

City of Buchanan, Michigan

Financial Report with Supplemental Information June 30, 2017



City of Buchanan, Michigan

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City of Buchanan, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The Water and Sewer Fund experienced an increase of approximately \$157,000 in net position. The City is looking at future bonding plans to improve the wastewater plant. The City Commission adopted a new rate policy from a rate study conducted by a third-party consulting firm that was performed in a prior year.

Component Units

Component units include such funds as the Downtown Development Authority and Brownfield Redevelopment funds. Effective December 1, 2006, Andrews Farm TIF and DDA TIF were dissolved and the Downtown Development Authority began capturing taxes in 2007.

General Fund Budgetary Highlights

The General Fund pays for most of the City's governmental services. The primary services provided include police and fire services, administrative services, public services, and parks and recreation.

As shown in the required supplemental information, the City budgeted operational expenditures of \$2,181,749 to be paid from the General Fund fund balance. During the course of the year, the City amended the budget to \$2,599,071. The actual operating expenses were \$2,232,481 and actual revenue collected was \$2,131,851. There were no significant budget to actual differences.

Capital Asset and Debt Administration

The City continued making payments on revenue and general obligation bonds incurred to construct major capital related to infrastructure.

Economic Factors and Next Year's Budgets and Rates

The City's budget for the next fiscal year reflects a similar budget as last year, with the City trying to complete the projects on the books while maintaining a healthy fund balance. Current economic conditions in the State of Michigan have put personal property tax revenue at risk of being reduced. The City Commission has adopted a conservative budget that retains current fund balance, but also facilitates community priorities and quality services.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the city manager's office.

City of Buchanan, Michigan

Statement of Net Position June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 183,029	\$ 175,711	\$ 358,740	\$ 11,370
Investments (Note 3)	3,150,204	748,277	3,898,481	218,971
Receivables:				
Property taxes receivable	9,832	-	9,832	-
Receivables from sales to customers on account	-	216,456	216,456	-
Other receivables	128,671	1,620	130,291	22,374
Due from other governmental units	181,434	83,861	265,295	-
Internal balances	292,152	(292,152)	-	-
Restricted cash (Note 3)	-	338,576	338,576	-
Net pension asset (Note 9)	18,975	23,192	42,167	-
Capital assets (Note 4):				
Assets not subject to depreciation	319,889	40,776	360,665	-
Assets subject to depreciation	4,752,597	9,943,318	14,695,915	-
Total assets	9,036,783	11,279,635	20,316,418	252,715
Deferred Outflows of Resources -				
Deferred outflows related to pensions (Note 9)	225,273	275,335	500,608	-
Liabilities				
Accounts payable	98,314	134,440	232,754	692
Accrued liabilities and other	16,383	24,299	40,682	-
Unearned revenue	22,677	-	22,677	-
Customer deposits	-	43,539	43,539	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	74,624	16,154	90,778	-
Capital leases (Note 6)	18,111	-	18,111	-
Current portion of long-term debt (Note 7)	-	255,000	255,000	-
Due in more than one year:				
Compensated absences (Note 7)	82,974	29,277	112,251	-
Long-term debt (Note 7)	-	2,700,000	2,700,000	-
Total liabilities	313,083	3,202,709	3,515,792	692
Deferred Inflows of Resources				
Property taxes levied for the following year	82,975	-	82,975	-
Deferred inflows related to pensions (Note 9)	85,278	104,229	189,507	-
Total deferred inflows of resources	168,253	104,229	272,482	-

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Buchanan, Michigan

Statement of Net Position (Continued) June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 5,054,375	\$ 7,029,094	\$ 12,083,469	\$ -
Restricted for:				
Streets and highways	747,968	-	747,968	-
Debt service	-	338,576	338,576	-
Small cities grant program	342	-	342	-
Dial-A-Ride program	91,341	-	91,341	-
Economic development	-	-	-	252,023
Unrestricted	2,886,694	880,362	3,767,056	-
Total net position	\$ 8,780,720	\$ 8,248,032	\$ 17,028,752	\$ 252,023

City of Buchanan, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 346,382	\$ 22,120	\$ 142,476	\$ -
Public safety	1,156,566	20,007	-	-
Public works	1,341,519	67,830	420,009	411,265
Community and economic development	468,276	13,062	301,618	-
Recreation and culture	99,468	-	45,300	29,261
Interest on long-term debt	3,076	-	-	-
Total governmental activities	3,415,287	123,019	909,403	440,526
Business-type activities - Water and Sewer Fund	2,286,199	2,059,517	-	326,166
Total primary government	<u>\$ 5,701,486</u>	<u>\$ 2,182,536</u>	<u>\$ 909,403</u>	<u>\$ 766,692</u>
Component units:				
Downtown Development Authority	\$ 141,401	\$ 19,050	\$ -	\$ -
Brownfield Redevelopment Authority	2,224	-	-	-
Total component units	<u>\$ 143,625</u>	<u>\$ 19,050</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities
Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (181,786)	\$ -	\$ (181,786)	\$ -
(1,136,559)	-	(1,136,559)	-
(442,415)	-	(442,415)	-
(153,596)	-	(153,596)	-
(24,907)	-	(24,907)	-
(3,076)	-	(3,076)	-
(1,942,339)	-	(1,942,339)	-
-	99,484	99,484	-
(1,942,339)	99,484	(1,842,855)	-
-	-	-	(122,351)
-	-	-	(2,224)
-	-	-	(124,575)
1,591,228	-	1,591,228	74,247
560,303	-	560,303	-
14,569	1,255	15,824	615
179,107	-	179,107	65
9,315	-	9,315	-
2,354,522	1,255	2,355,777	74,927
(55,957)	55,957	-	-
356,226	156,696	512,922	(49,648)
8,424,494	8,091,336	16,515,830	301,671
\$ 8,780,720	\$ 8,248,032	\$ 17,028,752	\$ 252,023

City of Buchanan, Michigan

Component Units Statement of Net Position June 30, 2017

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 9,062	\$ 2,308	\$ 11,370
Investments (Note 3)	172,156	46,815	218,971
Notes receivable	22,374	-	22,374
Total assets	203,592	49,123	252,715
Liabilities - Accounts payable	692	-	692
Net Position - Restricted	<u>\$ 202,900</u>	<u>\$ 49,123</u>	<u>\$ 252,023</u>

City of Buchanan, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 141,401	\$ 19,050	\$ -	\$ -
Brownfield Redevelopment Authority	2,224	-	-	-
Total component units	<u>\$ 143,625</u>	<u>\$ 19,050</u>	<u>\$ -</u>	<u>\$ -</u>

General revenue:

Property taxes

Investment income

Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2017**

Net (Expense) Revenue and Changes in Net Position		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (122,351)	\$ -	\$ (122,351)
-	(2,224)	(2,224)
(122,351)	(2,224)	(124,575)
60,068	14,179	74,247
547	68	615
-	65	65
60,615	14,312	74,927
(61,736)	12,088	(49,648)
264,636	37,035	301,671
\$ 202,900	\$ 49,123	\$ 252,023

City of Buchanan, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Buchanan, Michigan (the "City"):

Reporting Entity

The City of Buchanan, Michigan is governed by an elected five-member commission. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each 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 City (see discussion below for description).

Blended Component Units - The City's Dial-A-Ride Fund is governed by the City Commission. Although it is legally separate from the City, the Dial-A-Ride Fund is reported as if it were part of the primary government because it is governed by the same legislative authority. This fund is shown on the basis of its fiscal year end of September 30, 2016. The September 30 year end is the fiscal year end of the grant programs from which the Dial-A-Ride Fund receives federal funding.

Discretely Presented Component Units - The following component units are reported within the component units' column in the financial statements. They are reported in a separate column to emphasize that they are legally separate from the City of Buchanan, Michigan. Separate financial statements are not available for the component units presented.

- **Downtown Development Authority** - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of eight individuals, is selected by the City Commission. In addition, the DDA's budget is subject to approval by the City Commission.
- **Brownfield Redevelopment Authority** - The Brownfield Redevelopment Authority (BRA) was created to clean up the State of Michigan-designated Brownfield sites within the City of Buchanan, Michigan and prepare these sites for new development. The BRA's governing body, which consists of five individuals, is selected by the City Commission. In addition, the BRA's budget is subject to approval by the City Commission.