

**CITY OF LINDEN
Genesee County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2018**

CITY OF LINDEN
For the Year Ended June 30, 2018

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For the Year Ended June 30, 2018

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FINANCIAL SECTION

PSLZ LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502
Telephone (734) 453-8770

Dennis M. Siegner, C.P.A., C.V.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212
Telephone (248) 644-9125

Deborah M. Gulledege, C.P.A.
Jing Yang, C.P.A.

Independent Auditor's Report

November 7, 2018

To the Honorable Mayor and Members of City Council
City of Linden, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Linden, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Honorable Mayor and
Members of the City Council
City of Linden, Michigan

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Linden, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linden, Michigan's basic financial statements. The combining nonmajor fund financial statements and the schedules of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 information directly to underlying accounting and other records used to prepare the financial statements or 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 basic financial statements as a whole.

The schedules of indebtedness 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.

Respectfully,



PSLZ LLP
Certified Public Accountants
Plymouth, Michigan

Management's Discussion and Analysis

This discussion and analysis of the City of Linden's financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read in conjunction with the City's financial statements.

Financial Highlights

- The assets of the City of Linden exceeded its liabilities at the close of the most recent fiscal year by \$3,617,756 (*net position*), of which \$1,059,821 is restricted in use.
- The City's total net position increased by \$112,909.
- At the close of the most recent fiscal year, the City of Linden's governmental funds reported combined ending fund balances of \$1,888,597. Of this amount, \$821,861 (44%) is *available for spending* at the government's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$821,861, or 41 percent of total general fund expenditures.
- The City of Linden's total bonded and contract debt decreased by \$561,018 during the current fiscal year as a result annual debt payments made along with the addition of an installment loan debt during the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Linden's basic financial statements, which have three components:

- 1) Government-Wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements.

Government-wide financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Linden's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Linden's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Linden is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused compensatory leave).

Both of the government-wide financial statements distinguish functions of the City of Linden that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Linden include general government, public works, and public safety. The business-type activities of the City of Linden are the Water and Sewer Funds.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Linden, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Linden can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and

the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major streets fund, and the local streets fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary funds.

The City of Linden maintains two proprietary funds, the Water Fund and the Sewer Fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Linden uses a enterprise funds to account for its Water and Sewer operations.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund which are considered to be a major funds of the City of Linden.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Linden's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$3,617,756 at the close of the most recent fiscal year. Of the City of Linden's net position, 116 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Linden uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Linden's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 2,819,123	\$ 2,850,080	\$ 1,238,935	\$ 822,277	\$ 4,058,058	\$ 3,672,357
Capital Assets	4,220,670	4,243,085	3,009,560	3,345,907	7,230,230	7,588,992
Total Assets	7,039,793	7,093,165	4,248,495	4,168,184	11,288,288	11,261,349
Current liabilities	203,890	65,641	125,796	23,438	329,686	89,079
Noncurrent liabilities	6,093,848	6,145,274	1,246,998	1,522,149	7,340,846	7,667,423
Total Liabilities	6,297,738	6,210,915	1,372,794	1,545,587	7,670,532	7,756,502
Net Position:						
Net Investment in capital assets	2,425,423	2,161,971	1,762,562	1,823,758	4,187,985	3,985,729
Restricted	1,059,821	1,109,048	-	-	1,059,821	1,109,048
Unrestricted (deficit)	(2,743,189)	(2,388,769)	1,113,139	798,839	(1,630,050)	(1,589,930)
Total Net Position	\$ 742,055	\$ 882,250	\$ 2,875,701	\$ 2,622,597	\$ 3,617,756	\$ 3,504,847

Net position increased by \$112,909 during the current fiscal year, which is a decrease in the governmental activities of \$140,195 and an increase in the business-type activities of \$253,104. The City adopted Governmental Accounting Standards Board Statement No. 75 in the current year. The increase in the net post-retirement healthcare liability resulted in an increase of \$225,504 of expense in the governmental activities.

Governmental activities.

Governmental activities decreased net position by \$140,195.

City of Linden - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 661,145	\$ 508,420	\$ 1,392,760	\$ 1,324,537	\$ 2,053,905	\$ 1,832,957
Operating Grants & Contrib.	389,072	305,821	-	-	389,072	305,821
Capital Grants & Contributions	69,525	150	63,350	256,398	132,875	256,548
General Revenues:						
Property Taxes	1,068,214	1,050,014	-	-	1,068,214	1,050,014
State Revenue Sharing	364,151	355,048	-	-	364,151	355,048
Investment Earnings	12,339	6,822	992	5,934	13,331	12,756
Miscellaneous	93,187	94,693	-	-	93,187	94,693
Total Revenues	<u>2,657,633</u>	<u>2,320,968</u>	<u>1,457,102</u>	<u>1,586,869</u>	<u>4,114,735</u>	<u>3,907,837</u>
Expenses:						
General Government	926,662	861,781	-	-	926,662	861,781
Public Safety	831,235	706,524	-	-	831,235	706,524
Public Works	946,836	841,899	-	-	946,836	841,899
Recreation and Cultural	27,545	53,663	-	-	27,545	53,663
Interest on Long-Term Debt	65,550	77,617	-	-	65,550	77,617
Sewer	-	-	680,006	854,634	680,006	854,634
Water	-	-	523,992	545,870	523,992	545,870
Total Expenses	<u>2,797,828</u>	<u>2,541,484</u>	<u>1,203,998</u>	<u>1,400,504</u>	<u>4,001,826</u>	<u>3,941,988</u>
Change in Net Position	<u>\$ (140,195)</u>	<u>\$ (220,516)</u>	<u>\$ 253,104</u>	<u>\$ 186,365</u>	<u>\$ 112,909</u>	<u>\$ (34,151)</u>

Business-type activities.

Business-type activities increased net position by \$253,104. The increase reflects approximately \$63,350 in water and sewer tap fees from current development.

Financial Analysis of the Government's Funds

As noted earlier, the City of Linden uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of the City of Linden's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,888,597, of which \$821,861 (44%) constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. Total governmental fund balances increased \$42,096.

The General Fund is the chief operating fund of the City of Linden. At the end of the current fiscal year, the total fund balance of the general fund was \$872,146, of which \$6,915 represents prepaid expenditures at year end, \$1,853 represents donor restricted contributions for improvements to the Mill Building, \$41,517 is restricted public education grant funds, and \$78,330 has been assigned by City Council for use in the fiscal year 2019 budget.

The fund balance of the City's General Fund increased by \$46,573 during the fiscal year, as compared to a decrease of \$45,077 in the prior year.

Proprietary funds.

The City of Linden's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The current year unrestricted net position of the Sewer Fund was \$372,879 as compared with \$228,987 in the prior year. The Water Fund unrestricted net position was \$740,260 as compared to \$569,852 in the prior year.

General Fund Budgetary Highlights

The General Fund final amended budgeted revenues increased \$20,000 over the original budget and the original budgeted expenditures were increased by \$25,000 in the final amended budget. Budget amendments in fiscal year 2018 represented minor departmental adjustments.

Capital Asset and Debt Administration

Capital assets.

The City of Linden's investment in capital assets for its governmental and business type activities is \$7,230,230 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, vehicles, roads, and bridges. The decrease in the City of Linden's investment in capital assets for the current fiscal year was an 1 percent decrease for governmental activities, and a 10 percent decrease in business-type activities.

Major capital asset events during the current fiscal year included the Mill Building remodeling project, the S. Bridge Street improvement project, and the purchase of a new fire rescue vehicle.

Additional information on the City of Linden's capital assets can be found in note III.B on pages 29-30 of this report.

Long-term debt.

At the end of the current fiscal year, the City of Linden had total bond debt outstanding of \$2,859,098, including both governmental and business-type activities, and \$183,147 of installment loans payable. The City of Linden's total bond debt decreased by \$635,415 as a result annual debt payments made during the year. During fiscal year 2018, the City paid off the Special Assessment Bonds Series 2003, and the 2003 General Obligation Bonds. The City also financed the purchase of the new fire rescue vehicle with an installment loan.

Additional information on the City of Linden's long-term debt can be found in note III.D. on pages 32-35 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2018-2019 fiscal year:

- Additional revenue provided by the State due to a 39.5% increase in population as a result of the 2010 census.
- Expenditures devoted to debt service as a result of previous project financing.
- The declining property values for tax revenues.
- The need to incorporate maintenance projects on City buildings.
- The continuing need to provide services at the same level our residents have come to expect.

Requests for Information

This financial report is designed to provide a general overview of the City of Linden's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk at P.O. Box 507, Linden, Michigan 48451.

BASIC FINANCIAL STATEMENTS

CITY OF LINDEN
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,965,138	\$ 894,699	\$ 2,859,837	\$ 42,255
Receivables	724,444	333,416	1,057,860	-
Due from Other Governmental Units	122,626	-	122,626	-
Inventory	-	10,820	10,820	-
Prepaid Expenditures	6,915	-	6,915	-
Total Current Assets	<u>2,819,123</u>	<u>1,238,935</u>	<u>4,058,058</u>	<u>42,255</u>
Noncurrent Assets:				
Capital Assets , not being depreciated	84,069	7,027	91,096	-
Capital Assets, net of accumulated depreciation	4,136,601	3,002,533	7,139,134	255,000
Net Capital Assets	<u>4,220,670</u>	<u>3,009,560</u>	<u>7,230,230</u>	<u>255,000</u>
Total Assets	<u>7,039,793</u>	<u>4,248,495</u>	<u>11,288,288</u>	<u>297,255</u>
<u>LIABILITIES</u>				
Accounts Payable	149,295	125,796	275,091	548
Accrued Liabilities	33,273	-	33,273	-
Unearned Revenue	21,322	-	21,322	-
Noncurrent Liabilities:				
Other Post Employment Benefit Liability	4,227,642	-	4,227,642	-
Compensated Absences	70,959	-	70,959	-
Due within one year	322,730	248,398	571,128	34,573
Due in more than one year	1,472,517	998,600	2,471,117	159,294
Total Liabilities	<u>6,297,738</u>	<u>1,372,794</u>	<u>7,670,532</u>	<u>194,415</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	2,425,423	1,762,562	4,187,985	61,133
Restricted for:				
Mill Building	1,853	-	1,853	-
Public Education Grant	41,517	-	41,517	-
Streets	491,064	-	491,064	-
Debt Service	474,851	-	474,851	-
Perpetual Care:				
Nonexpendable	50,000	-	50,000	-
Expendable	536	-	536	-
Unrestricted (Deficit)	(2,743,189)	1,113,139	(1,630,050)	41,707
Total Net Position	<u>\$ 742,055</u>	<u>\$ 2,875,701</u>	<u>\$ 3,617,756</u>	<u>\$ 102,840</u>

CITY OF LINDEN
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 926,662	\$ 369,691	\$ -	\$ -
Public Safety	831,235	50,258	934	-
Public Works	946,836	241,196	388,138	69,525
Recreation and Cultural	27,545	-	-	-
Interest on Long-Term Debt	65,550	-	-	-
Total Governmental Activities	<u>2,797,828</u>	<u>661,145</u>	<u>389,072</u>	<u>69,525</u>
Business-type Activities:				
Sewer	680,006	788,552	-	30,350
Water	523,992	604,208	-	33,000
Total Business-type Activities	<u>1,203,998</u>	<u>1,392,760</u>	<u>-</u>	<u>63,350</u>
Total Primary Government	<u>\$ 4,001,826</u>	<u>\$ 2,053,905</u>	<u>\$ 389,072</u>	<u>\$ 132,875</u>
Component Unit-DDA	<u>\$ 32,298</u>	<u>\$ -</u>	<u>\$ 4,357</u>	<u>\$ -</u>

General Revenues:
Property Taxes
State Shared Revenue
Franchise Fees
Unrestricted Investment Earnings
Total General Revenues

Change in Net Position
Net Position - Beginning, as restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit - DDA
\$ (556,971)	\$ -	\$ (556,971)	\$ -
(780,043)	-	(780,043)	-
(247,977)	-	(247,977)	-
(27,545)	-	(27,545)	-
(65,550)	-	(65,550)	-
(1,678,086)	-	(1,678,086)	-
-	138,896	138,896	-
-	113,216	113,216	-
-	252,112	252,112	-
(1,678,086)	252,112	(1,425,974)	-
-	-	-	(27,941)
1,068,214	-	1,068,214	85,433
364,151	-	364,151	-
93,187	-	93,187	-
12,339	992	13,331	-
1,537,891	992	1,538,883	85,433
(140,195)	253,104	112,909	57,492
882,250	2,622,597	3,504,847	45,348
\$ 742,055	\$ 2,875,701	\$ 3,617,756	\$ 102,840

CITY OF LINDEN
Balance Sheet
Governmental Funds
June 30, 2018

	General	Local Street	Ten Streets Debt	Saddlebrook Farms Debt
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 856,091	\$ 209,451	\$ 184,770	\$ 273,909
Receivables:				
Accounts	74,996	-	-	-
Special Assessments	-	-	147,296	476,018
Due from State	60,756	17,950	-	-
Prepaid Expenditures	6,915	-	-	-
Total Assets	\$ 998,758	\$ 227,401	\$ 332,066	\$ 749,927
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</u>				
Liabilities:				
Accounts Payable	\$ 72,017	\$ 90	\$ -	\$ -
Accrued and Other Liabilities	33,273	-	-	-
Unavailable Revenue	21,322	-	-	-
Total Liabilities	126,612	90	-	-
Deferred Inflows of Resources:				
Unavailable Special Assessments	-	-	147,296	476,018
Fund Balances:				
Nonspendable-Permanent Corpus	-	-	-	-
Nonspendable-Prepays	6,915	-	-	-
Restricted for:				
Mill Building Improvements	1,853	-	-	-
Public Education Grant	41,517	-	-	-
Streets	-	227,311	-	-
Debt Service	-	-	184,770	273,909
Perpetual Care	-	-	-	-
Assigned for Subsequent Year	78,330	-	-	-
Unassigned	743,531	-	-	-
Total Fund Balance	872,146	227,311	184,770	273,909
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 998,758	\$ 227,401	\$ 332,066	\$ 749,927

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, therefore, are not reported in the funds.

Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Special Assessment Receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Other Post Employment Benefit Liability

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net Position of Governmental Activities

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 353,951	\$ 1,878,172
-	74,996
26,134	649,448
43,920	122,626
-	6,915
\$ 424,005	\$ 2,732,157

\$ 67,410	\$ 139,517
-	33,273
-	21,322
67,410	194,112

26,134	649,448
--------	---------

50,000	50,000
-	6,915
-	1,853
-	41,517
263,753	491,064
16,172	474,851
536	536
-	78,330
-	743,531
330,461	1,888,597

\$ 424,005

3,979,666

229,295

649,448
(4,227,642)

(1,777,309)

\$ 742,055

CITY OF LINDEN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>	<u>Local Street</u>	<u>Ten Streets Debt</u>	<u>Saddlebrook Farms Debt</u>
<u>Revenues</u>				
Property Taxes	\$ 1,068,214	\$ -	\$ -	\$ -
Licenses and Permits	39,526	-	-	-
Intergovernmental:				
Federal, State and Local	364,151	130,782	-	-
Charges for Services	566,055	-	-	-
Fines and Forfeitures	7,811	-	-	-
Special Assessments	1,000	-	77,498	85,417
Franchise Fees	93,187	-	-	-
Other Revenue	-	-	-	-
Interest	9,376	585	572	1,318
Total Revenues	<u>2,149,320</u>	<u>131,367</u>	<u>78,070</u>	<u>86,735</u>
<u>Expenditures</u>				
Current:				
General Government	891,591	-	-	-
Public Safety	695,861	-	-	-
Public Works	369,797	65,468	-	-
Recreation and Cultural	27,545	-	-	-
Debt Service:				
Principal	14,500	151,664	90,000	50,000
Interest and Other Charges	3,453	19,816	18,900	16,697
Total Expenditures	<u>2,002,747</u>	<u>236,948</u>	<u>108,900</u>	<u>66,697</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>146,573</u>	<u>(105,581)</u>	<u>(30,830)</u>	<u>20,038</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	-	140,000	-	-
Transfers Out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>140,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	46,573	34,419	(30,830)	20,038
Fund Balance - Beginning	<u>825,573</u>	<u>192,892</u>	<u>215,600</u>	<u>253,871</u>
Fund Balance - Ending	<u>\$ 872,146</u>	<u>\$ 227,311</u>	<u>\$ 184,770</u>	<u>\$ 273,909</u>

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,068,214
-	39,526
326,881	821,814
-	566,055
-	7,811
31,553	195,468
-	93,187
-	-
488	12,339
<u>358,922</u>	<u>2,804,414</u>
-	891,591
-	695,861
271,742	707,007
-	27,545
68,600	374,764
6,684	65,550
<u>347,026</u>	<u>2,762,318</u>
<u>11,896</u>	<u>42,096</u>
-	140,000
<u>(40,000)</u>	<u>(140,000)</u>
<u>(40,000)</u>	<u>-</u>
(28,104)	42,096
<u>358,565</u>	<u>1,846,501</u>
<u>\$ 330,461</u>	<u>\$ 1,888,597</u>

CITY OF LINDEN
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$	42,096
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital Outlay		262,153
Depreciation Expense		(416,660)
<p>Internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue(loss) of certain activities of internal service funds is reported with governmental activities.</p>		
		(21,326)
<p>Special Assessment revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.</p>		
		(146,781)
<p>Change in Other Post Employment Benefits</p>		
		(225,504)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal Repayments		374,764
Increase in Compensated Absences		(8,937)
		(140,195)
Change in net position in governmental activities	\$	(140,195)

CITY OF LINDEN
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 291,629	\$ 603,070	\$ 894,699	\$ 86,966
Accounts Receivable	190,585	142,831	333,416	-
Inventory	-	10,820	10,820	-
Total Current Assets	<u>482,214</u>	<u>756,721</u>	<u>1,238,935</u>	<u>86,966</u>
Noncurrent Assets:				
Capital Assets not being depreciated	-	7,027	7,027	-
Capital Assets	4,745,357	5,423,878	10,169,235	1,360,447
Less: Accumulated Depreciation	<u>(3,084,566)</u>	<u>(4,082,136)</u>	<u>(7,166,702)</u>	<u>(1,119,443)</u>
Net Property, Plant and Equipment	<u>1,660,791</u>	<u>1,348,769</u>	<u>3,009,560</u>	<u>241,004</u>
Total Assets	<u>\$ 2,143,005</u>	<u>\$ 2,105,490</u>	<u>\$ 4,248,495</u>	<u>\$ 327,970</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities:				
Accounts Payable	\$ 109,335	\$ 16,461	\$ 125,796	\$ 9,778
Current Portion of Notes Payable	-	-	-	12,530
Current Portion of Bonds Payable	<u>119,098</u>	<u>129,300</u>	<u>248,398</u>	<u>-</u>
Total Current Liabilities	<u>228,433</u>	<u>145,761</u>	<u>374,194</u>	<u>22,308</u>
Long-Term Liabilities:				
Notes Payable, net of current portion	-	-	-	76,367
Bonds Payable, net of current portion	<u>-</u>	<u>998,600</u>	<u>998,600</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>998,600</u>	<u>998,600</u>	<u>76,367</u>
Total Liabilities	<u>228,433</u>	<u>1,144,361</u>	<u>1,372,794</u>	<u>98,675</u>
Net Position:				
Net Investment in Capital Assets	1,541,693	220,869	1,762,562	152,107
Unrestricted	<u>372,879</u>	<u>740,260</u>	<u>1,113,139</u>	<u>77,188</u>
Total Net Position	<u>1,914,572</u>	<u>961,129</u>	<u>2,875,701</u>	<u>229,295</u>
Total Liabilities and Net Position	<u>\$ 2,143,005</u>	<u>\$ 2,105,490</u>	<u>\$ 4,248,495</u>	<u>\$ 327,970</u>

CITY OF LINDEN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<u>Operating Revenues:</u>				
Charges for Services	\$ 788,552	\$ 604,208	\$ 1,392,760	\$ 74,564
<u>Operating Expenses:</u>				
Salaries and Fringe Benefits	6,473	79,289	85,762	11,707
General and Administrative	86,569	112,067	198,636	-
Sewage Treatment	429,949	-	429,949	-
Supplies	-	42,075	42,075	7,992
Equipment Repairs & Rentals	22,243	45,040	67,283	39,132
Depreciation	125,100	211,247	336,347	35,607
Total Operating Expenses	<u>670,334</u>	<u>489,718</u>	<u>1,160,052</u>	<u>94,438</u>
Operating Income (Loss)	<u>118,218</u>	<u>114,490</u>	<u>232,708</u>	<u>(19,874)</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Earned	310	682	992	31
Interest Expense and Related Fees	<u>(9,672)</u>	<u>(34,274)</u>	<u>(43,946)</u>	<u>(1,483)</u>
Total Non-Operating (Revenues) Expenses	<u>(9,362)</u>	<u>(33,592)</u>	<u>(42,954)</u>	<u>(1,452)</u>
Income before Contributions	108,856	80,898	189,754	(21,326)
Capital Contributions - Tap Fees	<u>30,350</u>	<u>33,000</u>	<u>63,350</u>	<u>-</u>
Change in Net Position	139,206	113,898	253,104	(21,326)
Net Position, Beginning	<u>1,775,366</u>	<u>847,231</u>	<u>2,622,597</u>	<u>250,621</u>
Net Position, Ending	<u>\$ 1,914,572</u>	<u>\$ 961,129</u>	<u>\$ 2,875,701</u>	<u>\$ 229,295</u>

CITY OF LINDEN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers and Users	\$ 849,187	\$ 592,805	\$ 1,441,992	\$ 74,564
Payments to Suppliers	(451,659)	(183,926)	(635,585)	3,555
Payments to Employees	(6,473)	(79,289)	(85,762)	(11,707)
Net Cash Provided by Operating Activities	<u>391,055</u>	<u>329,590</u>	<u>720,645</u>	<u>66,412</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Capital Contributions	30,350	33,000	63,350	-
Purchase of Capital Assets	-	-	-	(167,699)
Proceeds from Installment Note	-	-	-	95,000
Principal Paid on Capital Debt	(120,414)	(154,737)	(275,151)	(6,103)
Interest Paid on Capital Debt	(9,672)	(34,274)	(43,946)	(1,483)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(99,736)</u>	<u>(156,011)</u>	<u>(255,747)</u>	<u>(80,285)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Earned	<u>310</u>	<u>682</u>	<u>992</u>	<u>31</u>
Net Increase (Decrease) in Cash and Cash Equivalents	291,629	174,261	465,890	(13,842)
Cash and Cash Equivalents, Beginning	<u>-</u>	<u>428,809</u>	<u>428,809</u>	<u>100,808</u>
Cash and Cash Equivalents, Ending	<u>\$ 291,629</u>	<u>\$ 603,070</u>	<u>\$ 894,699</u>	<u>\$ 86,966</u>
<u>Reconciliation of Operating Income(Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$ 118,218	\$ 114,490	\$ 232,708	\$ (19,874)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	125,100	211,247	336,347	35,607
(Increase) Decrease in Receivables	693	(11,403)	(10,710)	-
(Increase) Decrease in Due from State	59,942	-	59,942	-
(Increase) Decrease in Prepaid Expenses	-	-	-	41,262
Increase (Decrease) in Accounts Payable	87,102	15,256	102,358	9,417
Net Cash Provided (Used) by Operating Activities	<u>\$ 391,055</u>	<u>\$ 329,590</u>	<u>\$ 720,645</u>	<u>\$ 66,412</u>

CITY OF LINDEN
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Fund	Agency Fund
	Retiree Health Care	Tax Collection
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 366,939	\$ 29,147
<u>LIABILITIES</u>		
Due to Other	-	29,147
<u>NET POSITION</u>		
Held in Trust for Retirement Benefits	\$ 366,939	\$ -

CITY OF LINDEN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Fund
	Retiree Health Care
Additions:	
Contributions:	
Employer	\$ 48,000
Investment Earnings:	
Interest and Dividends	916
Other	3,702
Total Additions	52,618
Deductions:	
Benefits Paid	48,945
Change in Net Position	3,673
Net Position - Beginning of Year	363,266
Net Position - End of Year	\$ 366,939

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Linden is located in Genesee County, Michigan and has a population of approximately 4,000. The City operates under a City Manager and an elected City Council form of government to provide services to its residents including general administration, law enforcement, highways and streets, human services, and utilities.

As required by generally accepted accounting principles, these financial statements present the City of Linden and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

Downtown Development Authority

The City of Linden Downtown Development Authority (DDA) was established to promote economic growth and revitalization of the City's business district. The DDA Board is appointed by the City Council and the annual operating budget and any modifications require the approval of the City Council. The DDA has a June 30 fiscal year end.

Joint Ventures

The City participates in the following activities which are considered to be joint ventures in relation to the City, due to the formation of an organization by contractual agreement between two or more participants that maintain joint control, financial interest, and financial responsibility.

Southern Lakes Regional Metropolitan Parks and Recreation Commission

The City is a member of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (SLP&R), which is a joint venture between the City of Linden, the City of Fenton, and the Township of Fenton. The City appoints two of the six members of the governing board. SLP&R provides recreational activities for the common interest and welfare of all residents of the Southern Lakes Regional Metropolitan District. During fiscal year 2018, the City contributed \$8,283 to the SLP&R.

The financial activities of the SLP&R are accounted for and reported separately from the participating units. Separate audited financial statements are available at SLP&R's administrative offices.

Loose Senior Citizens Center, Inc.

The City is a member of the Loose Senior Citizens Center (LSCC) and appoints one governing board member. LSCC provides a non-residential activity center to older people in the Southern Genesee County area. Separate audited financial statements are available at LSCC's administrative offices.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Local Street Fund is a special revenue fund used to account for the resources of State gas and weight tax revenues that are restricted for used on local streets.

The Ten Streets Fund is a debt service fund used to account for the restricted special assessment revenues and the related debt payments.

In addition, the City reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Permanent funds are used to report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. This includes the perpetual care fund for the municipal cemetery.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the enterprise fund types.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City has 2 enterprise funds, the Water Fund and the Sewer Fund, which account for the operations of the water distribution and treatment systems and sewer services, the costs of which are recovered primarily through user charges. The City's Water Fund and Sewer Fund are both major funds.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

Retiree Healthcare Trust Fund, which accumulates resources for future retiree health care payments.

The Agency Fund is used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the City, as well as for its component units, are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements. All trade and property tax receivables are shown net of allowance for uncollectible accounts.

3. Inventory

Inventories are valued at cost using the first-in/first-out method in the proprietary funds. The cost of inventory items in the governmental funds is recorded as an expenditure at the time of purchase.

4. Capital Assets

Capital assets are recorded (net of accumulated depreciation) in the government-wide financial statements as governmental or business-type activities. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is computed using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30
Equipment	5-10
Water & Sewer Systems	20-50
Infrastructure	20

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position – Continued

4. Compensated Absences

City employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts or City policy. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Position. The compensated absences liability at June 30, 2018 recorded is \$70,959.

5. Long-term Obligations

In the government-wide financial statements, and 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.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Position. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

6. Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the City Council for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the City Council.

Assigned – Intent to spend resources on specific purposes expressed by the City Council.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds for the upcoming year.
2. A public hearing and adoption of the budget before July 1.
3. On or before the first regular Council meeting in May, by resolution, the budget is legally adopted in accordance with the General Appropriations Act.
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund and Special Revenue Fund budgets are adopted at the activity level.
5. Budget appropriations lapse at fiscal year end.
6. The City Council may authorize supplemental appropriations (budget amendments) during the year. In 2017, several budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2018.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level. Expenditures in excess of budget appropriations as of June 30, 2018 are as follow:

	Final Budget	Actual	Excess Over Appropriation
General Fund:			
Administration	\$ 809,076	\$ 839,131	\$ 30,055
Fire	151,178	158,331	7,153
Solid Waste	180,000	187,353	7,353
Street Lighting	35,000	37,373	2,373

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits may not be recovered. Neither State law nor the City's investment policy requires consideration of custodial credit risk. As of June 30, 2018, the City's book balance of its deposits was \$3,255,923. The bank balance was \$3,360,464 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$1,552,348
Uninsured and Uncollateralized	<u>1,808,116</u>
Total	<u>\$3,360,464</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Position	\$2,859,837
Statement of Fiduciary Net Position	<u>396,086</u>
Total	<u>\$3,255,923</u>

At June 30, 2018, the carrying amount and bank balances of the component units of the City of Linden are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Insured</u>
Downtown Development Authority	<u>\$ 42,255</u>	<u>\$ 42,255</u>	<u>\$ 42,255</u>

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's deposits and investments, including the Downtown Development Authority, consisted of checking, savings, and money market accounts at June 30, 2018.

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 84,069	\$ -	\$ -	\$ 84,069
Capital Assets, being depreciated:				
Infrastructure	7,369,002	205,792	-	7,574,794
Buildings and Improvements	1,073,915	56,361	-	1,130,276
Equipment	1,458,893	167,699	(165,570)	1,461,022
	<u>9,901,810</u>	<u>429,852</u>	<u>(165,570)</u>	<u>10,166,092</u>
Less: Accumulated Depreciation:				
Infrastructure	(3,430,129)	(368,450)	-	(3,798,579)
Buildings and Improvements	(996,417)	(33,399)	-	(1,029,816)
Equipment	(1,316,248)	(50,418)	165,570	(1,201,096)
	<u>(5,742,794)</u>	<u>(452,267)</u>	<u>165,570</u>	<u>(6,029,491)</u>
Governmental Activities Capital Assets, net	<u>\$ 4,243,085</u>	<u>\$ (22,415)</u>	<u>\$ -</u>	<u>\$ 4,220,670</u>

Depreciation expense was charged on the Statement of Activities as follows:

General Government	\$ 14,825
Public Safety	894
Public Works	400,941
Charged through Internal Service Funds	<u>35,607</u>
	<u>\$ 452,267</u>

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets not being depreciated:				
Land	\$ 7,027	\$ -	\$ -	\$ 7,027
Capital Assets, being depreciated:				
Buildings	3,608,814	-	-	3,608,814
Sewer System	1,136,543	-	-	1,136,543
Water System	5,423,878	-	-	5,423,878
	<u>10,169,235</u>	<u>-</u>	<u>-</u>	<u>10,169,235</u>
Less: Accumulated Depreciation:				
Buildings	(2,374,535)	(72,177)	-	(2,446,712)
Sewer System	(584,931)	(52,923)	-	(637,854)
Water System	(3,870,889)	(211,247)	-	(4,082,136)
	<u>(6,830,355)</u>	<u>(336,347)</u>	<u>-</u>	<u>(7,166,702)</u>
Business-type Activities Capital Assets, net	<u>\$ 3,345,907</u>	<u>\$ (336,347)</u>	<u>\$ -</u>	<u>\$ 3,009,560</u>
 <u>Component Unit Activities-DDA:</u>				
Capital Assets, being depreciated:				
Buildings	\$ -	\$ 255,000	\$ -	\$ 255,000
Less: Accumulated Depreciation:				
Buildings	-	-	-	-
Component Unit Activities Capital Assets, net	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>

C. Interfund Transfers

The composition of interfund transfers as of June 30, 2018, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Local Street Fund	General Fund	\$ 100,000
Local Street Fund	Major Street Fund	40,000
		<u>\$ 140,000</u>

Transfers to the Local Street Fund represent supplemental amounts for debt service payments.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additional Debt Incurred</u>	<u>Retirements and Payments on Debt</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
2003 General Obligation Bonds	\$ 34,564	\$ -	\$ 34,564	\$ -	\$ -
2005 General Obligation Bonds	105,000	-	25,000	80,000	25,000
2015 GO Refunding Bonds	577,800	-	110,700	467,100	110,700
2003 Special Assessment Bonds	30,000	-	30,000	-	-
2005 Special Assessment Bonds	90,000	-	20,000	70,000	20,000
2007 Special Assessment Bonds	460,000	-	90,000	370,000	90,000
2014 Special Assessment Bonds	675,000	-	50,000	625,000	50,000
2014 Installment Loan-Street Lights	108,750	-	14,500	94,250	14,500
2017 Installment Loan-Fire Truck	-	95,000	6,103	88,897	12,530
	<u>2,081,114</u>	<u>95,000</u>	<u>380,867</u>	<u>1,795,247</u>	<u>322,730</u>
Compensated Absences	62,022	8,937	-	70,959	-
Total Governmental Activities	<u>2,143,136</u>	<u>103,937</u>	<u>380,867</u>	<u>1,866,206</u>	<u>322,730</u>
Business-type Activities:					
2003 General Obligation Bonds	25,437	-	25,437	-	-
2007 Capital Improvement Bonds	445,000	-	35,000	410,000	40,000
2007 Sewage Disposal Refund Bonds	239,512	-	120,414	119,098	119,098
2015 Water Refunding Bonds	812,200	-	94,300	717,900	94,300
Total Business-type Activities	<u>1,522,149</u>	<u>-</u>	<u>275,151</u>	<u>1,246,998</u>	<u>253,398</u>
Total Primary Government Debt	<u>\$ 3,665,285</u>	<u>\$ 103,937</u>	<u>\$ 656,018</u>	<u>\$ 3,113,204</u>	<u>\$ 576,128</u>
Component Unit Activities:					
Installment Loan-N. Bridge	\$ -	\$ 75,000	\$ 21,473	\$ 53,527	\$ 14,794
Installment Loan-Walmar	-	150,000	9,660	140,340	19,779
Total Component Unit Activities	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 31,133</u>	<u>\$ 193,867</u>	<u>\$ 34,573</u>

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2018:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
<u>Governmental Activities:</u>				
General Obligation Bonds	2	1.50-4.25%	2022	\$ 547,100
Special Assessment Bonds	3	1.75-4.25%	2029	1,065,000
Act 99 Installment Loans	2	3.14-3.30%	2025	183,147
				<u>\$ 1,795,247</u>
<u>Business-type Activities:</u>				
General Obligation Bonds	3	1.25-5.00%	2027	<u>\$ 1,246,998</u>
<u>Component Unit-DDA:</u>				
Installment Loans	2	2.64%	2025	<u>\$ 193,867</u>

The annual debt service requirements to maturity for debt outstanding as of June 30, 2018 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 322,730	\$ 55,269	\$ 253,398	\$ 35,596
2020	330,827	46,212	136,600	27,716
2021	346,638	36,483	141,200	24,326
2022	297,461	27,137	150,800	20,602
2023	78,698	13,711	145,000	21,076
2024-2028	308,893	39,253	420,000	35,374
2029-2030	110,000	3,615	-	-
	<u>\$ 1,795,247</u>	<u>\$ 221,680</u>	<u>\$ 1,246,998</u>	<u>\$ 164,690</u>

<u>Year Ended</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 34,573	\$ 5,440
2020	35,596	4,418
2021	36,648	3,364
2022	29,675	2,306
2023	22,413	1,539
2024-2025	34,962	966
	<u>\$ 193,867</u>	<u>\$ 18,033</u>

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

Governmental Activities:

General Obligation Bonds

\$300,000 Limited Tax General Obligation Bonds dated September 1 2005, due in annual installments with interest ranging from 4.00 to 4.25 percent. \$ 80,000

\$774,900 Limited Tax General Obligation Bonds dated September 3, 2015, due in annual installments with interest ranging from .75 to 3.00 percent. 467,100

Special Assessment Bonds

\$235,000 2005 Special Assessment Bonds dated September 1, 2005, due in annual installments with interest ranging from 4.00 to 4.25 percent. 70,000

\$1,270,000 2007 Special Assessment Bonds dated March 1, 2008, due in annual installments with interest rate of 4.00 percent. 370,000

\$750,000 2014 Special Assessment Bonds dated September 24, 2014, due in annual installments with interest ranging from 1.00 to 3.30 percent. 625,000

Installment Loans

\$145,000 Lighting Project Installment Loan dated September 1, 2014, due in semi-annual installments with an interest rate of 3.3 percent. 94,250

\$95,000 Fire Truck Installment Loan dated November 30, 2017, due in quarterly installments with an interest rate of 3.14 percent. 88,897

Business-type Activities:

General Obligation Bonds

\$725,000 2007 Capital Improvement Bonds dated February 13, 2008, due in annual installments with interest ranging from 4.00 to 5.00 percent. \$ 410,000

\$738,934 2007 Sewage Disposal Bonds dated November 16, 2007, due in annual installments with interest rate of 4.00 percent. 119,098

\$980,100 Limited Tax General Obligation Bonds dated September 3, 2015, due in annual installments with interest ranging from .75 to 3.00 percent. 717,900

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31. Taxes are levied on July 1 of the following year. These taxes are due on September 15 with the final collection date of February 28 before they are added to the county delinquent tax roll. City property tax revenues are recognized in the current year as revenue in accordance with guidelines of the State of Michigan.

The City is permitted by Charter to levy taxes up to \$13.50 per \$1,000 of equalized valuation for general governmental services. The following is a summary of the tax rates levied on the 2017 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Per \$1,000 of State Equalized Value</u>	
			<u>Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>
Operating	Charter	13.5000	10.6916	10.6916
Mosquito	Voted	.4000	.3894	.3894

F. Tax Abatements

The City of Linden granted a Payment in Lieu of Tax Agreement on two parcels within the City. Under this agreement, these parcels make a payment annually to the City to cover services provided based on a percentage of gross rents, not on the City's millage rates. As of June 30, 2018, the City's property tax revenue was reduced by \$20,743 under this tax abatement program.

IV. OTHER INFORMATION

A. Defined Contribution Pension Plan

The City of Linden Group Pension Plan is a defined contribution pension plan established by the City Council and administered by ICMA, a third party, to provide benefits at retirement for eligible employees. Substantially all full-time employees are eligible to participate in the plan. At June 30, 2018, there were 11 eligible employees. The City is required to contribute 7% of the employees' gross earnings. Employees are not required to contribute to the plan.

Contributions made by the City vest 20% per year through year five at which time the employee is fully vested. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions and contribution requirements are established and may be amended by the City Council. The City's contribution for the current year was \$39,623.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION - Continued

B. Post Retirement Health Care Benefits

Plan Description

The City Council by resolution established the City of Linden Public Employee Health Care Fund, a single-employer defined benefit postemployment health care plan, under the authority of Public Act 149 of 1999. The plan includes all qualified City employees hired prior to January 1, 2011. Employees hired after that date will not receive other post-employment healthcare benefits. The plan is designed to accumulate resources to pay for 100% of the cost of health care premiums, including prescription benefits, for employees who have retired and is administered by the City. The plan trust is included in the City's financial statements as a fiduciary fund. The plan does not issue separate stand-alone financial statements.

The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Benefits Provided

Substantially all of the City's employees may become eligible for those benefits when they reach age 60 with 20 years of service or age 55 with 25 years of service, if hired prior to January 1, 2011. Under this plan, the City pays 100% of the cost of health care premiums, including prescription benefits for eligible employees and their spouse at the time of retirement under age 65 and a health reimbursement account for the reimbursement of a portion of the co-pays and deductibles paid by the employee. Current employees are required to contribute \$25 per month toward the plan.

Employees Covered by Benefit Terms

At the June 30, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	-
Active Plan Members	<u>9</u>
Total	14

Contributions

Active service members are not required to make contributions to the plan. During the year ended June 30, 2018, the City contributed \$48,000 to the plan.

Summary of Significant Accounting Policies

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB (if applicable), and OPEB expenses, have been determined on the same basis as they are reported for the City. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION - Continued

B. Post Retirement Health Care Benefits - Continued

Net OPEB Liability of the City

The City's net OPEB Liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

Total OPEB liability	\$ 4,594,581
OPEB plan fiduciary net position	<u>366,939</u>
Net OPEB liability	<u><u>\$ 4,227,642</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.99%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The following actuarial assumptions were applied:

Actuarial Cost Method	Entry-age normal
Inflation	3.00%
Salary Increases	2.00%
Investment Rate of Return	3.00%
Retirement Age	Age 55 and at least 25 years of service or Age 60 and at least 20 years of service.
Mortality	2014 United States Life Tables
Health care trend rates	10.0 percent for 2018, decreasing .5 percent per year to an ultimate rate of 5.0 percent for 2028 and later.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.00%. As the plan is unfunded, the discount rate is based on the index rate for 20-year tax exempt municipal bonds rated AA/Aa or higher.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION - Continued

B. Post Retirement Health Care Benefits – Continued

Changes in Net OPEB Liability

The components of the change in the net OPEB liability are summarized as follows:

<u>Changes in Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2017	\$ 4,365,404	\$ 363,266	\$ 4,002,138
Service Cost	229,177	-	229,177
Net Investment Income	-	4,618	(4,618)
Employer Contribution	-	48,000	(48,000)
Benefits Paid	-	(48,945)	48,945
Net Changes	<u>229,177</u>	<u>3,673</u>	<u>225,504</u>
Balance at June 30, 2018	<u>\$ 4,594,581</u>	<u>\$ 366,939</u>	<u>\$ 4,227,642</u>

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 3.00 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:

	<u>1% Decrease (2.00%)</u>	<u>Current Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net OPEB Liability	\$ <u>4,836,600</u>	\$ <u>4,227,642</u>	\$ <u>3,506,914</u>

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ <u>3,678,043</u>	\$ <u>4,227,642</u>	\$ <u>4,874,457</u>

CITY OF LINDEN
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

C. Restatement

The financial statements for the year ended June 30, 2017 have been restated to reflect the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The effect of this new accounting standard increased governmental net position as follows:

Net Position – June 30, 2017, as previously reported	\$4,351,558
Adjustment for adoption of GASB No. 75	<u>(3,469,308)</u>
Net Position – June 30, 2017, as restated	<u>\$ 882,250</u>

D. Risk Management

The City of Linden is a member of the Michigan Township Participating Plan for its general liability insurance coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The City pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with the City of Linden and the pools to which it belongs in any of the past three fiscal years.

E. Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*, which establishes specific criteria for identifying activities that should be reported as fiduciary activities. The City is currently evaluating the impact of this standard on its financial statements. The Statement is effective beginning with the City's fiscal year ending June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINDEN
Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 75)

	2018
Total OPEB Liability:	
Service Cost	\$ 229,177
Interest	-
Differences between expected and actual experience	-
Changes in actuarial assumptions	-
Benefit payments	-
Net Change in Total OPEB Liability	229,177
Total OPEB Liability, Beginning of year	4,365,404
Total OPEB Liability, End of year	\$ 4,594,581
Plan Fiduciary Net Position:	
Contributions - Employer	\$ 48,000
Net Investment Income	4,618
Benefit payments	(48,945)
Net Change in Plan Fiduciary Net Position	3,673
Plan Fiduciary Net Position, Beginning of year	363,266
Plan Fiduciary Net Position, End of year	\$ 366,939
City's Net OPEB Liability - Ending	\$ 4,227,642
Plan Fiduciary Net Position as a Percent of Total OPEB Liability	8.0%
Covered Employee Payroll	\$ n/a
City's Net OPEB Liability as a Percent of Covered Employee Payroll	n/a

CITY OF LINDEN
Required Supplemental Information
Schedule of City OPEB Contributions
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 236,451	\$ 117,989	\$ 117,989	\$ 117,989	\$ 117,989	\$ 117,989	\$ 133,987	\$ 128,217	\$ 122,696	\$ n/a
Contributions in relation to the actuarially determined contribution	48,000	48,000	40,000	40,000	48,000	35,000	32,500	58,129	55,626	57,100
Contribution Deficiency	\$ 188,451	\$ 69,989	\$ 77,989	\$ 77,989	\$ 69,989	\$ 82,989	\$ 101,487	\$ 70,088	\$ 67,070	\$ -
Covered Employee Payroll	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a
Contributions as a Percentage of Covered Employee Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Actuarial valuation information relative to the determination of contributions:
Valuation Date Actuarially determined contribution rates are calculated as of June 30 each year.

Methods and assumptions used to determine contribution rates:

- Actuarial Cost Method Entry-age normal
- Amortization Method Level percent of payroll
- Asset Valuation Method Market value
- Inflation 3.00%
- Salary Increases 2.00%
- Investment Rate of Return 0.25%
- Retirement Age Age 55 and at least 25 years of service or Age 60 and at least 20 years of service.
- Mortality Hire date must be before January 1, 2011
- Health care trend rates 2014 United States Life Table
- 10.0% initially grading to 5.0% in 2028

CITY OF LINDEN
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$ 1,079,056	\$ 1,079,056	\$ 1,068,214	\$ (10,842)
Licenses and Permits	41,900	41,900	39,526	(2,374)
Intergovernmental - Federal/CDBG	51,422	51,422	-	(51,422)
Intergovernmental - State	365,600	365,600	364,151	(1,449)
Charges for Services	476,350	489,350	501,420	12,070
Cemetery	48,000	48,000	64,635	16,635
Fines and Forfeitures	6,000	6,000	7,811	1,811
Interest Earnings	3,100	10,100	9,376	(724)
Special Assessments	1,000	1,000	1,000	-
Franchise Fees	87,000	87,000	93,187	6,187
Other Revenues	10,000	10,000	-	(10,000)
Total Revenues	<u>2,169,428</u>	<u>2,189,428</u>	<u>2,149,320</u>	<u>(40,108)</u>
<u>Expenditures:</u>				
General Government:				
Administration	804,094	809,076	839,131	(30,055)
Cemetery	66,670	66,670	52,460	14,210
Total General Government	<u>870,764</u>	<u>875,746</u>	<u>891,591</u>	<u>(15,845)</u>
Public Safety:				
Police	530,325	534,003	508,730	25,273
Fire	138,100	151,178	158,331	(7,153)
Building Inspections	36,820	37,007	28,800	8,207
Total Public Safety	<u>705,245</u>	<u>722,188</u>	<u>695,861</u>	<u>26,327</u>
Public Works:				
Public Works	151,125	154,668	145,071	9,597
Solid Waste	180,000	180,000	187,353	(7,353)
Street Lighting	35,000	35,000	37,373	(2,373)
Total Public Works	<u>366,125</u>	<u>369,668</u>	<u>369,797</u>	<u>(129)</u>
Recreation and Cultural:				
Parks	136,000	136,000	27,545	108,455
Debt Service:				
Principal	14,500	14,500	14,500	-
Interest and Fees	3,900	3,900	3,453	447
Total Debt Service	<u>18,400</u>	<u>18,400</u>	<u>17,953</u>	<u>447</u>
Total Expenditures	<u>2,096,534</u>	<u>2,122,002</u>	<u>2,002,747</u>	<u>135,100</u>
Excess of Revenues Over Expenditures	<u>72,894</u>	<u>67,426</u>	<u>146,573</u>	<u>94,992</u>
Other Financing Sources(Uses):				
Operating Transfers Out	(116,000)	(116,000)	(100,000)	16,000
	<u>(116,000)</u>	<u>(116,000)</u>	<u>(100,000)</u>	<u>16,000</u>
Net Change in Fund Balance	(43,106)	(48,574)	46,573	110,992
Fund Balance - July 1	<u>825,573</u>	<u>825,573</u>	<u>825,573</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 782,467</u>	<u>\$ 776,999</u>	<u>\$ 872,146</u>	<u>\$ 110,992</u>

CITY OF LINDEN
Local Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental-State	\$ 98,850	\$ 98,850	\$ 130,782	\$ 31,932
Interest	200	200	585	385
Total Revenues	<u>99,050</u>	<u>99,050</u>	<u>131,367</u>	<u>32,317</u>
<u>Expenditures:</u>				
Public Works:				
Highways and Streets	83,100	83,100	65,468	17,632
Debt Service:				
Principal	151,922	151,922	151,664	258
Interest and Fees	19,881	20,894	19,816	1,078
Total Expenditures	<u>254,903</u>	<u>255,916</u>	<u>236,948</u>	<u>18,968</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(155,853)</u>	<u>(156,866)</u>	<u>(105,581)</u>	<u>51,285</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Net Change in Fund Balance	(15,853)	(16,866)	34,419	51,285
Fund Balance, July 1	<u>192,892</u>	<u>192,892</u>	<u>192,892</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 177,039</u>	<u>\$ 176,026</u>	<u>\$ 227,311</u>	<u>\$ 51,285</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF LINDEN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	<u>Special Revenue Major Street</u>	<u>Debt Service</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 287,243	\$ 16,172	\$ 50,536	\$ 353,951
Special Assessments Receivable	-	26,134	-	26,134
Due from State	43,920	-	-	43,920
Total Assets	<u>\$ 331,163</u>	<u>\$ 42,306</u>	<u>\$ 50,536</u>	<u>\$ 424,005</u>
<u>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 67,410	\$ -	\$ -	\$ 67,410
Deferred Inflows of Resources:				
Unavailable Revenue-Special Assessments	-	26,134	-	26,134
Fund Balance:				
Nonspendable-Permanent Corpus	-	-	50,000	50,000
Restricted for Streets	263,753	-	-	263,753
Restricted for Debt Service	-	16,172	-	16,172
Restricted for Perpetual Care	-	-	536	536
Total Fund Balance	<u>263,753</u>	<u>16,172</u>	<u>50,536</u>	<u>330,461</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 331,163</u>	<u>\$ 42,306</u>	<u>\$ 50,536</u>	<u>\$ 424,005</u>

CITY OF LINDEN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Permanent Fund Cemetery</u>		<u>Total</u>
	<u>Major Street</u>						
Revenues:							
State-Shared Revenue	\$ 257,356	\$	-	\$	-	\$	257,356
State Grant	69,525		-		-		69,525
Special Assessments	-		31,553		-		31,553
Interest Earned	344		50		94		488
Total Revenues	<u>327,225</u>		<u>31,603</u>		<u>94</u>		<u>358,922</u>
Expenditures:							
Highways, Streets, Sidewalks and Other Maintenance	271,742		-		-		271,742
Debt Service:							
Principal	18,600		50,000		-		68,600
Interest and Other Charges	541		6,143		-		6,684
Total Expenditures	<u>290,883</u>		<u>56,143</u>		<u>-</u>		<u>347,026</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>36,342</u>		<u>(24,540)</u>		<u>94</u>		<u>11,896</u>
Other Financing Sources (Uses):							
Operating Transfers Out	<u>(40,000)</u>		<u>-</u>		<u>-</u>		<u>(40,000)</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>		<u>-</u>		<u>-</u>		<u>(40,000)</u>
Change in Fund Balance	(3,658)		(24,540)		94		(28,104)
Fund Balance - July 1	<u>267,411</u>		<u>40,712</u>		<u>50,442</u>		<u>358,565</u>
Fund Balance - June 30	<u>\$ 263,753</u>	\$	<u>16,172</u>	\$	<u>50,536</u>	\$	<u>330,461</u>

CITY OF LINDEN
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2018

	<u>North Bridge</u> <u>S/A Debt</u>	<u>Ripley Road</u> <u>S/A Debt</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ -	\$ 16,172	\$ 16,172
Special Assessments Receivable	-	26,134	26,134
	<u>\$ -</u>	<u>\$ 42,306</u>	<u>\$ 42,306</u>
 <u>LIABILITIES, DEFERRED INFLOWS,</u>			
<u>AND FUND BALANCE</u>			
Liabilities	\$ -	-	-
Deferred Inflows of Resources:			
Unavailable Revenue-Special Assessments	-	26,134	26,134
Fund Balance:			
Restricted for Debt Service	<u>-</u>	<u>16,172</u>	<u>16,172</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ -</u>	<u>\$ 42,306</u>	<u>\$ 42,306</u>

CITY OF LINDEN
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2018

	<u>North Bridge</u> S/A Debt	<u>Ripley Road</u> S/A Debt	<u>Total</u>
Revenues:			
Special Assessments	\$ 14,929	\$ 16,624	\$ 31,553
Interest Income	<u>21</u>	<u>29</u>	<u>50</u>
Total Revenues	<u>14,950</u>	<u>16,653</u>	<u>31,603</u>
Expenditures:			
Principal	30,000	20,000	50,000
Interest and Other Charges	<u>2,382</u>	<u>3,761</u>	<u>6,143</u>
Total Expenditures	<u>32,382</u>	<u>23,761</u>	<u>56,143</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(17,432)</u>	<u>(7,108)</u>	<u>(24,540)</u>
Other Financing Sources (Uses):			
Operating Transfer In	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	(17,432)	(7,108)	(24,540)
Fund Balance - July 1	<u>17,432</u>	<u>23,280</u>	<u>40,712</u>
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 16,172</u>	<u>\$ 16,172</u>

CITY OF LINDEN
Component Unit - Downtown Development Authority
Balance Sheet
June 30, 2018

ASSETS

Cash	\$	42,255
		<u>42,255</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts Payable	\$	548
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Fund Balance		41,707
		<u>41,707</u>

Total Liabilities and Fund Balance	\$	42,255
		<u>42,255</u>

Reconciliation to Statement of Net Position (page 11)

Fund Balance at June 30, 2018	\$	41,707
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Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		255,000
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Installment Loans Payable		<u>(193,867)</u>

Net Position of Governmental Activities-Component Unit	\$	102,840
		<u>102,840</u>

CITY OF LINDEN
Component Unit - Downtown Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2018

Revenues

Property Taxes	\$	85,433
Other		4,357
Total Revenues		89,790

Expenditures

Community Development		93,431
Net Change in Fund Balance		(3,641)
Fund Balance - Beginning		45,348
Fund Balance - Ending	\$	41,707

Reconciliation to Statement of Activities (pages 12-13)

Net Change in Fund Balance at June 30, 2018	\$	(3,641)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay in excess of depreciation in the current period. 255,000

Repayment of the principal of long-term debt is recorded as an expenditure in governmental funds. In the Statement of Net Position, it is a reduction in the long-term debt payable. This amount represents the principal paid on long-term debt in the current year plus additional debt incurred.

Debt Issued		(225,000)
Principal Paid		31,133

Change in Net Position-Component Unit	\$	57,492
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CITY OF LINDEN
Schedule of Indebtedness
Governmental Funds
June 30, 2018

2005 General Obligation Bonds
Ripley Road City Share

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
4.15%	11/1/2018	\$ 25,000	\$ 2,843	\$ 27,843
4.20%	11/1/2019	25,000	1,799	26,799
4.25%	11/1/2020	30,000	637	30,637
		\$ <u>80,000</u>	\$ <u>5,279</u>	\$ <u>85,279</u>

2015 General Obligation Refunding Bonds
Tenth Street City Share

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
1.50%	5/01/2019	\$ 110,700	\$ 13,581	\$ 124,281
1.75%	5/01/2020	113,400	11,920	125,320
2.00%	5/01/2021	118,800	9,936	128,736
2.25%	5/01/2022	124,200	7,560	131,760
		\$ <u>467,100</u>	\$ <u>42,997</u>	\$ <u>510,097</u>

2005 Special Assessment Bonds
Ripley Road

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
4.15%	11/1/2018	\$ 20,000	\$ 2,527	\$ 22,527
4.20%	11/1/2019	25,000	1,587	26,587
4.25%	11/1/2020	25,000	531	25,531
		\$ <u>70,000</u>	\$ <u>4,645</u>	\$ <u>74,645</u>

2007 Special Assessment Bonds
Tenth Street

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
4.00%	5/01/2019	\$ 90,000	\$ 14,800	\$ 104,800
4.00%	5/01/2020	90,000	11,200	101,200
4.00%	5/01/2021	95,000	7,600	102,600
4.00%	5/01/2022	95,000	3,800	98,800
		\$ <u>370,000</u>	\$ <u>37,400</u>	\$ <u>407,400</u>

CITY OF LINDEN
Schedule of Indebtedness
Governmental Funds
June 30, 2018

2014 Special Assessment Bonds
Saddlebrook Farms

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
1.75%	11/1/2018	\$ 50,000	\$ 15,885	\$ 65,885
2.00%	11/1/2019	50,000	14,948	64,948
2.15%	11/1/2020	50,000	13,910	63,910
2.25%	11/1/2021	50,000	12,810	62,810
2.35%	11/1/2022	50,000	11,660	61,660
2.50%	11/1/2023	50,000	10,447	60,447
2.65%	11/1/2024	50,000	9,160	59,160
2.80%	11/1/2025	55,000	7,728	62,728
3.00%	11/1/2026	55,000	6,133	61,133
3.10%	11/1/2027	55,000	4,455	59,455
3.25%	11/1/2028	55,000	2,708	57,708
3.30%	11/1/2029	55,000	907	55,907
		\$ <u>625,000</u>	\$ <u>110,751</u>	\$ <u>735,751</u>

2014 Street Lighting Loan

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
3.30%	11/1/2018	\$ 14,500	\$ 2,990	\$ 17,490
3.30%	11/1/2019	14,500	2,512	17,012
3.30%	11/1/2020	14,500	2,034	16,534
3.30%	11/1/2022	14,500	1,555	16,055
3.30%	11/1/2023	14,500	1,076	15,576
3.30%	11/1/2024	14,500	598	15,098
3.30%	11/1/2025	7,250	120	7,370
		\$ <u>94,250</u>	\$ <u>10,885</u>	\$ <u>105,135</u>

2017 Fire Truck Loan

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
3.14%	11/30/2018	\$ 12,530	\$ 2,643	\$ 15,173
3.14%	11/30/2019	12,927	2,246	15,173
3.14%	11/30/2020	13,338	1,835	15,173
3.14%	11/30/2021	13,761	1,412	15,173
3.14%	11/30/2022	14,198	975	15,173
3.14%	11/30/2023	14,649	524	15,173
3.14%	11/30/2024	7,494	88	7,582
		\$ <u>88,897</u>	\$ <u>9,723</u>	\$ <u>98,620</u>

CITY OF LINDEN
Schedule of Indebtedness
Proprietary Funds
June 30, 2018

2007 Capital Improvement Bonds
Tenth Street Water City Share

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
4.25%	5/01/2019	\$ 40,000	\$ 19,262	\$ 59,262
4.25%	5/01/2020	40,000	17,562	57,562
4.25%	5/01/2021	40,000	15,862	55,862
4.25%	5/01/2022	45,000	14,162	59,162
5.00%	5/01/2023	45,000	12,250	57,250
5.00%	5/01/2024	45,000	10,000	55,000
5.00%	5/01/2025	50,000	7,750	57,750
5.00%	5/01/2026	50,000	5,250	55,250
5.00%	5/01/2027	55,000	2,750	57,750
		\$ <u>410,000</u>	\$ <u>104,848</u>	\$ <u>514,848</u>

2015 Water GO Refunding Bonds

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
1.50%	5/01/2019	\$ 94,300	\$ 11,570	\$ 105,870
1.75%	5/01/2020	96,600	10,154	106,754
2.00%	5/01/2021	101,200	8,464	109,664
2.25%	5/01/2022	105,800	6,440	112,240
2.50%	5/01/2023	100,000	8,826	108,826
2.75%	5/01/2024	110,000	6,324	116,324
3.00%	5/01/2025	110,000	3,300	113,300
		\$ <u>717,900</u>	\$ <u>55,078</u>	\$ <u>772,978</u>

2007 Sewage Disposal Refunding Bonds

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
4.00%	4/01/19	\$ <u>119,098</u>	\$ <u>4,764</u>	\$ <u>123,862</u>

CITY OF LINDEN
Schedule of Indebtedness
Component Unit - Downtown Development Authority
June 30, 2018

213 N. Bridge Street
Installment Loan

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.64%	2019	\$ 14,794	\$ 1,267	\$ 16,061
2.64%	2020	15,188	874	16,062
2.64%	2021	15,593	467	16,060
2.64%	2022	7,952	78	8,030
		\$ <u>53,527</u>	\$ <u>2,686</u>	\$ <u>56,213</u>

114 Walmar Street
Installment Loan

Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2019	\$ 19,779	\$ 4,173	\$ 23,952
2020	20,408	3,544	23,952
2021	21,055	2,897	23,952
2022	21,723	2,228	23,951
2023	22,413	1,539	23,952
2024	23,126	826	23,952
2025	11,836	140	11,976
	\$ <u>140,340</u>	\$ <u>15,347</u>	\$ <u>155,687</u>

