorenz. The properties are primarily zoned and used for commercial and industrial purposes. The DDA's goal is to eliminate blighting influences and undertake projects that will encourage new businesses to have locations in the area and to encourage existing businesses to remain in the area. The DDA is developing programs to solicit commitment and investment from business owners to make improvements on private property that will serve the public purpose of enhancing the district. Revenue is provided through the capture of incremental taxes on properties within the district. The DDA's governing body, which consists of the mayor and 8 to 12 individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council. There are no separately issued financial statements.

Brownfield Development Authority

The Brownfield Redevelopment Authority (the "Authority") was created to identify and assist in the redevelopment of abandoned, underutilized, or contaminated parcels of property located in Madison Heights. The Authority's governing body, which consists of 9 to 13 individuals, is composed of the Downtown Development Authority's board members and the mayor. Currently, the Authority is in the preliminary stages of development and activities are nonfinancial in nature. Additionally, the Authority's budget, once adopted, will be subject to approval by the City Council. There are no separately issued financial statements. The Authority was inactive during the current fiscal year.

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.

June 30, 2018

Note 3 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Transfers	Additions	Disposals and Adjustments	Balance June 30, 2018
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 164,413	\$ -	\$ -	\$ -	\$ 164,413
Construction in progress	575,147	(575,147)	-	-	-
Subtotal	739,560	(575,147)	-	-	164,413
Capital assets being depreciated:					
Utility systems	28,812,985	2,740,990	3,436,174	(4,032,933)	30,957,216
Kuhn Drain	15,879,611	-	1,289	-	15,880,900
Buildings and improvements	5,175,910	(2,165,843)	158,258	(603,266)	2,565,059
Machinery and equipment	2,667,438	-	161,454	(87,262)	2,741,630
Subtotal	52,535,944	575,147	3,757,175	(4,723,461)	52,144,805
Accumulated depreciation:					
Utility systems	13,486,236	381,488	678,765	(3,938,120)	10,608,369
Kuhn Drain	2,727,954	-	324,758	-	3,052,712
Buildings and improvements	1,092,829	(381,488)	90,253	(260,898)	540,696
Machinery and equipment	1,846,795	-	156,537	(79,853)	1,923,479
Subtotal	19,153,814	-	1,250,313	(4,278,871)	16,125,256
Net capital assets being depreciated	33,382,130	575,147	2,506,862	(444,590)	36,019,549
Net business-type activity capital assets	<u>\$ 34,121,690</u>	<u>\$ -</u>	<u>\$ 2,506,862</u>	<u>\$ (444,590)</u>	<u>\$ 36,183,962</u>

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

Governmental activities:	
General government	\$ 201,584
Public safety	415,783
Public works	3,058,295
Community development	29,879
Recreation	159,864
Refuse	4,553
Total governmental activities	<u>\$ 3,869,958</u>
Business-type activities - Water and Sewer Fund	<u>\$ 1,250,313</u>

Component Units

Capital assets in the Downtown Development Authority, a component unit fund, consisted of land improvements with a net book value of \$640,640, which considers accumulated depreciation of \$205,475 as of June 30, 2018. There were no additions in the current year and depreciation expense for the current year was \$23,036.