

**CITY OF LINDEN
Genesee County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2019**

CITY OF LINDEN
For the Year Ended June 30, 2019

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities.....	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14-15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16-17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Net Position – Proprietary Fund	19
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Fund	20
Statement of Cash Flows – Proprietary Fund	21
Fiduciary Fund – Statement of Fiduciary Net Position	22
Fiduciary Fund – Statement of Changes in Fiduciary Net Position	22
Notes to Financial Statements.....	23-40

CITY OF LINDEN
For the Year Ended June 30, 2019

Table of Contents

<u>FINANCIAL SECTION</u> – Continued	<u>Page</u>
Required Supplementary Information:	
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	41
Schedule of City OPEB Contributions.....	42
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	43
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Street Fund	44
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Street Fund	45
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	47
Balance Sheet - Component Unit - DDA.....	48
Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit - DDA	49
Schedule of Indebtedness – Governmental Funds	50-51
Schedule of Indebtedness – Proprietary Funds	52
Schedule of Indebtedness – DDA	53

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.
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. Gulledge, C.P.A.
Leah M. Parker-Roth, C.P.A.

Independent Auditor's Report

November 15, 2019

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, 2019, 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.

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, 2019, 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.

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

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, and the pension and OPEB schedules, 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.

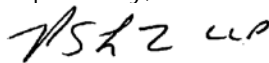
Other Information

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, 2019. 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 \$3,402,189 (*net position*), of which \$1,124,148 is restricted in use.
- The City's total net position decreased by \$215,567.
- At the close of the most recent fiscal year, the City of Linden's governmental funds reported combined ending fund balances of \$1,935,015. Of this amount, \$796,621 (41%) 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 \$796,621, or 37 percent of total general fund expenditures.
- The City of Linden's total bonded and contract debt decreased by \$615,195 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 23-40 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$3,402,189 at the close of the most recent fiscal year. Of the City of Linden's net position, 118 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,705,087	\$ 2,819,123	\$ 1,537,671	\$ 1,238,935	\$ 4,242,758	\$ 4,058,058
Capital Assets	3,885,454	4,220,670	2,674,301	3,009,560	6,559,755	7,230,230
Total Assets	6,590,541	7,039,793	4,211,972	4,248,495	10,802,513	11,288,288
Current liabilities	237,022	203,890	102,753	125,796	339,775	329,686
Noncurrent liabilities	6,066,949	6,093,848	993,600	1,246,998	7,060,549	7,340,846
Total Liabilities	6,303,971	6,297,738	1,096,353	1,372,794	7,400,324	7,670,532
Net Position:						
Net Investment in capital assets	2,332,520	2,425,423	1,680,701	1,762,562	4,013,221	4,187,985
Restricted	1,124,148	1,059,821	-	-	1,124,148	1,059,821
Unrestricted (deficit)	(3,170,098)	(2,743,189)	1,434,918	1,113,139	(1,735,180)	(1,630,050)
Total Net Position	\$ 286,570	\$ 742,055	\$ 3,115,619	\$ 2,875,701	\$ 3,402,189	\$ 3,617,756

Net position decreased by \$215,567 during the current fiscal year, which is a decrease in the governmental activities of \$455,485 and an increase in the business-type activities of \$239,918. The increase in the net post-retirement healthcare liability resulted in an increase of \$226,653 of expense in the governmental activities.

Governmental activities.

Governmental activities decreased net position by \$455,485.

City of Linden - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 623,656	\$ 661,145	\$ 1,342,541	\$ 1,392,760	\$ 1,966,197	\$ 2,053,905
Operating Grants & Contrib.	433,726	389,072	-	-	433,726	389,072
Capital Grants & Contributions	147,073	69,525	85,485	63,350	232,558	132,875
General Revenues:						
Property Taxes	1,144,066	1,068,214	-	-	1,144,066	1,068,214
State Revenue Sharing	401,984	364,151	-	-	401,984	364,151
Investment Earnings	35,067	12,339	10,465	992	45,532	13,331
Miscellaneous	92,370	93,187	-	-	92,370	93,187
Total Revenues	<u>2,877,942</u>	<u>2,657,633</u>	<u>1,438,491</u>	<u>1,457,102</u>	<u>4,316,433</u>	<u>4,114,735</u>
Expenses:						
General Government	876,819	926,662	-	-	876,819	926,662
Public Safety	840,178	831,235	-	-	840,178	831,235
Public Works	1,392,974	946,836	-	-	1,392,974	946,836
Recreation and Cultural	168,818	27,545	-	-	168,818	27,545
Interest on Long-Term Debt	54,638	65,550	-	-	54,638	65,550
Sewer	-	-	667,696	680,006	667,696	680,006
Water	-	-	530,877	523,992	530,877	523,992
Total Expenses	<u>3,333,427</u>	<u>2,797,828</u>	<u>1,198,573</u>	<u>1,203,998</u>	<u>4,532,000</u>	<u>4,001,826</u>
Change in Net Position	<u>\$ (455,485)</u>	<u>\$ (140,195)</u>	<u>\$ 239,918</u>	<u>\$ 253,104</u>	<u>\$ (215,567)</u>	<u>\$ 112,909</u>

Business-type activities.

Business-type activities increased net position by \$239,918. A portion of the increase reflects approximately \$85,485 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 \$1,935,015, of which \$796,621 (41%) constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. Total governmental fund balances increased \$46,418, as compared to an increase of \$42,096 in the prior year.

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 \$912,753, of which \$13,957 represents prepaid expenditures at year end, \$40,042 represents donor restricted contributions for improvements to the Mill Building, \$62,133 is restricted public education grant funds, and \$160,454 has been assigned by City Council for use in the fiscal year 2020 budget.

The fund balance of the City's General Fund increased by \$40,607 during the fiscal year, as compared to an increase of \$46,573 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 \$524,335 as compared with \$372,879 in the prior year. The Water Fund unrestricted net position was \$910,583 as compared to \$740,260 in the prior year.

General Fund Budgetary Highlights

The General Fund final amended budgeted revenues increased \$13,000 over the original budget and the original budgeted expenditures were increased by \$49,805 in the final amended budget. Budget amendments in fiscal year 2019 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 \$6,559,755 (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 8 percent decrease for governmental activities, and an 11 percent decrease in business-type activities.

Major capital asset events during the current fiscal year included the S. Bridge Street improvement project and the purchase of a new road grader.

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 \$2,310,000, including both governmental and business-type activities, and \$236,534 of installment loans payable. The Downtown Development Authority has an additional \$159,294 of installment loans outstanding. The City of Linden's total bond debt decreased by \$549,098 as a result annual debt payments made during the year. During fiscal year 2019, the City paid off the 2007 Sewage Disposal Refunding Bonds. The City also financed the purchase of the new road grader 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 2019-2020 fiscal year:

- Slight increase in State Shared revenue
- 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, 2019

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,922,816	\$ 1,217,670	\$ 3,140,486	\$ 22,882
Receivables	560,449	309,181	869,630	-
Due from Other Governmental Units	207,865	-	207,865	-
Inventory	-	10,820	10,820	-
Prepaid Expenditures	13,957	-	13,957	5,988
Total Current Assets	<u>2,705,087</u>	<u>1,537,671</u>	<u>4,242,758</u>	<u>28,870</u>
Noncurrent Assets:				
Capital Assets , not being depreciated	84,069	7,027	91,096	-
Capital Assets, net of accumulated depreciation	3,801,385	2,667,274	6,468,659	246,500
Net Capital Assets	<u>3,885,454</u>	<u>2,674,301</u>	<u>6,559,755</u>	<u>246,500</u>
Total Assets	<u>6,590,541</u>	<u>4,211,972</u>	<u>10,802,513</u>	<u>275,370</u>
<u>LIABILITIES</u>				
Accounts Payable	139,034	102,753	241,787	2,744
Accrued Liabilities	76,666	-	76,666	-
Unearned Revenue	21,322	-	21,322	-
Noncurrent Liabilities:				
Other Post Employment Benefit Liability	4,454,295	-	4,454,295	-
Compensated Absences	59,720	-	59,720	-
Due within one year	358,375	136,600	494,975	35,596
Due in more than one year	1,194,559	857,000	2,051,559	123,698
Total Liabilities	<u>6,303,971</u>	<u>1,096,353</u>	<u>7,400,324</u>	<u>162,038</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	2,332,520	1,680,701	4,013,221	87,206
Restricted for:				
Mill Building	40,042	-	40,042	-
Public Education Grant	62,133	-	62,133	-
Streets	437,150	-	437,150	-
Debt Service	534,287	-	534,287	-
Perpetual Care:				
Nonexpendable	50,000	-	50,000	-
Expendable	536	-	536	-
Unrestricted (Deficit)	(3,170,098)	1,434,918	(1,735,180)	26,126
Total Net Position	<u>\$ 286,570</u>	<u>\$ 3,115,619</u>	<u>\$ 3,402,189</u>	<u>\$ 113,332</u>

CITY OF LINDEN
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 876,819	\$ 398,156	\$ -	\$ 125
Public Safety	840,178	58,308	-	-
Public Works	1,392,974	167,192	432,365	121,473
Recreation and Cultural	168,818	-	1,361	25,475
Interest on Long-Term Debt	54,638	-	-	-
Total Governmental Activities	<u>3,333,427</u>	<u>623,656</u>	<u>433,726</u>	<u>147,073</u>
Business-type Activities:				
Sewer	667,696	767,022	-	43,485
Water	530,877	575,519	-	42,000
Total Business-type Activities	<u>1,198,573</u>	<u>1,342,541</u>	<u>-</u>	<u>85,485</u>
Total Primary Government	<u>\$ 4,532,000</u>	<u>\$ 1,966,197</u>	<u>\$ 433,726</u>	<u>\$ 232,558</u>
Component Unit-DDA	<u>\$ 58,732</u>	<u>\$ -</u>	<u>\$ 1,758</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

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit - DDA
\$ (478,538)	\$ -	\$ (478,538)	\$ -
(781,870)	-	(781,870)	-
(671,944)	-	(671,944)	-
(141,982)	-	(141,982)	-
(54,638)	-	(54,638)	-
(2,128,972)	-	(2,128,972)	-
-	142,811	142,811	-
-	86,642	86,642	-
-	229,453	229,453	-
(2,128,972)	229,453	(1,899,519)	-
-	-	-	(56,974)
1,144,066	-	1,144,066	67,466
401,984	-	401,984	-
92,370	-	92,370	-
35,067	10,465	45,532	-
1,673,487	10,465	1,683,952	67,466
(455,485)	239,918	(215,567)	10,492
742,055	2,875,701	3,617,756	102,840
\$ 286,570	\$ 3,115,619	\$ 3,402,189	\$ 113,332

CITY OF LINDEN
Balance Sheet
Governmental Funds
June 30, 2019

	General	Major Street	Local Street	Saddlebrook Farms Debt
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 857,123	\$ 86,326	\$ 325,656	\$ 328,213
Receivables:				
Accounts	77,168	-	-	-
Special Assessments	-	-	-	387,826
Due from State	140,726	47,669	19,470	-
Prepaid Expenditures	13,957	-	-	-
Total Assets	\$ 1,088,974	\$ 133,995	\$ 345,126	\$ 716,039
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</u>				
Liabilities:				
Accounts Payable	\$ 78,233	\$ 37,760	\$ 4,211	\$ -
Accrued and Other Liabilities	76,666	-	-	-
Unavailable Revenue	21,322	-	-	-
Total Liabilities	176,221	37,760	4,211	-
Deferred Inflows of Resources:				
Unavailable Special Assessments	-	-	-	387,826
Fund Balances:				
Nonspendable-Permanent Corpus	-	-	-	-
Nonspendable-Prepays	13,957	-	-	-
Restricted for:				
Mill Building Improvements	40,042	-	-	-
Public Education Grant	62,133	-	-	-
Streets	-	96,235	340,915	-
Debt Service	-	-	-	328,213
Perpetual Care	-	-	-	-
Assigned for Subsequent Year	160,454	-	-	-
Unassigned	636,167	-	-	-
Total Fund Balance	912,753	96,235	340,915	328,213
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,088,974	\$ 133,995	\$ 345,126	\$ 716,039

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>
\$ 260,242	\$ 1,857,560
-	77,168
95,455	483,281
-	207,865
-	13,957
\$ 355,697	\$ 2,639,831

\$ 3,343	\$ 123,547
-	76,666
-	21,322
3,343	221,535

95,455	483,281
--------	---------

50,000	50,000
-	13,957

-	40,042
-	62,133
-	437,150

206,074	534,287
825	825

-	160,454
-	636,167

256,899	1,935,015
---------	-----------

\$ 355,697

3,647,334

211,522

483,281
(4,454,295)

(1,536,287)

\$ 286,570

CITY OF LINDEN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Saddlebrook Farms Debt</u>
Revenues				
Property Taxes	\$ 1,144,066	\$ -	\$ -	\$ -
Licenses and Permits	52,562	-	-	-
Intergovernmental:				
Federal, State and Local	428,826	430,377	123,456	-
Charges for Services	596,653	-	-	-
Fines and Forfeitures	6,361	-	-	-
Special Assessments	-	-	-	115,090
Franchise Fees	92,370	-	-	-
Other Revenue	125	2,377	-	-
Interest	21,212	4,070	2,720	5,099
Total Revenues	<u>2,342,175</u>	<u>436,824</u>	<u>126,176</u>	<u>120,189</u>
Expenditures				
General Government	785,170	-	-	-
Public Safety	709,655	-	-	-
Public Works	385,338	564,342	99,947	-
Recreation and Cultural	168,818	-	-	-
Debt Service:				
Principal	18,994	-	135,700	50,000
Interest and Other Charges	3,493	-	16,925	15,885
Capital Outlay	84,911	-	-	-
Total Expenditures	<u>2,156,379</u>	<u>564,342</u>	<u>252,572</u>	<u>65,885</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>185,796</u>	<u>(127,518)</u>	<u>(126,396)</u>	<u>54,304</u>
Other Financing Sources (Uses)				
Loan Proceeds	84,911	-	-	-
Transfers In	-	-	240,000	-
Transfers Out	<u>(230,100)</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(145,189)</u>	<u>(40,000)</u>	<u>240,000</u>	<u>-</u>
Net Change in Fund Balance	40,607	(167,518)	113,604	54,304
Fund Balance - Beginning	<u>872,146</u>	<u>263,753</u>	<u>227,311</u>	<u>273,909</u>
Fund Balance - Ending	<u>\$ 912,753</u>	<u>\$ 96,235</u>	<u>\$ 340,915</u>	<u>\$ 328,213</u>

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,144,066
-	52,562
-	982,659
-	596,653
-	6,361
101,690	216,780
-	92,370
-	2,502
1,966	35,067
<u>103,656</u>	<u>3,129,020</u>
-	785,170
-	709,655
-	1,049,627
-	168,818
110,000	314,694
18,335	54,638
-	84,911
<u>128,335</u>	<u>3,167,513</u>
<u>(24,679)</u>	<u>(38,493)</u>
-	84,911
-	240,000
<u>30,100</u>	<u>(240,000)</u>
<u>30,100</u>	<u>84,911</u>
5,421	46,418
<u>251,478</u>	<u>1,888,597</u>
<u>\$ 256,899</u>	<u>\$ 1,935,015</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, 2019

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

Net change in fund balance - total governmental funds	\$	46,418
<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		84,911
Depreciation Expense		(417,243)
<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>		
		(17,773)
<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>		
		(166,167)
<p>Change in Other Post Employment Benefits</p>		
		(226,653)
<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>		
Installment Loan Proceeds		(84,911)
Principal Repayments		314,694
Decrease in Compensated Absences		11,239
		(455,485)
Change in net position in governmental activities	\$	(455,485)

CITY OF LINDEN
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 440,369	\$ 777,301	\$ 1,217,670	\$ 65,256
Accounts Receivable	185,141	124,040	309,181	-
Inventory	-	10,820	10,820	-
Total Current Assets	<u>625,510</u>	<u>912,161</u>	<u>1,537,671</u>	<u>65,256</u>
Noncurrent Assets:				
Capital Assets not being depreciated	-	7,027	7,027	-
Capital Assets	4,745,357	5,423,878	10,169,235	1,400,523
Less: Accumulated Depreciation	<u>(3,209,666)</u>	<u>(4,292,295)</u>	<u>(7,501,961)</u>	<u>(1,162,403)</u>
Net Property, Plant and Equipment	<u>1,535,691</u>	<u>1,138,610</u>	<u>2,674,301</u>	<u>238,120</u>
Total Assets	<u>\$ 2,161,201</u>	<u>\$ 2,050,771</u>	<u>\$ 4,211,972</u>	<u>\$ 303,376</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities:				
Accounts Payable	\$ 101,175	\$ 1,578	\$ 102,753	\$ 15,487
Current Portion of Notes Payable	-	-	-	12,927
Current Portion of Bonds Payable	-	136,600	136,600	-
Total Current Liabilities	<u>101,175</u>	<u>138,178</u>	<u>239,353</u>	<u>28,414</u>
Long-Term Liabilities:				
Notes Payable, net of current portion	-	-	-	63,440
Bonds Payable, net of current portion	-	857,000	857,000	-
Total Long-Term Liabilities	<u>-</u>	<u>857,000</u>	<u>857,000</u>	<u>63,440</u>
Total Liabilities	<u>101,175</u>	<u>995,178</u>	<u>1,096,353</u>	<u>91,854</u>
Net Position:				
Net Investment in Capital Assets	1,535,691	145,010	1,680,701	161,753
Unrestricted	524,335	910,583	1,434,918	49,769
Total Net Position	<u>2,060,026</u>	<u>1,055,593</u>	<u>3,115,619</u>	<u>211,522</u>
Total Liabilities and Net Position	<u>\$ 2,161,201</u>	<u>\$ 2,050,771</u>	<u>\$ 4,211,972</u>	<u>\$ 303,376</u>

CITY OF LINDEN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Operating Revenues:				
Charges for Services	\$ 767,022	\$ 575,519	\$ 1,342,541	\$ 69,698
Operating Expenses:				
Salaries and Fringe Benefits	3,460	66,409	69,869	1,325
General and Administrative	85,008	118,370	203,378	-
Sewage Treatment	423,727	-	423,727	-
Supplies	-	34,691	34,691	8,560
Equipment Repairs & Rentals	25,578	69,917	95,495	32,057
Depreciation	125,100	210,159	335,259	42,960
Total Operating Expenses	<u>662,873</u>	<u>499,546</u>	<u>1,162,419</u>	<u>84,902</u>
Operating Income (Loss)	<u>104,149</u>	<u>75,973</u>	<u>180,122</u>	<u>(15,204)</u>
Non-Operating Revenues (Expenses):				
Interest Earned	2,643	7,822	10,465	74
Interest Expense and Related Fees	(4,823)	(31,331)	(36,154)	(2,643)
Total Non-Operating (Revenues) Expenses	<u>(2,180)</u>	<u>(23,509)</u>	<u>(25,689)</u>	<u>(2,569)</u>
Income before Contributions	101,969	52,464	154,433	(17,773)
Capital Contributions - Tap Fees	<u>43,485</u>	<u>42,000</u>	<u>85,485</u>	<u>-</u>
Change in Net Position	145,454	94,464	239,918	(17,773)
Net Position, Beginning	<u>1,914,572</u>	<u>961,129</u>	<u>2,875,701</u>	<u>229,295</u>
Net Position, Ending	<u>\$ 2,060,026</u>	<u>\$ 1,055,593</u>	<u>\$ 3,115,619</u>	<u>\$ 211,522</u>

CITY OF LINDEN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	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	\$ 772,466	\$ 594,310	\$ 1,366,776	\$ 69,698
Payments to Suppliers	(542,473)	(237,861)	(780,334)	(25,206)
Payments to Employees	(3,460)	(66,409)	(69,869)	(11,027)
Net Cash Provided by Operating Activities	<u>226,533</u>	<u>290,040</u>	<u>516,573</u>	<u>33,465</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Capital Contributions	43,485	42,000	85,485	-
Purchase of Capital Assets	-	-	-	(40,076)
Principal Paid on Capital Debt	(119,098)	(134,300)	(253,398)	(12,530)
Interest Paid on Capital Debt	(4,823)	(31,331)	(36,154)	(2,643)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(80,436)</u>	<u>(123,631)</u>	<u>(204,067)</u>	<u>(55,249)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Earned	<u>2,643</u>	<u>7,822</u>	<u>10,465</u>	<u>74</u>
Net Increase (Decrease) in Cash and Cash Equivalents	148,740	174,231	322,971	(21,710)
Cash and Cash Equivalents, Beginning	<u>291,629</u>	<u>603,070</u>	<u>894,699</u>	<u>86,966</u>
Cash and Cash Equivalents, Ending	<u>\$ 440,369</u>	<u>\$ 777,301</u>	<u>\$ 1,217,670</u>	<u>\$ 65,256</u>
<u>Reconciliation of Operating Income(Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$ 104,149	\$ 75,973	\$ 180,122	\$ (15,204)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	125,100	210,159	335,259	42,960
(Increase) Decrease in Receivables	5,444	18,791	24,235	-
Increase (Decrease) in Accounts Payable	(8,160)	(14,883)	(23,043)	(5,709)
Net Cash Provided (Used) by Operating Activities	<u>\$ 226,533</u>	<u>\$ 290,040</u>	<u>\$ 516,573</u>	<u>\$ 22,047</u>

CITY OF LINDEN
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Fund	Agency Fund
	Retiree Health Care	Tax Collection
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 375,037	\$ 44,718
Prepaid Expenses	1,915	-
Total Assets	376,952	44,718
<u>LIABILITIES</u>		
Due to Other	215	44,718
<u>NET POSITION</u>		
Held in Trust for Retirement Benefits	\$ 376,737	\$ -

CITY OF LINDEN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Fund
	Retiree Health Care
Additions:	
Contributions:	
Employer	\$ 48,000
Investment Earnings:	
Interest and Dividends	1,912
Total Additions	49,912
Deductions:	
Benefits Paid	40,114
Change in Net Position	9,798
Net Position - Beginning of Year	366,939
Net Position - End of Year	\$ 376,737

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

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.

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, 2019

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, 2019

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 Major and Local Street Funds are special revenue funds used to account for the resources of State gas and weight tax revenues that are restricted for used on major and local streets.

The Saddlebrook Farms Debt 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, 2019

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, 2019

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, 2019

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, 2019 recorded is \$59,720.

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, 2019

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 2019, 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, 2019.

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:			
Police	\$ 501,400	\$ 502,539	\$ 1,139
Fire	167,573	172,029	4,456
Solid Waste	193,400	194,372	972
Street Lighting	37,200	48,038	10,838
Parks	151,000	168,818	17,818
Debt Service	17,491	22,487	4,996
Capital Outlay	-	84,911	84,911

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

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, 2019, the City's book balance of its deposits was \$3,560,241. The bank balance was \$3,516,866 of which \$302,061 was uninsured and uncollateralized.

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Position	\$3,140,486
Statement of Fiduciary Net Position	<u>419,755</u>
Total	<u>\$3,560,241</u>

At June 30, 2019, 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>\$ 22,882</u>	<u>\$ 22,882</u>	<u>\$ 22,882</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, money market accounts, and insured cash sweep accounts at June 30, 2019.

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, 2019

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, not depreciated:				
Land	\$ 84,069	\$ -	\$ -	\$ 84,069
Capital Assets, being depreciated:				
Infrastructure	7,574,794	-	-	7,574,794
Buildings and Improvements	1,130,276	-	-	1,130,276
Equipment	1,461,022	124,987	(7,000)	1,579,009
	<u>10,166,092</u>	<u>124,987</u>	<u>(7,000)</u>	<u>10,284,079</u>
Less: Accumulated Depreciation:				
Infrastructure	(3,798,579)	(378,740)	-	(4,177,319)
Buildings and Improvements	(1,029,816)	(18,269)	-	(1,048,085)
Equipment	(1,201,096)	(63,194)	7,000	(1,257,290)
	<u>(6,029,491)</u>	<u>(460,203)</u>	<u>7,000</u>	<u>(6,482,694)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 4,220,670</u>	<u>\$ (335,216)</u>	<u>\$ -</u>	<u>\$ 3,885,454</u>

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

General Government	\$ 17,667
Public Safety	3,479
Public Works	396,097
Charged through Internal	
Service Funds	42,960
	<u>\$ 460,203</u>

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

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	(2,446,712)	(72,176)	-	(2,518,888)
Sewer System	(637,854)	(52,924)	-	(690,778)
Water System	(4,082,136)	(210,159)	-	(4,292,295)
	<u>(7,166,702)</u>	<u>(335,259)</u>	<u>-</u>	<u>(7,501,961)</u>
Business-type Activities Capital Assets, net	<u>\$ 3,009,560</u>	<u>\$ (335,259)</u>	<u>\$ -</u>	<u>\$ 2,674,301</u>
 <u>Component Unit Activities-DDA:</u>				
Capital Assets, being depreciated:				
Buildings	\$ 255,000	\$ -	\$ -	\$ 255,000
Less: Accumulated Depreciation:				
Buildings	<u>-</u>	<u>(8,500)</u>	<u>-</u>	<u>(8,500)</u>
Component Unit Activities Capital Assets, net	<u>\$ 255,000</u>	<u>\$ (8,500)</u>	<u>\$ -</u>	<u>\$ 246,500</u>

C. Interfund Transfers

The composition of interfund transfers as of June 30, 2019, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Local Street Fund	General Fund	\$ 200,000
Local Street Fund	Major Street Fund	40,000
Ten Streets S/A Debt Fund	General Fund	30,100
		<u>\$ 270,100</u>

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

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

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, 2019:

	Balance July 1, 2018	Add: Additional Debt Incurred	Less: Retirements and Payments on Debt	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
2005 General Obligation Bonds	\$ 80,000	\$ -	\$ 25,000	\$ 55,000	\$ 25,000
2015 GO Refunding Bonds	467,100	-	110,700	356,400	113,400
2005 Special Assessment Bonds	70,000	-	20,000	50,000	25,000
2007 Special Assessment Bonds	370,000	-	90,000	280,000	90,000
2014 Special Assessment Bonds	625,000	-	50,000	575,000	50,000
2014 Installment Loan-Street Lights	94,250	-	14,500	79,750	14,500
2017 Installment Loan-Fire Truck	88,897	-	12,530	76,367	12,927
2019 Installment Loan-Grader	-	84,911	4,494	80,417	27,548
	<u>1,795,247</u>	<u>84,911</u>	<u>327,224</u>	<u>1,552,934</u>	<u>358,375</u>
Compensated Absences	70,959	-	11,239	59,720	-
Total Governmental Activities	<u>1,866,206</u>	<u>84,911</u>	<u>338,463</u>	<u>1,612,654</u>	<u>358,375</u>
Business-type Activities:					
2007 Capital Improvement Bonds	410,000	-	40,000	370,000	40,000
2007 Sewage Disposal Refund Bonds	119,098	-	119,098	-	-
2015 Water Refunding Bonds	717,900	-	94,300	623,600	94,300
Total Business-type Activities	<u>1,246,998</u>	<u>-</u>	<u>253,398</u>	<u>993,600</u>	<u>134,300</u>
Total Primary Government Debt	<u>\$3,113,204</u>	<u>\$ 84,911</u>	<u>\$ 591,861</u>	<u>\$ 2,606,254</u>	<u>\$ 492,675</u>
Component Unit Activities:					
Installment Loan-N. Bridge	\$ 53,527	\$ -	\$ 14,794	\$ 38,733	\$ 14,794
Installment Loan-Walmar	140,340	-	19,779	120,561	19,779
Total Component Unit Activities	<u>\$ 193,867</u>	<u>\$ -</u>	<u>\$ 34,573</u>	<u>\$ 159,294</u>	<u>\$ 34,573</u>

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

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, 2019:

	<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	\$ 411,400
Special Assessment Bonds	3	1.75-4.25%	2029	905,000
Act 99 Installment Loans	3	3.14-3.70%	2025	236,534
				<u>\$ 1,552,934</u>
<u>Business-type Activities:</u>				
General Obligation Bonds	2	1.75-5.00%	2027	<u>\$ 993,600</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, 2019 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>
2020	\$ 358,375	\$ 48,723	\$ 136,600	\$ 27,716
2021	375,223	37,957	141,200	24,326
2022	321,745	27,546	150,800	20,602
2023	78,698	13,711	145,000	21,076
2024	79,149	11,569	155,000	16,324
2025-2029	284,744	30,392	265,000	11,050
2030	55,000	907	-	8,000
	<u>\$ 1,552,934</u>	<u>\$ 170,805</u>	<u>\$ 993,600</u>	<u>\$ 129,094</u>

<u>Year Ended</u>	<u>Component Unit-DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 35,596	\$ 4,418
2021	36,648	3,364
2022	29,675	2,306
2023	22,413	1,539
2024	23,126	826
2025	11,836	140
	<u>\$ 159,294</u>	<u>\$ 12,593</u>

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

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. \$ 55,000

\$774,900 Limited Tax General Obligation Bonds dated September 3, 2015, due in annual installments with interest ranging from .75 to 3.00 percent. 356,400

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. 50,000

\$1,270,000 2007 Special Assessment Bonds dated March 1, 2008, due in annual installments with interest rate of 4.00 percent. 280,000

\$750,000 2014 Special Assessment Bonds dated September 24, 2014, due in annual installments with interest ranging from 1.00 to 3.30 percent. 575,000

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. 79,750

\$95,000 Fire Truck Installment Loan dated November 30, 2017, due in quarterly installments with an interest rate of 3.14 percent. 76,367

\$84,911 Grader Installment Loan dated April 3, 2019, due in monthly installments with an interest rate of 3.70 percent. 80,417

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. \$ 370,000

\$980,100 Limited Tax General Obligation Bonds dated September 3, 2015, due in annual installments with interest ranging from .75 to 3.00 percent. 623,600

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

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 2018 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Per \$1,000 of State Equalized Value</u>	<u>Rate Levied</u>
			<u>Authorized Rate Post "Roll Back"</u>	
Operating	Charter	13.5000	10.5964	10.5964
Mosquito	Voted	.4000	.3859	.3859

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, 2019, the City's property tax revenue was reduced by \$20,513 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, 2019, 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 \$38,549.

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

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, 2019, 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, 2019

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, 2019 and was determined by an actuarial valuation as of June 30, 2018.

Total OPEB liability	\$ 4,831,032
OPEB plan fiduciary net position	<u>376,737</u>
Net OPEB liability	<u><u>\$ 4,454,295</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.80%

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, 2019

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, 2018	\$ 4,594,581	\$ 366,939	\$ 4,227,642
Service Cost	236,451	-	236,451
Net Investment Income	-	1,912	(1,912)
Employer Contribution	-	48,000	(48,000)
Benefits Paid	-	(40,114)	40,114
Net Changes	<u>236,451</u>	<u>9,798</u>	<u>226,653</u>
Balance at June 30, 2019	<u>\$ 4,831,032</u>	<u>\$ 376,737</u>	<u>\$ 4,454,295</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>5,063,253</u>	\$ <u>4,454,295</u>	\$ <u>3,733,567</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>3,904,696</u>	\$ <u>4,454,295</u>	\$ <u>5,101,110</u>

CITY OF LINDEN
Notes to Financial Statements
June 30, 2019

IV. OTHER INFORMATION – Continued

C. 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.

D. Upcoming Accounting Pronouncements

Fiduciary Activities

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.

Leases

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement is based on the principle that leases are financings of the right to use an underlying asset. 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, 2021.

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)

	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service Cost	\$ 236,451	\$ 229,177
Benefit payments	-	-
Net Change in Total OPEB Liability	<u>236,451</u>	<u>229,177</u>
Total OPEB Liability, Beginning of year	<u>4,594,581</u>	<u>4,365,404</u>
Total OPEB Liability, End of year	<u>\$ 4,831,032</u>	<u>\$ 4,594,581</u>
Plan Fiduciary Net Position:		
Contributions - Employer	\$ 48,000	\$ 48,000
Net Investment Income	1,912	4,618
Benefit payments	<u>(40,114)</u>	<u>(48,945)</u>
Net Change in Plan Fiduciary Net Position	9,798	3,673
Plan Fiduciary Net Position, Beginning of year	<u>366,939</u>	<u>363,266</u>
Plan Fiduciary Net Position, End of year	<u>\$ 376,737</u>	<u>\$ 366,939</u>
City's Net OPEB Liability - Ending	<u>\$ 4,454,295</u>	<u>\$ 4,227,642</u>
Plan Fiduciary Net Position as a Percent of Total OPEB Liability	7.8%	8.0%
Covered Employee Payroll	n/a	n/a
City's Net OPEB Liability as a Percent of Covered Employee Payroll	n/a	n/a

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 236,451	\$ 236,451	\$ 117,989	\$ 117,989	\$ 117,989	\$ 117,989	\$ 117,989	\$ 133,987	\$ 128,217	\$ 122,696
Contributions in relation to the actuarially determined contribution	48,000	48,000	48,000	40,000	40,000	48,000	35,000	32,500	58,129	55,626
Contribution Deficiency	\$ 188,451	\$ 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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 1,114,000	\$ 1,114,000	\$ 1,144,066	\$ 30,066
Licenses and Permits	30,900	30,900	52,562	21,662
Intergovernmental - Federal/CDBG	1,422	1,422	1,361	(61)
Intergovernmental - State	443,840	447,840	427,465	(20,375)
Charges for Services	491,600	491,600	537,260	45,660
Cemetery	48,000	48,000	59,393	11,393
Fines and Forfeitures	6,000	6,000	6,361	361
Interest Earnings	8,000	17,000	21,212	4,212
Special Assessments	1,000	1,000	-	(1,000)
Franchise Fees	87,000	87,000	92,370	5,370
Other Revenues	20,000	20,000	125	(19,875)
Total Revenues	<u>2,251,762</u>	<u>2,264,762</u>	<u>2,342,175</u>	<u>77,413</u>
Expenditures:				
General Government:				
Administration	768,853	791,943	727,141	64,802
Cemetery	74,185	74,185	58,029	16,156
Total General Government	<u>843,038</u>	<u>866,128</u>	<u>785,170</u>	<u>80,958</u>
Public Safety:				
Police	500,900	501,400	502,539	(1,139)
Fire	156,573	167,573	172,029	(4,456)
Building Inspections	40,415	46,130	35,087	11,043
Total Public Safety	<u>697,888</u>	<u>715,103</u>	<u>709,655</u>	<u>5,448</u>
Public Works:				
Public Works	135,685	145,185	142,928	2,257
Solid Waste	193,400	193,400	194,372	(972)
Street Lighting	37,200	37,200	48,038	(10,838)
Total Public Works	<u>366,285</u>	<u>375,785</u>	<u>385,338</u>	<u>(9,553)</u>
Recreation and Cultural:				
Parks	151,000	151,000	168,818	(17,818)
Debt Service:				
Principal	14,500	14,500	18,994	(4,494)
Interest and Fees	2,991	2,991	3,493	(502)
Total Debt Service	<u>17,491</u>	<u>17,491</u>	<u>22,487</u>	<u>(4,996)</u>
Capital Outlay	-	-	84,911	(84,911)
Total Expenditures	<u>2,075,702</u>	<u>2,125,507</u>	<u>2,156,379</u>	<u>(111,830)</u>
Excess of Revenues Over Expenditures	<u>176,060</u>	<u>139,255</u>	<u>185,796</u>	<u>(34,417)</u>
Other Financing Sources(Uses):				
Installment Loan Proceeds	-	-	84,911	84,911
Operating Transfers Out	(254,390)	(230,100)	(230,100)	-
	<u>(254,390)</u>	<u>(230,100)</u>	<u>(145,189)</u>	<u>84,911</u>
Net Change in Fund Balance	(78,330)	(90,845)	40,607	50,494
Fund Balance - July 1	<u>872,146</u>	<u>872,146</u>	<u>872,146</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 793,816</u>	<u>\$ 781,301</u>	<u>\$ 912,753</u>	<u>\$ 50,494</u>

CITY OF LINDEN
Major Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental-Federal	\$ 514,000	\$ 514,000	\$ 121,473	\$ (392,527)
Intergovernmental-State	260,778	260,778	308,904	48,126
Interest	200	2,000	4,070	2,070
Other	-	-	2,377	2,377
Total Revenues	<u>774,978</u>	<u>776,778</u>	<u>436,824</u>	<u>(339,954)</u>
<u>Expenditures:</u>				
Public Works:				
Highways and Streets	<u>732,085</u>	<u>732,085</u>	<u>564,342</u>	<u>167,743</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>42,893</u>	<u>44,693</u>	<u>(127,518)</u>	<u>(172,211)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net Change in Fund Balance	2,893	4,693	(167,518)	(172,211)
Fund Balance, July 1	<u>263,753</u>	<u>263,753</u>	<u>263,753</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 266,646</u>	<u>\$ 268,446</u>	<u>\$ 96,235</u>	<u>\$ (172,211)</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental-State	\$ 86,926	\$ 86,926	\$ 123,456	\$ 36,530
Interest	200	2,000	2,720	720
Total Revenues	<u>87,126</u>	<u>88,926</u>	<u>126,176</u>	<u>37,250</u>
<u>Expenditures:</u>				
Public Works:				
Highways and Streets	196,185	196,185	99,947	96,238
Debt Service:				
Principal	135,700	135,700	135,700	-
Interest and Fees	16,575	16,575	16,925	(350)
Total Expenditures	<u>348,460</u>	<u>348,460</u>	<u>252,572</u>	<u>95,888</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(261,334)</u>	<u>(259,534)</u>	<u>(126,396)</u>	<u>133,138</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>-</u>
Net Change in Fund Balance	(21,334)	(19,534)	113,604	133,138
Fund Balance, July 1	<u>227,311</u>	<u>227,311</u>	<u>227,311</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 205,977</u>	<u>\$ 207,777</u>	<u>\$ 340,915</u>	<u>\$ 133,138</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF LINDEN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	<u>Debt Service</u>		<u>Permanent</u>	<u>Total</u>
	<u>Ten Streets</u> <u>S/A Debt</u>	<u>Ripley Road</u> <u>S/A Debt</u>	<u>Fund</u> <u>Cemetery</u>	
<u>ASSETS</u>				
Cash	\$ 185,421	\$ 23,996	\$ 50,825	\$ 260,242
Special Assessments Receivable	<u>87,982</u>	<u>7,473</u>	<u>-</u>	<u>95,455</u>
Total Assets	<u>\$ 273,403</u>	<u>\$ 31,469</u>	<u>\$ 50,825</u>	<u>\$ 355,697</u>
<u>LIABILITIES, DEFERRED INFLOWS,</u>				
<u>AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ -	\$ 3,343	\$ -	\$ 3,343
Deferred Inflows of Resources:				
Unavailable Revenue-Special Assessments	<u>87,982</u>	<u>7,473</u>	<u>-</u>	<u>95,455</u>
Fund Balance:				
Nonspendable-Permanent Corpus	-	-	50,000	50,000
Restricted for Debt Service	185,421	20,653	-	206,074
Restricted for Perpetual Care	<u>-</u>	<u>-</u>	<u>825</u>	<u>825</u>
Total Fund Balance	<u>185,421</u>	<u>20,653</u>	<u>50,825</u>	<u>256,899</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 273,403</u>	<u>\$ 31,469</u>	<u>\$ 50,825</u>	<u>\$ 355,697</u>

CITY OF LINDEN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	<u>Debt Service</u>		<u>Permanent</u>	<u>Total</u>
	<u>Ten Streets</u> <u>S/A Debt</u>	<u>Ripley Road</u> <u>S/A Debt</u>	<u>Fund</u> <u>Cemetery</u>	
<u>Revenues:</u>				
Special Assessments	\$ 74,596	\$ 27,094	\$ -	\$ 101,690
Interest Earned	1,255	422	289	1,966
Total Revenues	<u>75,851</u>	<u>27,516</u>	<u>289</u>	<u>103,656</u>
<u>Expenditures:</u>				
Debt Service:				
Principal	90,000	20,000	-	110,000
Interest and Other Charges	15,300	3,035	-	18,335
Total Expenditures	<u>105,300</u>	<u>23,035</u>	<u>-</u>	<u>128,335</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(29,449)</u>	<u>4,481</u>	<u>289</u>	<u>(24,679)</u>
Other Financing Sources (Uses):				
Operating Transfers In	30,100	-	-	30,100
Total Other Financing Sources (Uses)	<u>30,100</u>	<u>-</u>	<u>-</u>	<u>30,100</u>
Change in Fund Balance	651	4,481	289	5,421
Fund Balance - July 1	<u>184,770</u>	<u>16,172</u>	<u>50,536</u>	<u>251,478</u>
Fund Balance - June 30	<u>\$ 185,421</u>	<u>\$ 20,653</u>	<u>\$ 50,825</u>	<u>\$ 256,899</u>

CITY OF LINDEN
Component Unit - Downtown Development Authority
Balance Sheet
June 30, 2019

ASSETS

Cash	\$	22,882
Prepaid Expenses		5,988
Total Assets	\$	<u>28,870</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts Payable	\$	2,744
Fund Balance		<u>26,126</u>
Total Liabilities and Fund Balance	\$	<u>28,870</u>

Reconciliation to Statement of Net Position (page 11)

Fund Balance at June 30, 2019	\$	26,126
Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		246,500
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>(159,294)</u>
Net Position of Governmental Activities-Component Unit	\$	<u>113,332</u>

CITY OF LINDEN
Component Unit - Downtown Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2019

Revenues

Property Taxes	\$	67,466
Other		1,758
Total Revenues		<u>69,224</u>

Expenditures

Community Development		<u>84,805</u>
Net Change in Fund Balance		(15,581)
Fund Balance - Beginning		<u>41,707</u>
Fund Balance - Ending	\$	<u><u>26,126</u></u>

Reconciliation to Statement of Activities (pages 12-13)

Net Change in Fund Balance at June 30, 2019	\$	(15,581)
---	----	----------

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. (8,500)

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.

		Principal Paid <u>34,573</u>
Change in Net Position-Component Unit	\$	<u><u>10,492</u></u>

CITY OF LINDEN
Schedule of Indebtedness
Governmental Funds
June 30, 2019

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>
4.20%	11/1/2019	\$ 25,000	\$ 1,799	\$ 26,799
4.25%	11/1/2020	30,000	637	30,637
		\$ 55,000	\$ 2,436	\$ 57,436

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>
1.75%	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
		\$ 356,400	\$ 29,416	\$ 385,816

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>
4.20%	11/1/2019	\$ 25,000	\$ 1,587	\$ 26,587
4.25%	11/1/2020	25,000	531	25,531
		\$ 50,000	\$ 2,118	\$ 52,118

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%	5/01/2020	\$ 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
		\$ 280,000	\$ 22,600	\$ 302,600

CITY OF LINDEN
Schedule of Indebtedness
Governmental Funds
June 30, 2019

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>
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>\$ 575,000</u>	<u>\$ 94,866</u>	<u>\$ 669,866</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%	11/1/2019	\$ 14,500	\$ 2,512	\$ 17,012
3.30%	11/1/2020	14,500	2,034	16,534
3.30%	11/1/2021	14,500	1,555	16,055
3.30%	11/1/2022	14,500	1,076	15,576
3.30%	11/1/2023	14,500	598	15,098
3.30%	11/1/2024	7,250	120	7,370
		<u>\$ 79,750</u>	<u>\$ 7,895</u>	<u>\$ 87,645</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%	11/30/2019	\$ 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>\$ 76,367</u>	<u>\$ 7,080</u>	<u>\$ 83,447</u>

2019 Grader Loan

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
3.70%	6/3/2020	\$ 27,548	\$ 2,511	\$ 30,059
3.70%	6/3/2021	28,585	1,474	30,059
3.70%	4/3/2022	24,284	409	24,693
		<u>\$ 80,417</u>	<u>\$ 4,394</u>	<u>\$ 84,811</u>

CITY OF LINDEN
Schedule of Indebtedness
Proprietary Funds
June 30, 2019

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%	5/01/2020	\$ 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>370,000</u>	\$ <u>85,586</u>	\$ <u>455,586</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>
1.75%	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>623,600</u>	\$ <u>43,508</u>	\$ <u>667,108</u>

CITY OF LINDEN
Schedule of Indebtedness
Component Unit - Downtown Development Authority
June 30, 2019

213 N. Bridge Street
Installment Loan

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
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>38,733</u>	\$ <u>1,419</u>	\$ <u>40,152</u>

114 Walmar Street
Installment Loan

<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
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>120,561</u>	\$ <u>11,174</u>	\$ <u>131,735</u>

