

# City of Madison Heights, Michigan

## Statement of Net Position

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>Assets</b>				
Cash and investments	\$ 14,527,262	\$ 7,478,704	\$ 22,005,966	\$ 124,760
Receivables:				
Receivables from sales to customers on account	-	2,710,630	2,710,630	-
Accounts receivable	765,120	79,225	844,345	9,093
Due from other governmental units	1,126,894	-	1,126,894	-
Special assessments receivable	162,524	-	162,524	-
Inventory	-	62,078	62,078	-
Prepaid items and deposits	1,644,191	59,333	1,703,524	-
Restricted assets (Note 1)	-	146,182	146,182	-
Capital assets: (Note 3)				
Nondepreciable	3,431,894	188,118	3,620,012	-
Depreciable	59,106,400	36,359,478	95,465,878	617,604
<b>Total assets</b>	<b>80,764,285</b>	<b>47,083,748</b>	<b>127,848,033</b>	<b>751,457</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension costs (Note 6)	10,872,575	339,496	11,212,071	-
Deferred OPEB costs (Note 8)	540,918	63,460	604,378	-
<b>Total deferred outflows of resources</b>	<b>11,413,493</b>	<b>402,956</b>	<b>11,816,449</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	1,458,056	940,497	2,398,553	4,304
Due to other governmental units	47,540	-	47,540	-
Refundable deposits, bonds, etc.	-	261,208	261,208	-
Accrued liabilities and other	603,707	35,547	639,254	-
Unearned revenue	279,709	-	279,709	-
Due to pension and OPEB plans	428,944	-	428,944	-
Noncurrent liabilities:				
Due within one year:				
Employee compensated absences - Current portion (Note 4)	597,164	21,273	618,437	-
Provision for insurance claims (Note 5)	152,192	17,662	169,854	-
Long-term debt - Due within one year (Note 4)	1,243,062	1,003,218	2,246,280	-
Due in more than one year:				
Employee compensated absences - Net of current portion (Note 4)	1,518,674	26,181	1,544,855	-
Net OPEB liability (Note 8)	56,372,663	1,939,441	58,312,104	-
Net pension liability (Note 6)	49,157,028	190,045	49,347,073	-
Long-term debt (Note 4)	11,972,973	5,419,496	17,392,469	-
<b>Total liabilities</b>	<b>123,831,712</b>	<b>9,854,568</b>	<b>133,686,280</b>	<b>4,304</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions (Note 6)	696,525	115,664	812,189	-
Deferred OPEB cost reductions (Note 8)	5,133,721	87,751	5,221,472	-
<b>Total deferred inflows of resources</b>	<b>5,830,246</b>	<b>203,415</b>	<b>6,033,661</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	60,242,154	31,881,169	92,123,323	617,604
Restricted for:				
Vehicles	553,373	-	553,373	-
Major and Local Street funds - Construction and operations	3,443,070	-	3,443,070	-
Drug enforcement	230,626	-	230,626	-
Debt administration	8,466	-	8,466	-
Park Improvement and Maintenance Fund - Parks maintenance	658,157	-	658,157	-
Library	142,210	-	142,210	-
Community Improvement Fund	113	-	113	-
Unrestricted	(102,762,349)	5,547,552	(97,214,797)	129,549
<b>Total net position</b>	<b>\$ (37,484,180)</b>	<b>\$ 37,428,721</b>	<b>\$ (55,459)</b>	<b>\$ 747,153</b>

# City of Madison Heights, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ (3,659,676)	\$ 1,841,463	\$ 66,827	\$ -
Public safety	15,546,841	882,400	154,546	-
Public works	5,035,773	69,466	3,203,237	13,888
Solid waste and recycling	2,480,216	7,863	14,635	-
Community and economic development	1,048,275	1,157,332	99,013	-
Recreation and culture	1,829,820	290,157	65,912	-
Interest on long-term debt	357,051	-	-	-
Total governmental activities	22,638,300	4,248,681	3,604,170	13,888
Business-type activities - Water and sewer	11,554,784	11,461,386	565,387	-
Total primary government	<b>\$ 34,193,084</b>	<b>\$ 15,710,067</b>	<b>\$ 4,169,557</b>	<b>\$ 13,888</b>
Component units - Downtown Development Authority	<b>\$ 57,446</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenue:  
 Property taxes  
 Unrestricted state-shared revenue  
 Unrestricted investment income  
 Cable franchise fees  
 Gain (loss) on sale of capital 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			Component Unit
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ 5,567,966	\$ -	\$ 5,567,966	\$ -
(14,509,895)	-	(14,509,895)	-
(1,749,182)	-	(1,749,182)	-
(2,457,718)	-	(2,457,718)	-
208,070	-	208,070	-
(1,473,751)	-	(1,473,751)	-
(357,051)	-	(357,051)	-
(14,771,561)	-	(14,771,561)	-
-	471,989	471,989	-
(14,771,561)	471,989	(14,299,572)	-
-	-	-	(57,446)
20,249,755	883,490	21,133,245	59,881
5,359,329	-	5,359,329	32,697
482,390	276,339	758,729	-
533,077	-	533,077	-
146,545	(227,467)	(80,922)	-
622,694	-	622,694	1,570
27,393,790	932,362	28,326,152	94,148
12,622,229	1,404,351	14,026,580	36,702
(50,106,409)	36,024,370	(14,082,039)	710,451
<b>\$ (37,484,180)</b>	<b>\$ 37,428,721</b>	<b>\$ (55,459)</b>	<b>\$ 747,153</b>

**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, 2019

**Note 2 - Deposits and Investments (Continued)**

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

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2019			Balance at June 30, 2019
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
Primary government:				
U.S. government securities	\$ 2,659,720	\$ -	\$ -	\$ 2,659,720
U.S. federal agency obligations	-	6,163,896	-	6,163,896
Municipal bonds	-	942,759	-	942,759
Money market	122,041	-	-	122,041
<b>Total primary government</b>	<b>2,781,761</b>	<b>7,106,655</b>	<b>-</b>	<b>9,888,416</b>
Fiduciary funds:				
Equity ETFs	11,274,909	-	-	11,274,909
Mutual funds - Equity	17,307,712	-	-	17,307,712
Mutual funds - Fixed income	14,563,361	-	-	14,563,361
Mutual funds - Money market	1,598,093	-	-	1,598,093
Agency bonds	-	440,839	-	440,839
Asset-backed securities	-	1,242,358	-	1,242,358
Corporate bonds	-	3,920,762	-	3,920,762
Commercial mortgage-backed securities	-	287,861	-	287,861
Other fixed income	-	25,406	-	25,406
U.S. Treasury bonds	3,703,276	-	-	3,703,276
Common stock	21,833,510	-	-	21,833,510
<b>Total fiduciary funds</b>	<b>70,280,861</b>	<b>5,917,226</b>	<b>-</b>	<b>76,198,087</b>
<b>Total assets</b>	<b>\$ 73,062,622</b>	<b>\$ 13,023,881</b>	<b>\$ -</b>	<b>\$ 86,086,503</b>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of certain assets at June 30, 2019 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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