

City of Flint,  
Michigan



Year Ended  
June 30, 2020

Financial  
Statements

**Rehmann**

# CITY OF FLINT, MICHIGAN

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## INDEPENDENT AUDITORS' REPORT

January 21, 2021

Members of the City Council  
City of Flint, 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 units, each major fund, and the aggregate remaining fund information of the **City of Flint, Michigan** (the "City") as of and for the year ended June 30, 2020, 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.

### Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hurley Medical Center, the Flint Area Enterprise Community, or the Downtown Development Authority discretely component units which represent the indicated percentage of total assets and deferred outflows of resources, net position, and revenues of the aggregate discretely presented component units:

	Percent of Total Assets and Deferred Outflows	Percent of Total Net Position	Percent of Total Revenues
Hurley Medical Center	95.9%	91.0%	99.2%
Flint Area Enterprise Community	0.2%	1.1%	0.0%
Downtown Development Authority	2.3%	6.2%	0.6%

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Those statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Hurley Medical Center, Flint Area Enterprise Community and Downtown Development Authority, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Downtown Development Authority and the Flint Area Enterprise Community were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, based on our audit and the report of other auditors, 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 units, each major fund, and the aggregate remaining fund information of the City of Flint, Michigan, as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules for the pension and other postemployment benefit plans listed 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 required supplementary 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's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Robson LLC". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

The following is a brief overview and analysis of the financial statements for the City of Flint, Michigan (the "City") for the 2020 fiscal year, which began on July 1, 2019 and ended on June 30, 2020. The reader is encouraged to not only consider the comments made here but to review the statements in their entirety.

The City provides a full range of municipal services, including police and fire protection, construction and maintenance of streets, sidewalks, and other infrastructure, maintenance and operation of water and sewer systems, maintenance of parks, and solid waste collection. These activities comprise the majority of the City's governmental and business-type activities.

In addition to governmental and business-type activities, the financial statements include the activities of Hurley Medical Center, Flint Downtown Development Authority, Flint Economic Development Corporation, and Flint Area Enterprise Community. While part of the City government, these entities are presented as "discrete component units" because of their independent management authority.

#### Financial Highlights

The City of Flint returned to local government control in April 2015. This process was completed in April 4, 2018 with the removal of the State appointed Receivership Transition Advisory Board, which was put in place to oversee and approve City operational decisions. (The City had been in state receivership under an Emergency Manager since December 1, 2011).

The City has adopted a two-year operating budget and new ordinances addressing the achievement and maintenance of financial stability. These ordinances include requirements for creating and maintenance of a strategic plan; adoption of biennial budget and five year financial projections; establishment of a fund balance reserve, including establishment of a budget stabilization fund; and an update of the City's purchasing ordinance. In the City's adopted budget for FY 2019/20, the staffing levels at the Police Department and Fire Department were not reduced.

The City ended the year in compliance with State of Michigan, Public Act 2 of 1968 as amended (the State Budget act) which includes no individual City governmental operating fund in a deficit at year end. The City's General Fund ended FY 2019/20 with a fund balance of \$17.6 million. The City's cash on hand at June 30, 2020 totaled more than \$145.4 million compared to \$149.6 million on June 30, 2019 across all governmental and business-type activities.

In FY20, the City billed \$187 million in taxes, fees, and grants for governmental and business-type activities, and spent \$196.7 million to provide City services. During the course of the year, the City's capital assets decreased by nearly \$2.9 million in governmental activities. The City's capital assets for business-type activities increased approximately \$26.4 million, which was due mainly to the water line replacement projects. The decrease in governmental activities is mainly in the infrastructure category and can be attributed to the City netting the additions of \$9.5 million against the depreciation expense of \$12.4 million.

The City's statement of net position on June 30, 2020, highlights primary government assets, including deferred outflows, totaling \$620 million and liabilities (and deferred inflows) totaling \$831.5 million, for a total net position deficit of \$211.6 million. Unrestricted net position was a deficit of \$442.5 million in governmental activities and a deficit of \$84.7 million in the business-type activities. This amount was netted against positive restricted net position and positive net investment in capital assets to reach the deficit of \$211.6 million total net position on the statement of net position.

The City has a 1 percent income tax for residents and a ½ percent income tax for non-residents, Non-residents do not live in the City but work in the City of Flint. In FY 2019/20, the City's income tax revenue generated \$17.0 million (a slight increase from the \$16.0 million figure from FY 2018/19).

## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

For the year ended June 30, 2020, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2020. The City's annual Other Post Employment Benefit (OPEB) expenses recognized in FY 2019/20 was \$28.2 million. The City made OPEB contributions of \$11.7 million, on a pay-as-you-go basis for the fiscal year. The City's OPEB net liability increased from \$249.8 million in 2019 to \$266.4 million in 2020 due to lower than expected health care costs from fewer than expected participants and lower cost per retiree. The retiree healthcare liability is similarly problematic. Unlike the pension system, the City has not historically prefunded this liability. As of June 30, 2020, the outstanding liability for retiree healthcare, as calculated by the City's actuary, is \$266.4 million.

The City adopted Governmental Accounting Standards Board (GASB) Statements 75 effective June 30, 2018. These GASB statements required the City to recognize the long-term obligation for OPEB benefits as a liability and to measure the annual costs of the OPEB benefits. Although these items existed prior to implementation of the Statement, they were not required to be reported. Additional information regarding the City's \$266.4 million net OPEB liability may be found in Note 14 to the financial statements.

The City's pension legacy cost continue to be a significant issue for the City of Flint. During calendar year 2019 (the plan's activity is measured and reported by the calendar year instead of the fiscal year), the City contributed \$23.1 million to the MERS pension system; however, benefits paid to retirees totaled \$51.4 million. The funded status of the plan decreased from 30.6% as of December 31, 2018 to 28.9% as of December 31, 2019. As of December 31, 2019, the City's unfunded pension liability totals \$388.3 million.

The City has taken action to reduce these legacy costs associated with health care and pensions. As of the end of the fiscal year, the City requested that the court case Welch vs City of Flint, a class action lawsuit resulting in the limitation of changes to retiree health care benefits, be reconsidered. Additionally, the City actively solicited the help of an outside consulting firm to review its current retiree health care benefits. The objective of all of these actions was to seek strategic and legal means to overhaul the City's retiree health care offerings and costs. The City mostly splits retiree costs 80/20 with virtually no hard caps (an approach taken by many municipalities). The projected \$20 million of costs for FY 2019/20 is nearly insurmountable for a City in the fragile financial state in which Flint finds itself. The City's unfunded total liability for OPEB is \$266 million. In addition, a pension plan provision was changed effective January 1, 2016 whereby surviving spouses and eligible dependents of a sworn City of Flint Police Officer or Firefighter killed in the line of duty would be eligible to participate in the City of Flint healthcare plan at no cost for life. Previous restructuring of health benefits has involved consolidating and updating plans, imposing premium sharing, limiting access of spouses and dependents, and eliminating the promise of retiree health care for new employees. Similar changes have taken place with respect to retirement benefits, with increased contributions, changes in multipliers, and enrollment of new employees into hybrid pension plans in lieu of traditional defined benefits plans.

Administration of the pension system was transferred to the Municipal Employees' Retirement System, a state-wide multi-employer system in FY 2012/13.

Property tax taxable values continue to rebound. Values went from \$714 million in taxable value in 2017 to roughly \$734 million in taxable value in 2018 and in 2020 values are now at \$770 million or up 7 percent. Administration, through the City's newly developed Economic Development Department, will continue to seek community development opportunities as well as to work with the Genesee County Land Bank to bring vacant properties back onto the City tax rolls.

## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

#### City Water Fund:

The City continues to follow budgetary and financial best practices and continues to look for ways to increase revenues and decrease expenditures. The Covid-19 crisis has caused great challenge for many municipal water systems including Flint. These challenges have been partially offset by federal and state relief.

At the same time, the City continues to work itself out of the water crisis that caused such severe social, health and financial damage. A civil lawsuit filed by the Concerned Pastors for Social Action and others against the State of Michigan and others over the Flint water crisis was filed in March 2017. The settlement mandated the replacement of 18,000 lead and galvanized service lines in Flint and as of June 30, 2020 this process is nearly completed. The settlement also required the state to make available \$87 million to pay for the replacement of lead and galvanized steel water service lines, with at least \$47 million to come from sources other than those approved by Congress and President Barack Obama. The City received a \$100 million Federal Water Infrastructure Improvements for the Nation (WIIN) grant in FY 2016/17, which was approved by Congress and President Barack Obama. This funding is available from the US Environmental Protection Agency (EPA) to provide capitalization grants under the Safe Drinking Water Act (SDWA) and the (WIIN). The State of Michigan matched the federal grant dollars with \$20 million of its money to bring the total amount of the WIIN funds to \$120 million. The first \$40 million of the WIIN funds were earmarked for service line replacement work, to support the funds needed to meet requirements under the Concerned Pastors' settlement. In FY 2017/18, the City entered into a 30-year agreement with the Great Lakes Water Authority ("GLWA") to purchase treated water. This agreement paved the way for the City to finalize its proposal for the use of the WIIN funds that had previously been proposed by the city to the EPA for enhancements to the city's water treatment plant. Purchase of treated water from GLWA meant that the City did not need to treat raw water. With this decision, the City no longer had to use WIIN funds to enhance and update its water treatment plant for full-scale water treatment but could instead use WIIN funds to focus on other needed improvements to the water delivery system. As of June 30, 2020, the City is engaged on working on projects including replacement of water meters, renovations to the Dort reservoir and pumping system, renovation of the Cedar Street reservoir and pumping system, development of a secondary back-up water supply, construction of a transmission main, construction of water quality monitoring facilities, replacement of selected water mains, and construction of a permanent chemical feed building at the water treatment plant and associated water system improvements.

The City's contract with Arcadis, an engineering firm who will analyze the City's municipal water distribution system and water treatment protocols at the City water plant, was extended in FY 2017/18. Arcadis performed an assessment that revealed over \$300 million worth of required operating, maintenance, monitoring, water quality, and other water distribution improvements that needed to be performed over an extended time period. These enhancements were identified as needed to continue to meet EPA and MDEQ water treatment and water distribution guidelines and rules.

## Management's Discussion and Analysis

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 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., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 include legislative, general government, judicial, public safety, public works, recreation and culture, community development, facilities maintenance, and interest on long-term debt. The business-type activities of the City include water and sewer operations.

**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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

**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.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the general, grants and major streets fund, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

**Proprietary Funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for fringe benefits, data processing, central maintenance garage and self-insurance.

Proprietary funds 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, both of which are considered to be major funds of the City. The City's internal service fund is presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Fund column.

**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 statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the City's pension and other postemployment benefits plans.

## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

#### Government-wide Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. Total assets and deferred outflows of the City are \$620.0 million. Total liabilities and deferred inflows are \$831.5 million. The largest portion of these liabilities are \$388.3 million of net pension liability and \$266.4 million of other postemployment benefit liabilities.

Total net position (total assets and deferred outflows less total liabilities and deferred inflows) is a negative \$211.6 million, this includes \$261.9 million of net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its 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.

Of the remaining portion of the City's total net position, \$53.7 million represents resources which are subject to external restrictions on how they may be used. The unrestricted deficit at year end was \$527.2 million, which increased from the FY 2018/19 deficit of \$479.7 million. There is no remaining balance of unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors. Net position is divided between governmental activities and business-type activities. Governmental activities show a \$442.5 million deficit in unrestricted net position. The \$296.8 million total governmental activities deficit is primarily driven by the pension and OPEB liability.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 117,024,196	\$ 113,505,184	\$ 201,113,244	\$ 199,673,647	\$ 318,137,440	\$ 313,178,831
Capital assets, net	97,651,115	100,578,320	169,838,283	143,469,419	267,489,398	244,047,739
	<u>214,675,311</u>	<u>214,083,504</u>	<u>370,951,527</u>	<u>343,143,066</u>	<u>585,626,838</u>	<u>557,226,570</u>
<b>Total deferred outflows of resources</b>	<u>26,932,409</u>	<u>18,559,643</u>	<u>7,396,462</u>	<u>6,052,428</u>	<u>34,328,871</u>	<u>24,612,071</u>
<b>Liabilities</b>						
Long-term debt	32,191,321	30,614,572	101,503,168	104,023,137	133,694,489	134,637,709
Pension and OPEB liabilities	486,065,220	443,559,301	168,650,824	179,199,536	654,716,044	622,758,837
Current and other liabilities	20,112,934	17,723,528	10,353,738	8,759,905	30,466,672	26,483,433
	<u>538,369,475</u>	<u>491,897,401</u>	<u>280,507,730</u>	<u>291,982,578</u>	<u>818,877,205</u>	<u>783,879,979</u>
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>12,665,996</u>	<u>-</u>	<u>12,665,996</u>	<u>-</u>
<b>Net position</b>						
Net investment in capital assets	92,077,130	98,672,771	169,838,283	143,175,417	261,915,413	241,848,188
Restricted	53,687,493	35,841,677	-	-	53,687,493	35,841,677
Unrestricted (deficit)	<u>(442,526,378)</u>	<u>(393,768,702)</u>	<u>(84,664,020)</u>	<u>(85,962,501)</u>	<u>(527,190,398)</u>	<u>(479,731,203)</u>
<b>Total net position</b>	<u>\$ (296,761,755)</u>	<u>\$ (259,254,254)</u>	<u>\$ 85,174,263</u>	<u>\$ 57,212,916</u>	<u>\$ (211,587,492)</u>	<u>\$ (202,041,338)</u>

### Management's Discussion and Analysis

#### Governmental Activities

Changes in net position provide some insight into current year activities as compared to those of the prior year. Total net position for governmental activities decreased by \$37.5 million. Total assets and deferred outflows increased by \$9.0 million and total liabilities and deferred inflows increased by \$46.5 million from FY 2018/19. At a high level, the decrease in total net position is primarily attributed to an increase in pension and OBEB liabilities. Revenues in FY 2019/20 were \$1.2 million lower than in FY 2018/19. The decrease is mainly due to a decrease in operating grant revenue of \$3.3 million for certain state and federal grants. The FY 2019/20 expenses were \$71.8 million more than in FY 2018/19. The increase in expenses is mainly attributable to an increase in general government and public safety expenses for \$12.4 million and \$56.2 million, respectively, due to a reallocation of pension expenses to those respective governmental functions. Further, public works expenses increased \$7.4 million and community development expenses decreased \$4.9 million.

#### Business-type Activities

Business-type activities have \$85.2 million of total net position. Business-type activities do not usually encumber at year-end and normally do not appropriate net position as part of the budget process. Total net position for business-type activities increased by \$38.0 million. Expenses increased by \$71.8 million in FY 2019/20 from FY 2018/19, while revenue decreased by \$9.9 million. Business-type activities, Water and Sewer services, have \$85.2 million of total net position; however, it is important to look at the components of net position to understand the financial state of these activities. That \$85.2 million is made up of 2 components - \$169.8 million of depreciated infrastructure net of related debt and (\$84.7) million deficit of other assets and liabilities, including a proportionate share of the City's legacy costs. Net position, in total, improved by \$28.0 million, but that net improvement is entirely due to the new infrastructure primarily funded by grants (\$29.0 million) while the rest of the system declined by \$1.0 million. Capital grants revenue decreased \$8.6 million due to an ongoing and expected decline in state and federal funding. Further, sewer expenses decreased \$23.5 and water expenses increased \$7.4 from the previous year.

# CITY OF FLINT, MICHIGAN

## Management's Discussion and Analysis

	Change in Net position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Program revenues</b>						
Charges for services	\$ 14,641,009	\$ 12,953,016	\$ 55,051,399	\$ 56,734,876	\$ 69,692,408	\$ 69,687,892
Operating grants	32,657,667	35,960,712	330,134	20,077	32,987,801	35,980,789
Capital grants	-	-	29,379,346	37,946,742	29,379,346	37,946,742
<b>General revenues</b>						
Property taxes	20,927,464	20,279,812	-	-	20,927,464	20,279,812
Income taxes	17,020,456	16,019,035	-	-	17,020,456	16,019,035
State revenue sharing	14,595,029	15,576,579	-	-	14,595,029	15,576,579
Unrestricted investments earnings	1,182,921	1,439,377	1,321,264	1,244,819	2,504,185	2,684,196
<b>Total revenues</b>	<b>101,024,546</b>	<b>102,228,531</b>	<b>86,082,143</b>	<b>95,946,514</b>	<b>187,106,689</b>	<b>198,175,045</b>
<b>Expenses</b>						
Legislative	1,160,836	810,869	-	-	1,160,836	810,869
General government	16,723,478	4,328,789	-	-	16,723,478	4,328,789
Judicial	850,055	750,288	-	-	850,055	750,288
Public safety	83,877,208	27,666,372	-	-	83,877,208	27,666,372
Public works	27,795,199	20,423,068	-	-	27,795,199	20,423,068
Recreation and culture	1,022,805	918,638	-	-	1,022,805	918,638
Community development	4,275,895	9,222,386	-	-	4,275,895	9,222,386
Facilities	1,643,599	1,590,576	-	-	1,643,599	1,590,576
Interest on long-term debt	1,182,972	1,055,294	-	-	1,182,972	1,055,294
Sewer	-	-	15,929,160	39,418,371	15,929,160	39,418,371
Water	-	-	42,191,636	34,820,291	42,191,636	34,820,291
<b>Total expenses</b>	<b>138,532,047</b>	<b>66,766,280</b>	<b>58,120,796</b>	<b>74,238,662</b>	<b>196,652,843</b>	<b>141,004,942</b>
Excess (deficiency) before transfers	(37,507,501)	35,462,251	27,961,347	21,707,852	(9,546,154)	57,170,103
Transfers	-	2,570,708	-	(2,570,708)	-	-
<b>Change in net position</b>	<b>(37,507,501)</b>	<b>38,032,959</b>	<b>27,961,347</b>	<b>19,137,144</b>	<b>(9,546,154)</b>	<b>57,170,103</b>
Beginning of year	(259,254,254)	(297,287,213)	57,212,916	38,075,772	(202,041,338)	(259,211,441)
<b>End of year</b>	<b>\$ (296,761,755)</b>	<b>\$ (259,254,254)</b>	<b>\$ 85,174,263</b>	<b>\$ 57,212,916</b>	<b>\$ (211,587,492)</b>	<b>\$ (202,041,338)</b>

### Analysis of Fund Financial Statements

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

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.



## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

As of June 30, 2020, the City's governmental funds reported combined ending fund balance of \$56.3 million, a decrease of \$4.2 million in comparison to the prior year. Of that total fund balance of \$56.3 million, \$15.8 million is considered unassigned and is available to be used at the City's discretion. \$38.7 million is considered restricted for various reasons and can only be used for its particular restricted purpose. Examples of restrictions are dedicated millages or the terms of a particular grant as determined by the granting agency.

The City's Governmental funds include the General Fund, Grants, major streets and nonmajor governmental funds. The General Fund pays for most of the City's governmental services. The General Fund recorded \$59.4 million in expenses to provide City services in fiscal year FY 2019/20. The most significant expenses were for Public Safety (police & fire). Public Safety must account for at least 55.5% of the General Fund Budget per Ordinance.

Public Safety services are partially supported by two special millages, a Public Safety Millage and a Neighborhood Policing Millage. These millages are recorded in separate special revenue funds. The Neighborhood Policing Fund had expenditures of \$1.2 million and the Public Safety Fund had expenditures of \$5.1 million. The Public Safety Fund includes both police and fire.

A combined \$14.1 million was spent in FY 2019/20 on major and local road repairs. The Local Street Fund received an operating transfer from the Major Street Fund in FY 2019/20 of \$1.5 million. In the City's Rubbish Collection Fund, the City spent \$4.9 million to collect and dispose of the City's solid waste, recyclables, and leaves in FY 2019/20. The City spent \$2.5 million in the Street Lights Assessment Fund to cover the expense of the street lights and upgrades in the City of Flint.

Of the \$4.2 million decrease from the prior year, General Fund accounted for \$6.8 million of that decrease. In FY 2019/20, General Fund revenues were down \$2.0 million, primarily due a decline state sourced revenue. General Fund expenditures were up \$7.0 million. General Fund expenditures from general government was up \$2.0 million and public safety spending was up \$4 million in FY2020.

The other significant change to governmental fund balance came from the nonmajor governmental funds of \$3.6 million from a variety of sources.

The Major Streets Fund increased its fund balance by \$408 thousand. Road funding from the State of Michigan decreased by almost \$2 million and spending increased by over \$1 million but the net result resulted in a small increase in fund balance.

#### Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position in the sewer fund is \$10.0 million. In FY 2018/19 the Sewer fund net position was \$125,265. A major portion of the increase was due to a decline in the pension expense allocation to this fund. The sewer fund had a net operating income of \$9.2 million in FY 2019/20. Expenses in FY 2017/18 were \$24.9 million and \$40 million in FY 2018/19, but have decreased to \$16.7 million in FY 2019/20. This decrease of \$24.0 million in operating expenses was mostly driven by a decline in pension expenses.

Total net position in the water fund is \$69.1 million, despite an operating loss of \$13.6 million during the year. Net operating income was a negative \$4.5 million in previous year. The water fund experienced a nearly \$3.0 million increase in operating revenue and a large decline in contractual service and cost of material expenses. The State of Michigan forgave the City of the balance on these loans of approximately \$20.7 million in FY 2017/18, which caused the increase of fund balance despite the large operating loss.

## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

#### Capital Assets

At June 30, 2020, the City's net investment in capital assets for the governmental and business-type activities amounted to \$267.5 million. The investment in capital assets covers a broad variety of land, construction in progress, land improvement, infrastructure, buildings and improvements, machinery and equipment, and vehicles and is reduced by the amount of related outstanding debt. The City's investment in capital assets increased \$23.4 million.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 14,287,016	\$ 14,287,016	\$ 762,394	\$ 762,394	\$ 15,049,410	\$ 15,049,410
Construction in progress	3,593,458	2,703,887	11,833,628	2,095,203	15,427,086	4,799,090
Land improvements	1,653,845	1,958,322	3,253,493	3,377,665	4,907,338	5,335,987
Infrastructure	63,462,995	70,990,696	103,429,666	87,474,555	166,892,661	158,465,251
Buildings and improvements	5,466,545	4,353,530	12,887,015	13,831,874	18,353,560	18,185,404
Machinery and equipment	2,101,927	2,168,519	37,252,730	35,344,957	39,354,657	37,513,476
Vehicles	7,085,329	4,116,350	419,357	582,771	7,504,686	4,699,121
<b>Total capital assets, net</b>	<b>\$ 97,651,115</b>	<b>\$ 100,578,320</b>	<b>\$ 169,838,283</b>	<b>\$ 143,469,419</b>	<b>\$ 267,489,398</b>	<b>\$ 244,047,739</b>

#### Debt Administration

Debt is administered through three debt service funds and the Public Improvement Fund. In addition, the Water Fund services debt for bonds issued for KWA. In FY 2017/18 the State forgave the City's Drinking Water Revolving Loan Fund as another support mechanism to cope with the ongoing water crisis.

#### General Obligation Bonds

The City issued \$10 million in General Obligation Bonds in fiscal year 2008 on behalf of the Flint Downtown Development Authority for construction of the new Rutherford parking structure. The City has pledged a portion of state-shared revenue as security for the bond. The DDA has pledged net revenue from the parking operations for the repayment of the bond. However, in the City's approved deficit elimination plan, it was determined by the City that the DDA's commitment to funding its portion of the debt service for the parking ramp was unrealistic given the decline in property values and revenues expected to be received through operations were not realized. The City as the guarantor continues to make the debt service payments.

## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

#### Long-term Debt

At year end, the City had \$32.2 million in long-term debt outstanding for governmental activities and \$101.5 million outstanding for business-type activities. Additional information on the City's long-term debt can be found in Note 9.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds payable	\$ 12,520,000	\$ 7,320,000	\$ -	\$ -	\$ 12,520,000	\$ 7,320,000
Loans payable	11,994,408	19,565,257	-	-	11,994,408	19,565,257
Bond premium	1,021,228	-	-	-	1,021,228	-
Agreement payable	-	-	101,029,474	103,265,747	101,029,474	103,265,747
Capital leases	3,612,908	751,292	-	294,002	3,612,908	1,045,294
Compensated absences	3,042,777	2,978,023	473,694	463,388	3,516,471	3,441,411
<b>Total</b>	<b>\$ 32,191,321</b>	<b>\$ 30,614,572</b>	<b>\$ 101,503,168</b>	<b>\$ 104,023,137</b>	<b>\$ 133,694,489</b>	<b>\$ 134,637,709</b>

The City of Flint entered into an agreement with KWA to purchase raw water and pledge the City's full faith and credit towards the repayment of a portion of KWA debt. Subsequent to this agreement the City transferred 97% of those water rights to the Great Lakes Water Authority (GLWA). The City of Flint has a liability of \$101 million to the KWA and a receivable from GLWA. The sale of the water rights to GLWA is being paid in the form of a credit on the City of Flint's water bill from GLWA. The other 3 percent represents an intangible asset on the City's books.

#### Limitations on Debt

The State limits the amount of general obligation debt the City can issue to up to 10 percent of the assessed value of all taxable property within the City's corporate limits. The amount of debt available to the City (unused portion of the debt limitation) is \$59.8 million. The City can issue bonds through the Michigan Municipal Bonding Authority's state-shared revenue program. This program may require a pledge of the City's future state-shared revenues.

#### Bond Ratings

There are no current ratings for the City. Prior ratings were withdrawn as the City's financial position led to consideration of the City being placed into receivership. Moody's Investors Service last rated the City's general obligation unlimited bonds at Ba1, with a stable outlook in February 2006.

## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

#### General Fund Budgetary Highlights

The city has partially strengthened its financial position since the end of state receivership in 2017. The city still faces significant challenges with long term legacy costs from the pension and retiree health care system. The Flint economy was slowly recovering in early 2020, but now faces new challenges due to the Covid-19 pandemic.

The City reviews its budgets on a monthly basis and makes various amendments to address unexpected operating events throughout the year. The General Fund originally budgeted for a decrease in fund balance of \$1.7 million and was amended for a decrease in fund balance of \$2.6 million, a increase of \$874 thousand. The General Fund revenue and expenditure budget was decreased by \$996 thousand and \$49 thousand, respectively. Significant changes between the original and final budget are as follows:

- Income tax revenue budget was decreased by \$715 thousand due to an expected increase in local jobs and local wages.
- Cable franchise fees revenue budget was decreased by \$461 thousand due to ongoing changes in the cable industry.
- Property tax revenue budget was increased by \$451 thousand due an expected increase in local property values.
- City council expenses budget was increased by \$1.1 million due to some unexpected expenses.
- Finance expenses budget was decreased by \$599 thousand due to certain job vacancies that were not filled.
- Police expenses budget was decreased by \$1.7 million due to certain job vacancies and restructuring.
- Fire expenses budget was increased by \$636 thousand due to additional hiring needs.

The General Fund budgeted for a decrease in fund balance of \$2.6 million and the actual change in fund balance was a decrease of \$6.8 million. Significant budgetary variances are as follows:

- Income tax revenue was over budget by \$1.3 million due to better than expected local job growth and wages.
- State revenue was under budget by \$2.4 million due to unexpected changes in state formulas.
- Charges for services were over budget by \$1.6 million due to a strong than expected local economy.
- City council expenses were under budget by \$839 thousand due to certain contracts and hiring not occurring.
- Finance expenses were under budget by \$895 thousand due to not filling certain position.
- General government expenses were over budget by \$2.5 million due to COVID-19.
- Police expenses were over budget by \$596 thousand due to overtime and limited staffing.
- Fire expenses were over budget by \$1.0 million due to due to COVID-19.
- Community development expenses were under budget by \$507 thousand due to open positions and underspending.
- Transfers in were under budget by \$2.7 million due to an agreement to eliminate water and sewer in-transfers.

#### Economic Factors and Next Year's Budgets and Rates

The City will be challenged for several more years as it works to rebuild financial stability while providing a future vision and basic level of services. A sound vision for the provision of quality services while remaining solvent is crucial to redevelop the City of Flint as an attractive place to live, play, study, work, and visit.

In summary, challenges include:

- Dealing with the economic and financial consequences of the Covid-19 global pandemic
- An continued aging and reduced workforce, resulting in an increase in the ratio of retirees to active employees, affecting pension and health care costs
- Aging sewer, water, street, and sidewalk infrastructure
- Providing safe and affordable drinking water, independent of state support as the water crisis continues
- Combating high levels of crime
- Relatively higher water and sewer rates
- A shrinking population

## CITY OF FLINT, MICHIGAN

### Management's Discussion and Analysis

There are, however, many positive steps being taken by and within the City to insure the path of financial solvency, including:

- Ongoing commitment to new policies, practices, and organizational changes focused on financial stability.
- Taking steps to improve and maintain long-term financial solvency, including seeking innovative ways to reduce costs and improve efficiencies within City operations
- Strong partnership with entities such as the Greater Regional Flint Chamber of Commerce and the State of Michigan to promote economic development
- Strong support – financial and otherwise – from the Mott Foundations, the Kellogg Foundation and Ford Foundation to support a variety of activities and programs in Flint
- Diversification of Flint's economic base, especially in higher education and health care

#### Long-term Financial Planning

- The City will continue to seek additional income tax revenue, primarily through the work of the newly established Economic Development Department.
- The City will continue to carefully manage resources that are available for operations and improvements.
- The City will continue to monitor all operating programs in order to determine if the program provides a quality level of service at a fair cost.
- The City will continue to implement the new rules established by the newly adopted City Charter, including establishing a Revenue Estimating Committee charged with providing revenue estimates that are reasonable and fair.
- The City will continue to follow adopted Ordinances including the adoption of a biennial budget with a five year projection. Through this long term planning, the City will continue to evaluate and monitor its budgets. Adjustments will be made to address changes in economic conditions and other events as they present themselves.
- The Capital Improvement Plan was developed, reviewed by the Public, and approved by the Planning Commission and the City Council and is updated on a yearly basis.
- The City of Flint has a Master Plan. The plan paints a new vision for the City and is focused on making Flint an attractive place to live, work, learn, and play

#### Requests for Information

This financial report is designed to provide a general overview of the City of Flint's finances for all those with an interest in the financial position of the City. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, City of Flint, 1101 South Saginaw Street, Room #203, Flint, Michigan 48502.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FLINT, MICHIGAN**

**Statement of Net Position**

June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
<b>Assets</b>				
Cash and investments	\$ 96,438,692	\$ 48,967,542	\$ 145,406,234	\$ 172,443,048
Receivables, net	26,087,028	138,709,109	164,796,137	53,355,428
Internal balances	(6,018,655)	6,018,655	-	-
Other assets	517,131	7,417,938	7,935,069	9,846,286
Restricted cash and investments	-	-	-	184,875,698
Investment in joint venture	-	-	-	6,766,282
Capital assets not being depreciated	17,880,474	12,596,022	30,476,496	15,615,470
Capital assets being depreciated, net	79,770,641	157,242,261	237,012,902	106,562,396
<b>Total assets</b>	<b>214,675,311</b>	<b>370,951,527</b>	<b>585,626,838</b>	<b>549,464,608</b>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	101,559	-	101,559	1,525,005
Deferred pension amounts	26,830,850	7,396,462	34,227,312	25,670,107
Deferred OPEB amounts	-	-	-	2,273,318
<b>Total deferred outflows of resources</b>	<b>26,932,409</b>	<b>7,396,462</b>	<b>34,328,871</b>	<b>29,468,430</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	18,886,134	10,353,738	29,239,872	104,929,856
Unearned revenue	1,226,800	-	1,226,800	45,194,010
Long-term debt:				
Due within one year	3,196,339	2,397,964	5,594,303	7,119,242
Due in more than one year	28,994,982	99,105,204	128,100,186	96,254,905
Net pension liability (due in more than one year)	313,508,963	74,835,683	388,344,646	195,979,565
Net OPEB liability (due in more than one year)	172,556,257	93,815,141	266,371,398	5,861,463
<b>Total liabilities</b>	<b>538,369,475</b>	<b>280,507,730</b>	<b>818,877,205</b>	<b>455,339,041</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	-	12,665,996	12,665,996	2,921,895
Deferred OPEB amounts	-	-	-	21,429,843
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>12,665,996</b>	<b>12,665,996</b>	<b>24,351,738</b>
<b>Net position</b>				
Net investment in capital assets	92,077,130	169,838,283	261,915,413	41,565,928
Restricted for:				
Public safety	9,805,572	-	9,805,572	-
Public works	26,015,344	-	26,015,344	-
Recreation and culture	411,979	-	411,979	-
Community development	680,476	-	680,476	1,424,878
Grants	8,627,532	-	8,627,532	-
Debt service	8,146,590	-	8,146,590	-
Donor restricted	-	-	-	12,532,010
Unrestricted (deficit)	(442,526,378)	(84,664,020)	(527,190,398)	43,719,443
<b>Total net position (deficit)</b>	<b>\$ (296,761,755)</b>	<b>\$ 85,174,263</b>	<b>\$ (211,587,492)</b>	<b>\$ 99,242,259</b>

The accompanying notes are an integral part of these basic financial statements.

**CITY OF FLINT, MICHIGAN**

**Statement of Activities**

For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 1,160,836	\$ -	\$ -	\$ -	\$ (1,160,836)
General government	16,723,478	11,089,629	2,172,778	-	(3,461,071)
Judicial	850,055	-	-	-	(850,055)
Public safety	83,877,208	2,942,936	8,801,998	-	(72,132,274)
Public works	27,795,199	38,692	15,142,118	-	(12,614,389)
Recreation and culture	1,022,805	-	587,081	-	(435,724)
Community development	4,275,895	569,752	5,953,692	-	2,247,549
Facilities maintenance	1,643,599	-	-	-	(1,643,599)
Interest on long-term debt	1,182,972	-	-	-	(1,182,972)
<b>Total governmental activities</b>	<b>138,532,047</b>	<b>14,641,009</b>	<b>32,657,667</b>	<b>-</b>	<b>(91,233,371)</b>
Business-type activities:					
Sewer	15,929,160	25,550,538	308,332	-	9,929,710
Water	42,191,636	29,500,861	21,802	29,379,346	16,710,373
<b>Total business-type activities</b>	<b>58,120,796</b>	<b>55,051,399</b>	<b>330,134</b>	<b>29,379,346</b>	<b>26,640,083</b>
<b>Total primary government</b>	<b>\$ 196,652,843</b>	<b>\$ 69,692,408</b>	<b>\$ 32,987,801</b>	<b>\$ 29,379,346</b>	<b>\$ (64,593,288)</b>
<b>Component units</b>					
Downtown development authority	\$ 2,233,327	\$ 1,270,200	\$ 164,153	\$ -	\$ (798,974)
Economic development corporation	821,089	533,875	10,026	-	(277,188)
Flint area enterprise community	99,074	-	-	-	(99,074)
Hurley medical center	474,366,586	397,434,971	89,484,040	-	12,552,425
<b>Total component units</b>	<b>\$ 477,520,076</b>	<b>\$ 399,239,046</b>	<b>\$ 89,658,219</b>	<b>\$ -</b>	<b>\$ 11,377,189</b>

continued...



**CITY OF FLINT, MICHIGAN**

**Statement of Activities**

For the Year Ended June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
<b>Changes in net position</b>				
Net (expense) revenues	\$ (91,233,371)	\$ 26,640,083	\$ (64,593,288)	\$ 11,377,189
General revenues:				
Property taxes	20,927,464	-	20,927,464	553,991
Income taxes	17,020,456	-	17,020,456	-
Grants and contributions not restricted to specific programs	14,595,029	-	14,595,029	-
Unrestricted investment earnings	1,182,921	1,321,264	2,504,185	10,644,477
Other revenues	-	-	-	2,084,444
Transfers - internal activities	-	-	-	-
Total general revenues	53,725,870	1,321,264	55,047,134	13,282,912
<b>Change in net position</b>	(37,507,501)	27,961,347	(9,546,154)	24,660,101
Net position (deficit), beginning of year	(259,254,254)	57,212,916	(202,041,338)	74,582,158
<b>Net position (deficit), end of year</b>	<u>\$ (296,761,755)</u>	<u>\$ 85,174,263</u>	<u>\$ (211,587,492)</u>	<u>\$ 99,242,259</u>

concluded

The accompanying notes are an integral part of these basic financial statements.

## CITY OF FLINT, MICHIGAN

### Balance Sheet

Governmental Funds

June 30, 2020

	Special Revenue Funds				Totals
	General	Grants	Major Streets	Nonmajor Governmental Funds	
<b>Assets</b>					
Cash and investments	\$ 17,692,965	\$ 3,531,605	\$ 14,630,438	\$ 24,349,754	\$ 60,204,762
Receivables:					
Accounts receivable, net	701,861	-	-	10,537	712,398
Property taxes receivable	-	-	-	60,284	60,284
Income taxes receivable, net	2,611,661	-	-	-	2,611,661
Loans receivable	-	5,663,007	-	6,534	5,669,541
Prepays	37,192	76,529	-	-	113,721
Due from other governments	3,330,805	4,814,860	1,569,566	437,326	10,152,557
Due from component unit	-	-	-	6,879,203	6,879,203
<b>Total assets</b>	<b>\$ 24,374,484</b>	<b>\$ 14,086,001</b>	<b>\$ 16,200,004</b>	<b>\$ 31,743,638</b>	<b>\$ 86,404,127</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,978,410	\$ 4,164,439	\$ 1,289,104	\$ 925,797	\$ 9,357,750
Accrued and other liabilities	916,732	95,652	47,697	201,912	1,261,993
Due to other governments	693,783	-	-	-	693,783
Deposits payable	-	-	-	182,579	182,579
Unearned revenue	-	1,198,378	-	28,422	1,226,800
<b>Total liabilities</b>	<b>4,588,925</b>	<b>5,458,469</b>	<b>1,336,801</b>	<b>1,338,710</b>	<b>12,722,905</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - loans	-	5,663,007	-	6,885,737	12,548,744
Unavailable revenue - grants	2,190,270	2,591,175	33,589	-	4,815,034
Unavailable revenue - taxes	-	-	-	42,244	42,244
<b>Total deferred inflows of resources</b>	<b>2,190,270</b>	<b>8,254,182</b>	<b>33,589</b>	<b>6,927,981</b>	<b>17,406,022</b>
<b>Fund balances</b>					
Nonspendable	37,192	76,529	-	-	113,721
Restricted	-	373,350	14,829,614	23,476,947	38,679,911
Assigned	1,632,576	-	-	-	1,632,576
Unassigned (deficit)	15,925,521	(76,529)	-	-	15,848,992
<b>Total fund balances</b>	<b>17,595,289</b>	<b>373,350</b>	<b>14,829,614</b>	<b>23,476,947</b>	<b>56,275,200</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 24,374,484</b>	<b>\$ 14,086,001</b>	<b>\$ 16,200,004</b>	<b>\$ 31,743,638</b>	<b>\$ 86,404,127</b>

The accompanying notes are an integral part of these basic financial statements.

## CITY OF FLINT, MICHIGAN

### Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2020

**Fund balances for governmental funds** \$ 56,275,200

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 fund statement.

Capital assets not being depreciated	17,880,474
Capital assets being depreciated	433,300,712
Accumulated depreciation	(361,432,374)

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Grants	4,815,034
Loans	12,548,744
Taxes	42,244

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.

Net position of internal service funds	33,706,138
Internal service funds net position accounted for in business-type activities	(6,018,655)

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Bonds, loans and capital leases payable	(24,514,409)
Deferred charge on bond refunding	101,559
Bond premium, net	(1,021,228)
Accrued interest on bonds, loans and capital leases payable	(168,047)
Compensated absences	(3,042,777)

Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit liabilities and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.

Net pension liability	(313,508,963)
Deferred outflows related to the net pension liability	26,830,850
Total OPEB liability	(172,556,257)

**Net position of governmental activities** \$ (296,761,755)

The accompanying notes are an integral part of these financial statements.

**CITY OF FLINT, MICHIGAN**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Funds				Totals
	General	Grants	Major Streets	Nonmajor Governmental Funds	
<b>Revenues</b>					
Property taxes	\$ 4,088,760	\$ -	\$ -	\$ 16,838,704	\$ 20,927,464
Income taxes	17,020,456	-	-	-	17,020,456
Cable franchise fees	881,931	-	-	-	881,931
Federal sources	-	10,038,406	-	-	10,038,406
State sources	17,058,769	511,263	11,260,106	4,167,899	32,998,037
Charges for services	11,522,700	502,492	27,662	54,434	12,107,288
Fines and forfeitures	186,913	-	-	86,889	273,802
Licenses and permits	57,794	-	-	2,203,085	2,260,879
Local contributions	-	1,486,159	22,583	440,797	1,949,539
Interest	232,667	244,805	192,094	302,405	971,971
Other revenues	700,181	230,530	99,031	109,276	1,139,018
<b>Total revenues</b>	<b>51,750,171</b>	<b>13,013,655</b>	<b>11,601,476</b>	<b>24,203,489</b>	<b>100,568,791</b>
<b>Expenditures</b>					
Current:					
Legislative	1,020,917	-	-	-	1,020,917
General government	19,805,631	-	-	-	19,805,631
Judicial	850,055	-	-	-	850,055
Public safety	35,426,616	7,745,783	-	8,007,624	51,180,023
Public works	-	32,147	9,574,919	11,814,117	21,421,183
Recreation and culture	-	-	-	532,917	532,917
Community development	822,815	5,937,092	-	1,791	6,761,698
Facilities maintenance	1,470,117	-	-	-	1,470,117
Debt service:					
Principal	-	488,000	112,849	1,190,000	1,790,849
Interest	-	236,944	5,771	1,045,508	1,288,223
<b>Total expenditures</b>	<b>59,396,151</b>	<b>14,439,966</b>	<b>9,693,539</b>	<b>22,591,957</b>	<b>106,121,613</b>
Revenues over (under) expenditures	(7,645,980)	(1,426,311)	1,907,937	1,611,532	(5,552,822)
<b>Other financing sources (uses)</b>					
Proceeds from issuance of refunding bonds	-	-	-	13,270,000	13,270,000
Premium on issuance of long-term debt	-	-	-	1,099,784	1,099,784
Payments to refunded bond escrow agent	-	-	-	(13,849,999)	(13,849,999)
Transfers in	819,518	15,641	-	3,555,063	4,390,222
Transfers out	(15,641)	-	(1,500,000)	(2,055,063)	(3,570,704)
<b>Total other financing sources (uses)</b>	<b>803,877</b>	<b>15,641</b>	<b>(1,500,000)</b>	<b>2,019,785</b>	<b>1,339,303</b>
<b>Net change in fund balances</b>	<b>(6,842,103)</b>	<b>(1,410,670)</b>	<b>407,937</b>	<b>3,631,317</b>	<b>(4,213,519)</b>
Fund balances, beginning of year	24,437,392	1,784,020	14,421,677	19,845,630	60,488,719
<b>Fund balances, end of year</b>	<b>\$ 17,595,289</b>	<b>\$ 373,350</b>	<b>\$ 14,829,614</b>	<b>\$ 23,476,947</b>	<b>\$ 56,275,200</b>

The accompanying notes are an integral part of these basic financial statements.

## CITY OF FLINT, MICHIGAN

### Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2020

**Net change in fund balances - total governmental funds** \$ (4,213,519)

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

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.

Capital assets purchased/constructed	4,265,942
Depreciation expense	(10,659,352)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in deferred long-term receivables	2,520,937
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

Principal payments on long-term debt	1,790,848
Premium on issuance of long-term debt	(1,099,784)
Payments to refunded bond escrow agent	13,850,000
Issuance of refunding bonds	(13,270,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable on bonds, loans and capital leases payable	41,603
Amortization of bond premium	78,556
Net change in deferred charge	101,559
Change in the net pension liability and related deferred amounts	(24,019,806)
Change in the total OPEB liability and related deferred amounts	(10,214,906)
Change in compensated absences	(64,754)

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Total change in net position of the internal service funds	5,020,806
Internal service fund change in net position accounted for in business-type activities	(1,635,631)

**Change in net position of governmental activities** \$ (37,507,501)

The accompanying notes are an integral part of these financial statements.

**CITY OF FLINT, MICHIGAN**

**Statement of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - General Fund  
For the Year Ended June 30, 2020

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 4,876,489	\$ 5,327,616	\$ 4,088,760	\$ (1,238,856)
Income taxes	16,449,281	15,734,715	17,020,456	1,285,741
Licenses and permits	56,733	56,733	57,794	1,061
State sources	19,418,057	19,442,876	17,058,769	(2,384,107)
Federal sources	271,924	-	-	-
Charges for services	9,892,800	9,895,348	11,522,700	1,627,352
Fines and forfeitures	372,451	265,210	186,913	(78,297)
Interest	283,246	282,620	232,667	(49,953)
Cable franchise fees	1,460,594	1,000,000	881,931	(118,069)
Other revenues	109,496	189,520	700,181	510,661
<b>Total revenues</b>	<b>53,191,071</b>	<b>52,194,638</b>	<b>51,750,171</b>	<b>(444,467)</b>
<b>Expenditures</b>				
Current:				
Legislative -				
City council	805,214	1,860,155	1,020,917	(839,238)
General government:				
Mayor's office	344,707	450,367	517,909	67,542
Finance	6,534,019	5,935,453	5,040,641	(894,812)
Clerk	1,444,188	1,533,142	1,420,414	(112,728)
Law office	896,543	772,150	660,267	(111,883)
Human resources	907,284	1,218,019	871,400	(346,619)
General government	8,551,242	8,380,215	10,847,600	2,467,385
City administrator	362,261	544,872	447,400	(97,472)
<b>Total general government</b>	<b>19,040,244</b>	<b>18,834,218</b>	<b>19,805,631</b>	<b>971,413</b>
Judicial -				
68th district court	977,500	977,500	850,055	(127,445)
Public safety:				
Police	24,807,939	23,156,200	23,752,396	596,196
Fire	10,010,295	10,646,291	11,674,220	1,027,929
<b>Total public safety</b>	<b>34,818,234</b>	<b>33,802,491</b>	<b>35,426,616</b>	<b>1,624,125</b>
Building	271,923	-	-	-
Community development	998,433	1,330,133	822,815	(507,318)
Facilities maintenance	1,489,207	1,546,827	1,470,117	(76,710)
<b>Total expenditures</b>	<b>58,400,755</b>	<b>58,351,324</b>	<b>59,396,151</b>	<b>1,044,827</b>
Revenues over (under) expenditures	(5,209,684)	(6,156,686)	(7,645,980)	(1,489,294)

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**CITY OF FLINT, MICHIGAN**

**Statement of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - General Fund  
For the Year Ended June 30, 2020

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Other financing sources (uses)</b>				
Transfers in	\$ 3,489,943	\$ 3,562,685	\$ 819,518	\$ (2,743,167)
Transfers out	(15,641)	(15,641)	(15,641)	-
<b>Total other financing sources</b>	<u>3,474,302</u>	<u>3,547,044</u>	<u>803,877</u>	<u>(2,743,167)</u>
<b>Net change in fund balance</b>	(1,735,382)	(2,609,642)	(6,842,103)	(4,232,461)
Fund balance, beginning of year	<u>24,437,392</u>	<u>24,437,392</u>	<u>24,437,392</u>	-
<b>Fund balance, end of year</b>	<u>\$ 22,702,010</u>	<u>\$ 21,827,750</u>	<u>\$ 17,595,289</u>	<u>\$ (4,232,461)</u>

concluded

The accompanying notes are an integral part of these basic financial statements.

## CITY OF FLINT, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Grants Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Federal sources	\$ -	\$ 70,633,748	\$ 10,038,406	\$ (60,595,342)
State sources	-	1,747,750	511,263	(1,236,487)
Local contributions	-	4,473,906	1,486,159	(2,987,747)
Charges for services	389,000	389,000	502,492	113,492
Interest	218,814	218,814	244,805	25,991
Other revenues	99,700	566,982	230,530	(336,452)
<b>Total revenues</b>	<b>707,514</b>	<b>78,030,200</b>	<b>13,013,655</b>	<b>(65,016,545)</b>
<b>Expenditures</b>				
Current:				
Public safety -				
Police	-	33,174,864	7,745,783	(25,429,081)
Public works	-	2,159,558	32,147	(2,127,411)
Community development	-	14,514,289	5,937,092	(8,577,197)
Debt service:				
Principal	488,000	488,000	488,000	-
Interest	234,080	237,080	236,944	(136)
<b>Total expenditures</b>	<b>722,080</b>	<b>50,573,791</b>	<b>14,439,966</b>	<b>(36,133,825)</b>
Revenues over (under) expenditures	(14,566)	27,456,409	(1,426,311)	(28,882,720)
<b>Other financing sources</b>				
Transfers in	15,641	15,641	15,641	-
<b>Net change in fund balance</b>	<b>1,075</b>	<b>27,472,050</b>	<b>(1,410,670)</b>	<b>(28,882,720)</b>
Fund balance, beginning of year	1,784,020	1,784,020	1,784,020	-
<b>Fund balance, end of year</b>	<b>\$ 1,785,095</b>	<b>\$ 29,256,070</b>	<b>\$ 373,350</b>	<b>\$ (28,882,720)</b>

The accompanying notes are an integral part of these basic financial statements.



**CITY OF FLINT, MICHIGAN**

**Statement of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - Major Streets Special Revenue Fund

For the Year Ended June 30, 2020

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>				
State sources	\$ 10,889,756	\$ 11,696,349	\$ 11,260,106	\$ (436,243)
Charges for services	41,000	41,000	27,662	(13,338)
Local contributions	-	-	22,583	22,583
Interest	-	-	192,094	192,094
Other revenues	316,079	235,135	99,031	(136,104)
<b>Total revenues</b>	<b>11,246,835</b>	<b>11,972,484</b>	<b>11,601,476</b>	<b>(371,008)</b>
<b>Expenditures</b>				
Current -				
Public works -				
Streets	12,953,747	20,137,187	9,574,919	(10,562,268)
Debt service:				
Principal	100,208	112,850	112,849	(1)
Interest	5,125	6,775	5,771	(1,004)
<b>Total expenditures</b>	<b>13,059,080</b>	<b>20,256,812</b>	<b>9,693,539</b>	<b>(10,563,273)</b>
Revenues over (under) expenditures	(1,812,245)	(8,284,328)	1,907,937	10,192,265
<b>Other financing uses</b>				
Transfers out	(1,815,996)	(1,500,000)	(1,500,000)	-
<b>Net change in fund balance</b>	<b>(3,628,241)</b>	<b>(9,784,328)</b>	<b>407,937</b>	<b>10,192,265</b>
Fund balance, beginning of year	14,421,677	14,421,677	14,421,677	-
<b>Fund balance, end of year</b>	<b>\$ 10,793,436</b>	<b>\$ 4,637,349</b>	<b>\$ 14,829,614</b>	<b>\$ 10,192,265</b>

The accompanying notes are an integral part of these basic financial statements.

**CITY OF FLINT, MICHIGAN**

**Statement of Net Position**

Proprietary Funds  
June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Totals	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 43,606,773	\$ 5,360,769	\$ 48,967,542	\$ 36,233,930
Accounts receivable, net	9,861,343	9,134,899	18,996,242	1,384
Due from other governments	-	21,714,277	21,714,277	-
Due from GLWA	-	2,326,356	2,326,356	-
Inventory	320,230	290,930	611,160	104,014
Prepays	-	3,812,527	3,812,527	299,396
<b>Total current assets</b>	<b>53,788,346</b>	<b>42,639,758</b>	<b>96,428,104</b>	<b>36,638,724</b>
Noncurrent assets:				
Due from GLWA, net of current portion	-	95,672,234	95,672,234	-
Right to use asset	-	2,994,251	2,994,251	-
Capital assets not being depreciated	2,701,432	9,894,590	12,596,022	-
Capital assets being depreciated, net	45,224,623	112,017,638	157,242,261	7,902,303
<b>Total noncurrent assets</b>	<b>47,926,055</b>	<b>220,578,713</b>	<b>268,504,768</b>	<b>7,902,303</b>
<b>Total assets</b>	<b>101,714,401</b>	<b>263,218,471</b>	<b>364,932,872</b>	<b>44,541,027</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	1,618,765	5,777,697	7,396,462	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	760,030	8,157,934	8,917,964	6,036,031
Accrued liabilities	175,184	123,338	298,522	121,911
Due to other governments	-	-	-	90,953
Deposits payable	-	1,137,252	1,137,252	-
Accrued interest	-	-	-	60,401
Current portion of claims payable	-	-	-	169,249
Current portion of compensated absences	41,108	30,500	71,608	-
Current portion of long-term debt	-	2,326,356	2,326,356	923,132
<b>Total current liabilities</b>	<b>976,322</b>	<b>11,775,380</b>	<b>12,751,702</b>	<b>7,401,677</b>
Noncurrent liabilities:				
Claims payable, net of current portion	-	-	-	743,437
Compensated absences, net of current portion	230,829	171,257	402,086	-
Long-term debt, net of current portion	-	98,703,118	98,703,118	2,689,775
Net pension liability	29,861,614	44,974,069	74,835,683	-
Total OPEB liability	49,561,556	44,253,585	93,815,141	-
<b>Total noncurrent liabilities</b>	<b>79,653,999</b>	<b>188,102,029</b>	<b>267,756,028</b>	<b>3,433,212</b>
<b>Total liabilities</b>	<b>80,630,321</b>	<b>199,877,409</b>	<b>280,507,730</b>	<b>10,834,889</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	12,665,996	-	12,665,996	-
<b>Net position</b>				
Net investment in capital assets	47,926,055	121,912,228	169,838,283	4,289,396
Unrestricted (deficit)	(37,889,206)	(52,793,469)	(90,682,675)	29,416,742
<b>Total net position</b>	<b>\$ 10,036,849</b>	<b>\$ 69,118,759</b>	<b>\$ 79,155,608</b>	<b>\$ 33,706,138</b>

The accompanying notes are an integral part of these basic financial statements.

# CITY OF FLINT, MICHIGAN

## Reconciliation

Net Position of Enterprise Funds  
to Net Position of Business-type Activities  
June 30, 2020

**Net position - total enterprise funds** \$ 79,155,608

Amounts reported for *business-type activities* in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net position of the internal service funds is allocated to the enterprise funds and reported in the statement of net position.

Net position of business-type activities accounted for in governmental activities internal service funds

6,018,655

**Net position of business-type activities**

\$ 85,174,263

The accompanying notes are an integral part of these financial statements.

**CITY OF FLINT, MICHIGAN**

**Statement of Revenues, Expenses and Changes in Fund Net Position**

Proprietary Funds

For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Totals	Internal Service Funds
<b>Operating revenues</b>				
Charges for services	\$ 25,550,538	\$ 29,500,861	\$ 55,051,399	\$ 62,062,219
Other	308,332	21,802	330,134	6,981,827
<b>Total operating revenues</b>	<u>25,858,870</u>	<u>29,522,663</u>	<u>55,381,533</u>	<u>69,044,046</u>
<b>Operating expenses</b>				
Salaries and benefits	18,328,605	14,074,161	32,402,766	3,219,786
Change in pension liability allocation	(12,665,996)	3,125,036	(9,540,960)	-
Supplies	912,558	695,429	1,607,987	968,903
Contractual services	748,892	11,988	760,880	10,347,650
Utilities	1,733,375	404,769	2,138,144	11,169
Equipment operation	1,077,350	829,910	1,907,260	-
Repairs and maintenance	531,942	11,702	543,644	367,573
Insurance	-	-	-	754,877
Costs of materials and services rendered	-	11,052,227	11,052,227	45,561,541
Other	2,676,640	8,541,434	11,218,074	557,855
Depreciation	3,353,913	4,304,658	7,658,571	1,753,656
<b>Total operating expenses</b>	<u>16,697,279</u>	<u>43,051,314</u>	<u>59,748,593</u>	<u>63,543,010</u>
Operating income (loss)	<u>9,161,591</u>	<u>(13,528,651)</u>	<u>(4,367,060)</u>	<u>5,501,036</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenue	757,827	563,437	1,321,264	455,755
Interest expense and fees	(7,834)	-	(7,834)	(116,467)
<b>Total nonoperating revenues (expenses)</b>	<u>749,993</u>	<u>563,437</u>	<u>1,313,430</u>	<u>339,288</u>
Income (loss) before capital contributions and transfers	9,911,584	(12,965,214)	(3,053,630)	5,840,324
<b>State capital contributions</b>	-	29,379,346	29,379,346	-
<b>Transfers out</b>	-	-	-	(819,518)
<b>Change in net position</b>	9,911,584	16,414,132	26,325,716	5,020,806
Net position, beginning of year	125,265	52,704,627	52,829,892	28,685,332
<b>Net position, end of year</b>	<u>\$ 10,036,849</u>	<u>\$ 69,118,759</u>	<u>\$ 79,155,608</u>	<u>\$ 33,706,138</u>

The accompanying notes are an integral part of these basic financial statements.

## CITY OF FLINT, MICHIGAN

### Reconciliation

Change in Net Position of Enterprise Funds  
to Change in Net Position of Business-type Activities  
For the Year Ended June 30, 2020

**Change in net position - total enterprise funds** \$ 26,325,716

Amounts reported for *business-type activities* in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the operating income (loss) of the internal service funds is allocated to the enterprise funds and reported in the statement of activities.

Net operating income from business-type activities accounted for in governmental activities internal service funds

1,635,631

**Change in net position of business-type activities** \$ 27,961,347

The accompanying notes are an integral part of these financial statements.

**CITY OF FLINT, MICHIGAN**

**Statement of Cash Flows**

Proprietary Funds

For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Totals	Internal Service Funds
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 26,456,091	\$ 28,229,662	\$ 54,685,753	\$ -
Cash received from interfund services	-	-	-	69,471,155
Cash payments for goods and services	(8,188,822)	(19,162,288)	(27,351,110)	(58,118,880)
Cash payments to employees	(12,036,733)	(10,022,352)	(22,059,085)	(3,744,711)
<b>Net cash provided by operating activities</b>	<u>6,230,536</u>	<u>(954,978)</u>	<u>5,275,558</u>	<u>7,607,564</u>
<b>Cash flows from noncapital financing activities</b>				
Payments received from GLWA	-	2,169,185	2,169,185	-
Transfers out	-	-	-	(819,518)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>-</u>	<u>2,169,185</u>	<u>2,169,185</u>	<u>(819,518)</u>
<b>Cash flows from capital and related financing activities</b>				
Capital contributions	-	16,830,148	16,830,148	-
Acquisition/construction of capital assets	(2,607,042)	(31,420,393)	(34,027,435)	(1,001,319)
Principal paid on long-term debt	(294,002)	(2,236,273)	(2,530,275)	(1,356,927)
Interest paid on long-term debt	(7,834)	-	(7,834)	(56,066)
<b>Net cash used in capital and related financing activities</b>	<u>(2,908,878)</u>	<u>(16,826,518)</u>	<u>(19,735,396)</u>	<u>(2,414,312)</u>
<b>Cash flows from investing activities</b>				
Interest received	<u>757,827</u>	<u>563,437</u>	<u>1,321,264</u>	<u>455,755</u>
<b>Net change in cash and investments</b>	<u>4,079,485</u>	<u>(15,048,874)</u>	<u>(10,969,389)</u>	<u>4,829,489</u>
Cash and investments, beginning of year	<u>39,527,288</u>	<u>20,409,643</u>	<u>59,936,931</u>	<u>31,404,441</u>
<b>Cash and investments, end of year</b>	<u>\$ 43,606,773</u>	<u>\$ 5,360,769</u>	<u>\$ 48,967,542</u>	<u>\$ 36,233,930</u>

continued...

**CITY OF FLINT, MICHIGAN**

**Statement of Cash Flows**

Proprietary Funds

For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Totals	Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 9,161,591	\$ (13,528,651)	\$ (4,367,060)	\$ 5,501,036
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	3,353,913	4,304,658	7,658,571	1,753,656
Change in operating assets and liabilities that provided (used) cash:				
Accounts receivable	597,221	(1,405,893)	(808,672)	92,552
Due from other governments	-	-	-	334,557
Inventory	348,254	22,665	370,919	2,336
Prepays	-	(62,527)	(62,527)	561,130
Right to use asset	-	106,938	106,938	-
Accounts payable	(856,319)	2,318,095	1,461,776	(195,555)
Accrued liabilities	12,415	6,750	19,165	(8,176)
Due to other governments	-	-	-	90,953
Claims payable	-	-	-	(524,925)
Deposits	-	112,892	112,892	-
Compensated absences	27,720	(17,414)	10,306	-
Change in net pension liability	(24,421,978)	7,550,530	(16,871,448)	-
Change in deferred outflows - pensions	1,963,808	(3,307,842)	(1,344,034)	-
Change in deferred inflows - pensions	12,665,996	-	12,665,996	-
Change in total OPEB liability	3,377,915	2,944,821	6,322,736	-
<b>Net cash provided by operating activities</b>	<u>\$ 6,230,536</u>	<u>\$ (954,978)</u>	<u>\$ 5,275,558</u>	<u>\$ 7,607,564</u>
Noncash transactions:				
Capital asset financed with lease payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,218,542</u>

concluded

The accompanying notes are an integral part of these basic financial statements.

# CITY OF FLINT, MICHIGAN

## Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2020

	Death Benefit Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 5,027,163
Investments - Corporate stocks	668,412	-
<b>Total assets</b>	<u>668,412</u>	<u>\$ 5,027,163</u>
<b>Liabilities</b>		
Undistributed receipts	-	\$ 4,469,778
Due to other governments	-	557,385
<b>Total liabilities</b>	<u>-</u>	<u>\$ 5,027,163</u>
<b>Net position</b>		
Restricted for other postemployment benefits	<u>\$ 668,412</u>	

The accompanying notes are an integral part of these basic financial statements.



## CITY OF FLINT, MICHIGAN

### Statement of Changes in Fiduciary Net Position

Other Postemployment Benefits Trust Fund

For the Year Ended June 30, 2020

	<b>Death Benefit Trust Fund</b>
<b>Additions</b>	
Investment income	\$ 46,262
Net position, beginning of year	<u>622,150</u>
<b>Net position, end of year</b>	<u><u>\$ 668,412</u></u>

The accompanying notes are an integral part of these basic financial statements.

## **COMPONENT UNITS**

## CITY OF FLINT, MICHIGAN

### Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2020

	Downtown Development Authority	Economic Development Corporation	Flint Area Enterprise Community
<b>Assets</b>			
Cash and investments	\$ 45,020	\$ 751,818	\$ 1,079,739
Receivables, net	241,560	7,689,880	-
Other assets	-	13,662	-
Restricted cash and investments	-	630,812	-
Investment in joint venture	-	-	-
Capital assets not being depreciated	4,878,067	93,860	-
Capital assets being depreciated, net	7,904,011	193,225	-
<b>Total assets</b>	<b>13,068,658</b>	<b>9,373,257</b>	<b>1,079,739</b>
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	-	-	-
Deferred pension amounts	-	-	-
Deferred OPEB amounts	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	348,736	81,290	1,001
Unearned revenue	75,847	-	-
Long-term debt:			
Due within one year	404,896	135,000	-
Due in more than one year	6,124,379	7,450,000	-
Net pension liability (due in more than one year)	-	-	-
Net OPEB liability (due in more than one year)	-	-	-
<b>Total liabilities</b>	<b>6,953,858</b>	<b>7,666,290</b>	<b>1,001</b>
<b>Deferred inflows of resources</b>			
Deferred pension amounts	-	-	-
Deferred OPEB amounts	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position</b>			
Net investment in capital assets	6,252,803	287,085	-
Restricted	-	346,140	1,078,738
Unrestricted	(138,003)	1,073,742	-
<b>Total net position</b>	<b>\$ 6,114,800</b>	<b>\$ 1,706,967</b>	<b>\$ 1,078,738</b>

The accompanying notes are an integral part of these basic financial statements.



<b>Hurley Medical Center</b>	<b>Totals</b>
\$ 170,566,471	\$ 172,443,048
45,423,988	53,355,428
9,832,624	9,846,286
184,244,886	184,875,698
6,766,282	6,766,282
10,643,543	15,615,470
98,465,160	106,562,396
<u>525,942,954</u>	<u>549,464,608</u>
1,525,005	1,525,005
25,670,107	25,670,107
2,273,318	2,273,318
<u>29,468,430</u>	<u>29,468,430</u>
104,498,829	104,929,856
45,118,163	45,194,010
6,579,346	7,119,242
82,680,526	96,254,905
195,979,565	195,979,565
5,861,463	5,861,463
<u>440,717,892</u>	<u>455,339,041</u>
2,921,895	2,921,895
21,429,843	21,429,843
<u>24,351,738</u>	<u>24,351,738</u>
35,026,040	41,565,928
12,532,010	13,956,888
42,783,704	43,719,443
<u>\$ 90,341,754</u>	<u>\$ 99,242,259</u>

## CITY OF FLINT, MICHIGAN

### Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2020

	Downtown Development Authority	Economic Development Corporation	Flint Area Enterprise Community
<b>Expenses</b>			
Downtown Development Authority	2,233,327	\$ -	\$ -
Economic Development Corporation	-	821,089	-
Flint Area Enterprise Community	-	-	99,074
Hurley Medical Center	-	-	-
<b>Total expenses</b>	<u>2,233,327</u>	<u>821,089</u>	<u>99,074</u>
<b>Program revenues</b>			
Charges for services	1,270,200	533,875	-
Operating grants and contributions	164,153	10,026	-
<b>Total program revenues</b>	<u>1,434,353</u>	<u>543,901</u>	<u>-</u>
Net program revenue (expense)	<u>(798,974)</u>	<u>(277,188)</u>	<u>(99,074)</u>
<b>General revenues</b>			
Property taxes	553,991	-	-
Unrestricted investment earnings	-	23,446	79,565
Other revenue	1,011,687	187,723	34
<b>Total general revenues</b>	<u>1,565,678</u>	<u>211,169</u>	<u>79,599</u>
<b>Change in net position</b>	766,704	(66,019)	(19,475)
Net position, beginning of year	<u>5,348,096</u>	<u>1,772,986</u>	<u>1,098,213</u>
<b>Net position, end of year</b>	<u>\$ 6,114,800</u>	<u>\$ 1,706,967</u>	<u>\$ 1,078,738</u>

The accompanying notes are an integral part of these basic financial statements.



<b>Hurley Medical Center</b>	<b>Totals</b>
\$ -	\$ 2,233,327
-	821,089
-	99,074
<u>474,366,586</u>	<u>474,366,586</u>
<u>474,366,586</u>	<u>477,520,076</u>
397,434,971	399,239,046
<u>89,484,040</u>	<u>89,658,219</u>
<u>486,919,011</u>	<u>488,897,265</u>
<u>12,552,425</u>	<u>11,377,189</u>
-	553,991
10,541,466	10,644,477
<u>885,000</u>	<u>2,084,444</u>
<u>11,426,466</u>	<u>13,282,912</u>
23,978,891	24,660,101
<u>66,362,863</u>	<u>74,582,158</u>
<u>\$ 90,341,754</u>	<u>\$ 99,242,259</u>

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

#### **Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### *Discretely Presented Component Units*

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented component units, each with a June 30 fiscal year end, are as follows:

**The Flint Downtown Development Authority** (the "DDA") was created under state law to promote and rehabilitate the downtown area. The DDA sponsors downtown events and manages parking facilities. State law provides for a specific tax levy for the operations of the DDA. The City appoints the board and has to approve the annual budget and the issuance of any debt. Any surplus funds remaining at the termination of the DDA vest to the City. The DDA has both governmental and business-type activities.

**The Flint Economic Development Corporation** (the "EDC") was created under state law to provide financing and development opportunities for businesses located within the City. The City appoints the board. The EDC provides loans to start-up or expanding businesses and manages rental property that leases space to commercial and light industrial manufacturing companies. Surplus funds existing at the termination of the EDC vest to the City. The EDC has both governmental and business-type activities.

**The Flint Area Enterprise Community** (the "FAEC") is a non-profit organization, established under state law. FAEC is responsible for coordinating and implementing a strategic plan to advocate and develop business and community development in a federally designated zone that includes portions of Mt. Morris Township and the City of Flint. The City appoints a majority of the board of directors, provides the majority of its funding for operations, and any assets remaining at the cessation of its operating activities would be returned to the City of Flint. The FAEC is presented as a governmental activity. The FAEC plans to cease operations during the fiscal year ending 2021. They are currently working with the State to determine which organization will take over the loans.



## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

The Hurley Medical Center (the "HMC" or the "Medical Center") provides inpatient, outpatient, and emergency care services in Genesee and surrounding counties. The financial statements present HMC and its wholly owned subsidiary, Hurley Health Services, Inc., on a consolidated basis. HMC is the sole member of Hurley Health Services, Inc. (HHS), a municipal support organization organized on a non-profit, non-stock membership basis. HHS, on a consolidated basis, is comprised of two non-profit entities (HHS and The Hurley Clinics, THC) and one "for-profit" corporation (Hurley Practice Management Services). HHS began operations January 1, 1998. The City appoints the board of directors and there is an ongoing financial benefit/burden relationship between the City and Hurley Medical Center. HMC is presented as a governmental activity.

#### *Component Unit Financial Statements*

Complete financial statements for the individual component units may be obtained from each entity's administrative offices.

Flint Downtown Development Authority  
Suite 206  
412 S. Saginaw Street  
Flint, Michigan 48502

Flint Economic Development Corporation  
1101 S. Saginaw Street  
Flint, Michigan 48502

Flint Area Enterprise Community  
805 Welch Boulevard  
Flint, Michigan 48504

Hurley Medical Center  
One Hurley Plaza  
Flint, Michigan 48503

#### *Joint Ventures*

The Hurley Medical Center participates in a privately held joint venture. The corporate joint venture is recorded in the financial statements under the equity method of accounting. Joint venture financial statements can be obtained by contacting the Medical Center. The Medical Center is unaware of any circumstances that would cause an additional financial benefit or burden to the Medical Center in the near future.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

Genesys Hurley Cancer Institute (GHCI) is a joint venture between Hurley Medical Center and Genesys Regional Medical Center. The venture was established during 2001 to provide outpatient oncology services, including laboratory and radiation oncology. The Medical Center's net investment at June 30, 2020 was \$6,766,282. The arrangement provides that the two entities will share equally in the income or losses of the joint venture. The equity (loss) gain to the Medical Center from this joint venture was approximately \$(102,093) for the year ended June 30, 2020, and is included in other income (expense) on the statement of activities. No distributions were made to the Medical Center during the year ended June 30, 2020. GHCI paid the Medical Center \$509,152 for leased employees for the year ended June 30, 2020. The following is a summary of financial position and results of operations of GHCI as of and for the year ended June 30, 2020 (in thousands):

Total assets	\$ 18,651
Total liabilities	<u>5,457</u>
Net assets	<u><u>\$ 13,194</u></u>
Operating revenues	\$ 8,522
Operating expenses	<u>9,143</u>
Operating loss	(621)
Nonoperating income	<u>326</u>
Excess of expenses over revenues	<u><u>\$ (295)</u></u>

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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 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*.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

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.

#### ***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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for income taxes that use a 45-day collection period and property taxes that use a 60-day collection 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.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such 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.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all the financial resources of the primary government, except those accounted for and reported in another fund.

The *grants fund* accounts for entitlement and specific purpose grants received from the U.S. Department of Housing and Urban Development and other grantors.

The *major streets fund* accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state-shared gas and weight taxes.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

The City reports the following major enterprise funds:

The *water fund* accounts for the activities of the City's water distribution and treatment system.

The *sewer fund* accounts for the activities of the City's sewage disposal and treatment system.

Additionally, the City reports the following fund types:

*Special revenue funds* account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects and require separate accounting because of legal or regulatory provisions or administrative requirements.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal, interest and related costs.

*Internal service funds* account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

*Other postemployment benefits trust fund* accounts for the accumulation of resources to be used for death benefit payments to eligible employees of the City and certain healthcare costs.

*Agency funds.* The agency funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. The enterprise funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Restricted net position represents amounts that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31 and are payable in two installments. Summer taxes are considered delinquent on September 1, at which time penalties and interest are assessed. Winter taxes are considered delinquent on February 15 of the following year, at which time a 3 percent penalty is assessed. Summer and winter taxes (including any penalty and interest) are turned over to Genesee County for collection.

The City of Flint 2019 tax is levied and collectible on July 1, 2019 and is recognized as revenue in the year ended June 30, 2020, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the City of Flint totaled approximately \$724 million, on which taxes levied consisted of 7.5 mills for operating purposes, 2.5 mills for public improvement, 0.5 mills for parks and recreation, 6.0 for public safety, and 2.0 mills for neighborhood police.

#### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity**

##### ***Deposits and Investments***

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. Investments are reported at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

#### ***Restricted Cash and Investments***

Restricted assets recorded in the Hurley Medical Center discretely presented component unit consist of (1) proceeds of debt issues and funds of HMC deposited with a trustee and limited to use in accordance with the requirements of an indenture (2) assets restricted by outside donors.

#### ***Receivables and Payables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

#### ***Inventories and Prepaids***

All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financials.

#### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets having a useful life in excess of one year and whose costs exceed \$5,000. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	50
Building improvements	40-50
Improvements other than building:	5-50
Land improvements	5-50
Public domain infrastructure	10-50
Water and sewer infrastructure	10-50
Machinery and equipment	3-20
Other furnishings	5-7

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The City and Medical Center report deferred outflows for the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources related to the net pension liability. A portion of these amounts represent contributions to the plan subsequent to the plan measurement date.

### *Compensated Absences*

The City's policy concerning compensated absences changed as of July 1, 2014. All time off including vacation, personal time as well as health, maternity leave and FMLA was reclassified to paid time off (PTO). All employees had up to 200 hours of their accumulated annual bank placed in the employee's maximum accumulation hours bank. PTO time in excess of 200 hours was placed in a holding bank to be paid out at retirement, death, termination of employment at the rate of 100% of the employee's straight time hourly rate in effect as of July 1, 2014. Such payment shall not be included as final average compensation for the purpose of computing retirement benefits. PTO time is computed and accrued on a basis of each payroll period that a regular employee has at least 72 straight time hours or a part time employee has at least 29 straight time hours. PTO time is based on City seniority as defined in the article entitled Seniority of this Agreement.

### ***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. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources related to pension and other postemployment benefit costs. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting, that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### ***Fund Balances***

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-makers, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The City Council has not delegated the authority to assign fund balance. Unassigned fund balance is the residual classification for the general fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned.



### ***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City. Balances outstanding at year-end are reported as due to/from other funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City departments and funds as transfers or operating revenue. All City funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

### ***Pensions and Other Postemployment Benefits***

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### ***Hurley Medical Center – Patient Accounts Receivable***

Patient accounts receivable at June 30, 2020 and revenue for the year then ended include estimated amounts due from various third party payors which are computed in accordance with their respective reimbursement formulas. In addition, the Medical Center has established an estimated allowance for uncollectible accounts of approximately \$8,000,000 for 2020. The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

### Notes to Financial Statements

#### *Hurley Medical Center – Net Patient Service Revenue*

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Cost report settlements result from the adjustment of interim payments to final reimbursement under the Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs and are subject to audit by fiscal intermediaries. The Medical Center recognized increases totaling approximately \$250,000 in net patient service revenue during the year ended June 30, 2020 as a result of unfavorable and favorable changes to prior year settlement estimates and activity.

#### *Hurley Medical Center – Charity Care*

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care is determined based on established policies, using patient income and assets to determine payment ability. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on data derived from the Medical Center's cost accounting system using the ratio of cost to charges.

## 2. BUDGETARY INFORMATION

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

1. On June 24, 2019, the City Council approved adopting the operating budget for the fiscal year commencing the following July 1. The legally adopted operating budgets included expenditures and the means of financing them for the general and special revenue funds (these funds are required to have budgets per Michigan law). Informational summaries of projected revenue and expenditures/expenses were provided for all City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Department heads are authorized to transfer budgeted amounts with departmental appropriation accounts, except as those designated by the City's "Amendment of Adopted Budgets" ordinance. Revisions that require Council approval must be adopted by resolution.
3. Formal budgetary integration was employed as a management control device during the year for all budgetary funds. Also, all budgets, except for the grant funds, were adopted on a basis consistent with generally accepted accounting principles. The grant budgets were rolled from the prior year based on the budget balances of the grants at year end. Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.
4. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### *Expenditures in Excess of Appropriations*

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. Excess of expenditures or transfers out over appropriated amounts in individual funds are as follows:

	Final Budget	Actual	Over Budget
<b>General fund</b>			
General government -			
Mayor's office	\$ 450,367	\$ 517,909	\$ 67,542
General government	8,380,215	10,847,600	2,467,385
Public safety -			
Police	23,156,200	23,752,396	596,196
Fire	10,646,291	11,674,220	1,027,929
<b>Public safety fund</b>			
Public safety	4,792,571	5,083,949	291,378
<b>Parks and recreation</b>			
Recreation and culture	324,341	328,477	4,136

#### *Deficit Fund Equity*

The sewer enterprise fund reported a deficit in unrestricted net position in the amount of \$37,141,045 at June 30, 2020. The fund had total net position of \$10,171,770.

The water enterprise fund reported a deficit in unrestricted net position in the amount of \$53,937,739 at June 30, 2020. The fund had total net position of \$66,898,379.

The self-insurance internal service fund reported a deficit in unrestricted net position in the amount of \$1,381,282 at June 30, 2020 which was also equal to total net position.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 4. DEPOSITS AND INVESTMENTS

State of Michigan statutes authorize the City to invest in bonds and other direct and certain indirect obligations of the US Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration; and commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The City's investment policy allows for all of these types of investments.

As of June 30, 2020, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government	Component Units	Totals
<b>Statement of Net Position</b>			
Cash and investments	\$ 145,406,234	\$ 172,443,048	\$ 317,849,282
Restricted cash and investments	-	184,875,698	184,875,698
	<u>145,406,234</u>	<u>357,318,746</u>	<u>502,724,980</u>
<b>Statement of Fiduciary Net Position</b>			
Death Benefit trust fund:			
Cash and investments	668,412	-	668,412
Agency funds:			
Cash and investments	5,027,163	-	5,027,163
	<u>5,695,575</u>	<u>-</u>	<u>5,695,575</u>
<b>Total</b>	<u>\$ 151,101,809</u>	<u>\$ 357,318,746</u>	<u>\$ 508,420,555</u>
<b>Deposits and investments</b>			
Bank deposits (checking and savings accounts)			\$ 237,916,491
Certificates of deposit with maturities less than one year			11,245,629
Certificates of deposit with maturities greater than one year			16,165,120
Investments:			
Commercial paper			18,687,572
Equity mutual funds			760,217
Treasury obligations			971,546
U.S. government bonds			515,270
Money market accounts			33,169,027
Municipal bonds			4,730,022
Hurley Medical Center restricted cash and investments			184,244,886
Cash on hand			<u>14,775</u>
<b>Total</b>			<u>\$ 508,420,555</u>

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

#### *Investment and Deposit Risk*

*Interest Rate Risk.* Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits investment maturities for commercial paper to no more than 270 days after date of purchase. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest. The City's weighted average maturity dates for funds are disclosed below:

	Fair Value	Weighted Average Maturity (Years)
Commercial paper	\$ 18,687,572	0.12
U.S. government bonds	515,270	0.16
Municipal bonds	<u>4,730,022</u>	4.48
Total	<u>\$ 23,932,864</u>	

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments. Commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City's investment policy does not have specific limits in excess of state law on investment credit risk. As of June 30, 2020, the City's investment ratings are disclosed below:

	Fair Value	Standard & Poor's Rating
Commercial paper	\$ 9,561,402	A1
Commercial paper	601,736	A1+
Commercial paper	8,524,434	A2
Equity mutual funds	760,217	N/A
Treasury obligations	971,546	AAA
U.S. government bonds	515,270	AA+
Money market accounts	33,169,027	N/A
Municipal bonds	2,393,388	AA+
Municipal bonds	1,778,030	A
Municipal bonds	<u>558,604</u>	AA
Total	<u>\$ 58,833,654</u>	

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of yearend, approximately \$93,754,412 of the City's bank balance of approximately \$95,504,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* As of June 30, 2020, the City's investments consisted of commercial paper, mutual funds, government obligations and other assets. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2020, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

*Fair Value Measurements.* The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the City's management review of the type and substance of investments held by the City.

The City had the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Commercial paper	\$ 4,129,692	\$ 14,557,880	\$ -	\$ 18,687,572
Equity mutual funds	760,217	-	-	760,217
Treasury obligations	-	971,546	-	971,546
U.S. government bonds	-	515,270	-	515,270
Municipal bonds	-	4,730,022	-	4,730,022
<b>Total investments at fair value</b>	<b>\$ 4,889,909</b>	<b>\$ 20,774,718</b>	<b>\$ -</b>	<b>25,664,627</b>
Money market funds (carried at amortized cost)				33,169,027
				<b>\$ 58,833,654</b>

#### Hurley Medical Center Component Unit

All required cash and investment disclosures for the Hurley Medical Center are available in the separately issued Hurley Medical Center financial statements.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

#### 5. RECEIVABLES

Receivables, of which \$8,810,440 of loans receivable in governmental activities and \$253,865 of loans receivable and \$7,450,000 of leases receivable in the component units are not expected to be collected within one year, are as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,325,234	\$ 32,326,345	\$ 8,179,007
Property taxes	634,892	-	-
Income taxes	11,001,617	-	-
Patient	-	-	44,439,717
Estimated third-party payor settlements	-	-	1,046,824
Loans	8,810,440	-	253,865
Leases	-	-	7,617,489
Due from other governments	10,157,728	21,714,277	-
Due from GLWA	-	97,998,590	-
Due from component units	6,879,203	-	-
Less: allowance for uncollectibles	(12,722,086)	(13,330,103)	(8,181,474)
	<u>\$ 26,087,028</u>	<u>\$ 138,709,109</u>	<u>\$ 53,355,428</u>

The amount due from the DDA component unit to the City is a result of the City's issuance of bonds on the Authority's behalf for the James Rutherford Parking Deck. The Authority has pledged tax increment revenue and net operating revenue of the parking system to repay the obligations. The DDA has not been able to make the bond payments to date and each year an amount is determined to be forgiven.

#### 6. INTANGIBLE ASSET - RIGHT TO USE

Effective December 1, 2017, the City, Great Lakes Water Authority ("GLWA"), Karegnondi Water Authority (KWA), Genesee County Drain Commission ("GCDC") and the State of Michigan entered into a long-term partnership agreement to satisfy a number of critical water service needs across the region. Key provisions of a master agreement includes: 1) a 30-year water service contract with the City of Flint that establishes the Authority as the long-term water source for the City of Flint and credits the City of Flint for its debt service payment obligations on existing KWA bonds for the building of its raw water intake and supply line; 2) a long-term lease to GLWA of the 72-inch line serving the City of Flint; and 3) a 30-year contract for reciprocal, emergency water services between GLWA and GCDC.

The 30-year water service contract with the City includes a license to raw water rights of 18 MGD purchased by Flint as part of KWA bond obligation of which 97% (17.46 MGD) was transferred to GLWA through an agreement between GLWA and the City (see FN 9). The remaining 3% constitute an intangible right to use asset for the City under governmental accounting standards. The City is amortizing the intangible asset over the agreement period of 30 years.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

An interfund balance existed between governmental activities and business-type activities in the amount of \$6,103,311. This resulted from the allocation of a portion of internal service fund net position of governmental activities internal service funds to business-type activities.

Interfund transfers between the funds within the primary government were as follows:

Transfers out	Transfers In			Totals
	General	Grants	Nonmajor Governmental Funds	
General fund	\$ -	\$ 15,641	\$ -	\$ 15,641
Major streets	-	-	1,500,000	1,500,000
Nonmajor governmental funds	-	-	2,055,063	2,055,063
Internal service funds	819,518	-	-	819,518
	<u>\$ 819,518</u>	<u>\$ 15,641</u>	<u>\$ 3,555,063</u>	<u>\$ 4,390,222</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

During the year, transfers between funds were primarily for operating purposes or to cover operating deficits. The transfer from general fund to the grants fund was to cover the interest on debt reported under the grants fund. The transfers from the public improvement fund (nonmajor) to the debt service fund (nonmajor) was for the payment of principal and interest on the parking deck debt, the Fiscal Stabilization Loan and the emergency loan note. The transfers from the water, sewer and internal service funds to the general fund have been ended. The transfer from the major streets fund to the local streets fund (nonmajor) was for Act 51 funds.



# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 8. CAPITAL ASSETS

Capital asset activity for the current year was as follows:

#### Primary Government

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 14,287,016	\$ -	\$ -	\$ -	\$ 14,287,016
Construction in progress	2,703,887	3,036,151	-	(2,146,580)	3,593,458
	<u>16,990,903</u>	<u>3,036,151</u>	<u>-</u>	<u>(2,146,580)</u>	<u>17,880,474</u>
Capital assets, being depreciated:					
Land improvements	14,579,944	12,660	-	-	14,592,604
Infrastructure	382,796,882	615,464	-	1,246,580	384,658,926
Buildings, additions and improvements	22,179,091	1,294,042	-	154,918	23,628,051
Machinery and equipment	12,620,732	569,325	-	(65,579)	13,124,478
Vehicles	15,763,505	3,958,161	(208,027)	810,661	20,324,300
	<u>447,940,154</u>	<u>6,449,652</u>	<u>(208,027)</u>	<u>2,146,580</u>	<u>456,328,359</u>
Less accumulated depreciation for:					
Land improvements	(12,621,622)	(317,137)	-	-	(12,938,759)
Infrastructure	(311,806,186)	(9,389,745)	-	-	(321,195,931)
Buildings, additions and improvements	(17,825,561)	(335,945)	-	-	(18,161,506)
Machinery and equipment	(10,452,213)	(570,338)	-	-	(11,022,551)
Vehicles	(11,647,155)	(1,799,843)	208,027	-	(13,238,971)
	<u>(364,352,737)</u>	<u>(12,413,008)</u>	<u>208,027</u>	<u>-</u>	<u>(376,557,718)</u>
Total capital assets being depreciated, net	<u>83,587,417</u>	<u>(5,963,356)</u>	<u>-</u>	<u>2,146,580</u>	<u>79,770,641</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 100,578,320</u>	<u>\$ (2,927,205)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,651,115</u>

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 762,394	\$ -	\$ -	\$ -	\$ 762,394
Construction in progress	2,095,203	11,258,873	-	(1,520,448)	11,833,628
	<u>2,857,597</u>	<u>11,258,873</u>	<u>-</u>	<u>(1,520,448)</u>	<u>12,596,022</u>
Capital assets, being depreciated:					
Land improvements	6,190,946	58,314	-	-	6,249,260
Infrastructure	177,395,703	17,932,580	(1,472,809)	1,520,448	195,375,922
Buildings, additions and improvements	66,833,752	-	(9,143,465)	-	57,690,287
Machinery and equipment	105,502,484	4,777,668	(71,759)	-	110,208,393
Vehicles	7,622,610	-	(2,010,053)	-	5,612,557
	<u>363,545,495</u>	<u>22,768,562</u>	<u>(12,698,086)</u>	<u>1,520,448</u>	<u>375,136,419</u>
Less accumulated depreciation for:					
Land improvements	(2,813,281)	(182,486)	-	-	(2,995,767)
Infrastructure	(89,921,148)	(3,497,917)	1,472,809	-	(91,946,256)
Buildings, additions and improvements	(53,001,878)	(944,859)	9,143,465	-	(44,803,272)
Machinery and equipment	(70,157,527)	(2,869,895)	71,759	-	(72,955,663)
Vehicles	(7,039,839)	(163,414)	2,010,053	-	(5,193,200)
	<u>(222,933,673)</u>	<u>(7,658,571)</u>	<u>12,698,086</u>	<u>-</u>	<u>(217,894,158)</u>
Total capital assets being depreciated, net	<u>140,611,822</u>	<u>15,109,991</u>	<u>-</u>	<u>1,520,448</u>	<u>157,242,261</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 143,469,419</u>	<u>\$ 26,368,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,838,283</u>

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

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

### Depreciation of governmental activities by function

General government	\$ 390,325
Public safety	582,605
Public works	9,183,874
Recreation and culture	502,548
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,753,656</u>

**Total depreciation expense - governmental activities** \$ 12,413,008

### Depreciation of business-type activities by function

Sewer	\$ 3,353,913
Water	<u>4,304,658</u>

**Total depreciation expense - business-type activities** \$ 7,658,571

### Construction Commitments

The City has active construction projects as of June 30, 2020. The projects and City commitments with contractors were as follows:

	Spent to Date	Remaining Commitment
Water supply improvements	\$ 45,755,220	\$ 32,589,718
Road rehabilitation	11,608,139	19,251,091
Water pollution control	1,793,101	5,736,734
Bridge work	<u>35,190</u>	<u>23,760</u>
Total	<u><u>\$ 59,191,650</u></u>	<u><u>\$ 57,601,303</u></u>

The City also has an outstanding commitment related to the badger meter for \$985,640 as of June 30, 2020.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### Discretely Presented Component Units

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Component Unit -</b>					
<b>Downtown Development Authority</b>					
Capital assets, not being depreciated -					
Land	\$ 4,878,067	\$ -	\$ -	\$ -	\$ 4,878,067
Capital assets, being depreciated:					
Land improvements	10,934,166	-	-	-	10,934,166
Leasehold improvements	5,787,190	-	-	-	5,787,190
Buildings, additions and improvements	331,632				331,632
Machinery and equipment	1,717,132	-			1,717,132
Vehicles	24,501	9,000	-	-	33,501
	<u>18,794,621</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>18,803,621</u>
Less accumulated depreciation for:					
Land improvements	(3,800,281)	(283,040)	-	-	(4,083,321)
Leasehold improvements	(5,642,157)	(26,567)	-	-	(5,668,724)
Buildings, additions and improvements	(37,030)	(8,290)			(45,320)
Machinery and equipment	(1,007,815)	(81,270)			(1,089,085)
Vehicles	(8,858)	(4,302)	-	-	(13,160)
	<u>(10,496,141)</u>	<u>(403,469)</u>	<u>-</u>	<u>-</u>	<u>(10,899,610)</u>
Total capital assets being depreciated, net	<u>8,298,480</u>	<u>(394,469)</u>	<u>-</u>	<u>-</u>	<u>7,904,011</u>
<b>Downtown Development Authority</b>					
<b>capital assets, net</b>	<u>\$ 13,176,547</u>	<u>\$ (394,469)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,782,078</u>

**CITY OF FLINT, MICHIGAN**

**Notes to Financial Statements**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Component Unit -</b>					
<b>Economic Development Corporation</b>					
Capital assets, not being depreciated -					
Land	\$ 93,860	\$ -	\$ -	\$ -	\$ 93,860
Capital assets, being depreciated:					
Buildings	514,782	-	-	-	514,782
Building improvements	725,097	-	-	-	725,097
Machinery and equipment	276,502	-	-	-	276,502
	<u>1,516,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,516,381</u>
Less accumulated depreciation for:					
Buildings	(514,782)	-	-	-	(514,782)
Building improvements	(500,093)	(31,779)	-	-	(531,872)
Machinery and equipment	(276,502)	-	-	-	(276,502)
	<u>(1,291,377)</u>	<u>(31,779)</u>	<u>-</u>	<u>-</u>	<u>(1,323,156)</u>
Total capital assets being depreciated, net	<u>225,004</u>	<u>(31,779)</u>	<u>-</u>	<u>-</u>	<u>193,225</u>
<b>Economic Development Corporation</b>					
<b>capital assets, net</b>	<u>\$ 318,864</u>	<u>\$ (31,779)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,085</u>

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals and Transfers	Ending Balance
<b>Component Unit -</b>				
<b>Hurley Medical Center</b>				
Capital assets, not being depreciated:				
Land	\$ 4,930,372	\$ -	\$ -	\$ 4,930,372
Construction in progress	8,113,573	17,549,223	(19,949,625)	5,713,171
	<u>13,043,945</u>	<u>17,549,223</u>	<u>(19,949,625)</u>	<u>10,643,543</u>
Capital assets, being depreciated:				
Land improvements	3,487,991	106,240	(58,991)	3,535,240
Buildings	190,692,712	7,848,237	(3,567,546)	194,973,403
Machinery and equipment	127,165,355	12,880,147	(6,952,672)	133,092,830
Automotive equipment	265,310	-	(30,343)	234,967
Leasehold improvements	302,550	-	(34,053)	268,497
Equipment and furnishings	905,314	1,843	(166,143)	741,014
	<u>322,819,232</u>	<u>20,836,467</u>	<u>(10,809,748)</u>	<u>332,845,951</u>
Less accumulated depreciation for:				
Land improvements	(1,866,291)	(250,613)	31,118	(2,085,786)
Buildings	(128,044,756)	(5,703,787)	3,489,664	(130,258,879)
Machinery and equipment	(99,917,705)	(7,925,760)	6,824,904	(101,018,561)
Automotive equipment	(205,089)	(19,316)	15,172	(209,233)
Leasehold improvements	(187,231)	(3,128)	25,016	(165,343)
Equipment and furnishings	(807,830)	(15,244)	180,085	(642,989)
	<u>(231,028,902)</u>	<u>(13,917,848)</u>	<u>10,565,959</u>	<u>(234,380,791)</u>
Total capital assets being depreciated, net	<u>91,790,330</u>	<u>6,918,619</u>	<u>(243,789)</u>	<u>98,465,160</u>
<b>Hurley Medical Center</b>				
<b>capital assets, net</b>	<u>\$ 104,834,275</u>	<u>\$ 24,467,842</u>	<u>\$ (20,193,414)</u>	<u>\$ 109,108,703</u>

## 9. LONG-TERM DEBT

### Primary Government

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements, capital leases, and installment purchase agreements are also general obligations of the City. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

Long-term debt activity for the primary government for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable	\$ 7,320,000	13,270,000	\$ (8,070,000)	\$ 12,520,000	\$ 665,000
Direct borrowings and direct placements -					
Loans payable	19,565,257	-	(7,570,849)	11,994,408	1,050,413
Capital leases payable	751,292	4,218,543	(1,356,927)	3,612,908	923,132
	<u>20,316,549</u>	<u>4,218,543</u>	<u>(8,927,776)</u>	<u>15,607,316</u>	<u>1,973,545</u>
Total installment debt	27,636,549	17,488,543	(16,997,776)	28,127,316	2,638,545
Bond premium	-	1,099,784	(78,556)	1,021,228	78,556
Compensated absences	2,978,023	293,004	(228,250)	3,042,777	479,238
	<u>30,614,572</u>	<u>18,881,331</u>	<u>(17,304,582)</u>	<u>32,191,321</u>	<u>3,196,339</u>
<b>Total governmental activities</b>					
<b>Business-type Activities</b>					
Direct borrowings and direct placements -					
KWA agreement payable	\$ 103,265,747	\$ -	\$ (2,236,273)	\$ 101,029,474	\$ 2,326,356
Capital leases payable	294,002	-	(294,002)	-	-
	<u>103,559,749</u>	<u>-</u>	<u>(2,530,275)</u>	<u>101,029,474</u>	<u>2,326,356</u>
Total installment debt	103,559,749	-	(2,530,275)	101,029,474	2,326,356
Compensated absences	463,388	10,306	-	473,694	71,608
	<u>104,023,137</u>	<u>10,306</u>	<u>(2,530,275)</u>	<u>101,503,168</u>	<u>2,397,964</u>
<b>Total business-type activities</b>					

For the governmental activities, compensated absences, net pension liability and total OPEB liability are generally liquidated by the general fund.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

Installment debt outstanding for governmental activities as of the end of the year are as follows:

	Interest Rate	Year of Maturity	Outstanding Principal	Original Amount
Bonds payable:				
2019A Local Government Loan Program	5.00%	2033	6,075,000	6,475,000
2019B Local Government Loan Program	2.36-3.56%	2036	6,445,000	6,795,000
Loans payable:				
Section 108 Loan - 500 Block	1.34-4.13%	2026	1,775,000	3,840,000
Section 108 Loan - Guaranteed Funds	0.56-4.28%	2028	3,371,000	5,180,000
Section 108 Loan - W. Carpenter Rd	LIBOR + 1.50%	2029	897,000	1,875,000
SIB 3rd Avenue Reconstruction Loan	0.50%	2029	1,041,408	2,241,000
Emergency Loan - G.O. Limited Tax 2014-15	2.09%	2030	4,910,000	7,000,000
Capital leases payable:				
Tri-County International Trucks	4.75%	2024	524,224	787,747
Police Vehicles	4.29%	2022	484,382	969,618
Vactor	3.15%	2024	1,385,441	1,757,120
Snow Plows	3.80%	2025	1,218,861	1,491,805
Total			<u>\$ 28,127,316</u>	<u>\$ 38,412,290</u>

Annual debt service requirements to maturity for installment debt for governmental activities are as follows:

Year Ended June 30,	Governmental Activities			
	Direct Borrowings and Direct Placements		Bonds Payable	
	Principal	Interest	Principal	Interest
2021	\$ 1,973,545	\$ 480,598	\$ 665,000	\$ 486,903
2022	2,014,192	425,010	690,000	461,623
2023	1,887,087	359,906	715,000	435,172
2024	1,931,299	300,633	740,000	407,358
2025	1,454,559	238,458	770,000	378,094
2026-2030	6,346,634	476,915	4,375,000	1,368,721
2031-2035	-	-	4,060,000	431,205
2036	-	-	505,000	17,978
	<u>\$ 15,607,316</u>	<u>\$ 2,281,520</u>	<u>\$ 12,520,000</u>	<u>\$ 3,987,053</u>



# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### *Current Bond Refunding*

During the year ended June 30, 2020, the City refunded \$7,320,000 of the G.O. capital improvement bonds by issuing the 2019A local government loan program bonds in the amount of \$6,475,000. The City also refunded \$6,530,000 of the 2011 local government loan program bonds by issuing 2019B local government loan program bonds in the amount of \$6,795,000. The bond refunding resulted in a total cash flow savings of \$1,245,059. The refunding resulted in a total economic gain of approximately \$2,289,000. There was no defeased debt at June 30, 2020.

**KWA Agreement Payable** - Karegnondi Water Authority (KWA) was formed in 2013 for the purpose of constructing a new raw water supply system (the "System"). Effective August 1, 2013, the City entered into an agreement (the "Agreement") with KWA and Genesee County (the "County") to issue debt to acquire, construct, and operate the System, which became operational in 2018. The County's share of the debt is 65.8 percent and the City's share of the debt is 34.2 percent. The City pledged its full faith and credit of certain state revenue as security of the repayment of the City's portion of this debt. During the year ended June 30, 2020, the City made total payments on this agreement in the amount of \$2,236,273. In addition, the City reached a 30-year agreement with the Great Lakes Water Authority ("GLWA") to purchase water. The contract with GLWA includes a monthly credit to the City equal to 97% (17.46 MGD of the 18 MGD) of the City's obligation under the Agreement, which offsets the debt and is recorded as a receivable in the City's water fund. The City pays the debt service payments to KWA on a monthly basis.

Annual debt service requirements to maturity for the Agreement in business-type activities (water fund) are as follows:

Business-type Activities		
Agreement Payable		
Year Ended June 30,	Principal	Interest
2021	\$ 2,326,356	\$ 5,127,271
2022	2,435,923	5,017,359
2023	2,546,395	4,900,432
2024	2,669,651	4,769,416
2025	2,807,134	4,633,101
2026-2030	16,302,427	20,823,477
2031-2035	20,944,257	16,065,329
2036-2040	26,545,195	11,177,090
2041-2045	23,192,136	3,503,457
2046	1,260,000	31,500
	<u>\$ 101,029,474</u>	<u>\$ 76,048,432</u>

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

**Capital Leases** – In the current and prior years, the City entered into lease agreements as lessee for financing the acquisitions of vector trucks, snow plows, and police vehicles. The interest rates range from 2.665-4.750% and mature in 2025. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are summarized as follows:

Machinery and equipment	\$ 5,006,290
Less accumulated depreciation	<u>(960,425)</u>
<b>Net book value</b>	<b><u>\$ 4,045,865</u></b>

The net present value of future minimum lease payments as of June 30, 2020, were as follows:

	<b>Governmental Activities</b>
2021	\$ 1,054,481
2022	1,049,481
2023	791,603
2024	791,603
2025	<u>272,944</u>
Total minimum lease payments	3,960,112
Less: amount representing interest	<u>(347,204)</u>
<b>Present value of minimum lease payments</b>	<b><u>\$ 3,612,908</u></b>

*Revenues Pledged in Connection with Component Unit Debt* – The City has pledged, as security for bonds issued by the City on behalf of the Flint Downtown Development Authority, a portion of the City’s state-shared revenues. The bonds issued during 2008 in the amount of \$10,000,000 were used to provide funding for the James Rutherford Parking Deck capital project and upgrade of the Riverfront Parking Deck. The bonds are payable through 2032. The Flint Downtown Development Authority has pledged tax increment revenues and net operating revenues of the parking system to repay the obligations. Cash flow projections indicate that the DDA’s annual debt service to the City for repayment of the bonds will not coincide with the City’s annual debt service obligation. During the current year, the City has forgiven a portion of the debt payment made by the City on behalf of the DDA.

*Section 108 Loans* – The Section 108 loans were obtained through an economic development loan program administered by the U.S. Department of Housing and Urban Development (HUD). The proceeds of the loans were then loaned to private entities for economic development purposes. Loans under the programs are owed to HUD and are secured by future federal grant allocations to the City through the Community Development Block Grant Program.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### Discretely Presented Component Units

#### *Downtown Development Authority*

The DDA issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City of Flint. Long-term obligation activity is summarized as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount
<b>Downtown Development Authority</b>				
Direct placement:				
James Rutherford Parking Deck				
Note Payable (Refunded)	2032	5.00%	\$ 6,475,000	\$ 6,075,000
Parking System Improvement Revenue Bonds	2026	2.5%	648,964	<u>454,275</u>
<b>Total</b>				<u><u>\$ 6,529,275</u></u>

Debt service requirements to maturity for the DDA's long-term debt are as follows:

Year Ended June 30,	Direct Placement		Bonds Payable	
	Principal	Interest	Principal	Interest
2021	\$ 340,000	\$ 295,250	\$ 64,896	\$ 10,546
2022	355,000	277,875	64,896	8,923
2023	375,000	259,625	64,896	7,301
2024	395,000	240,375	64,896	5,678
2025	415,000	220,125	64,896	4,056
2026-2030	2,425,000	757,625	129,795	3,245
2031-2034	<u>1,770,000</u>	<u>135,750</u>	-	-
	<u>\$ 6,075,000</u>	<u>\$ 2,186,625</u>	<u>\$ 454,275</u>	<u>\$ 39,749</u>

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

**Changes in long-term debt.** Long-term debt activity for fiscal year 2020 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Downtown Development Authority</b>					
Notes from direct borrowings and direct placements -					
James Rutherford Parking - Deck Note Payable	\$ 7,320,000	\$ 6,475,000	\$ (7,720,000)	\$ 6,075,000	\$ 340,000
Parking System Improvement Revenue Bonds	519,172	-	(64,897)	454,275	64,896
<b>Total</b>	<u>\$ 7,839,172</u>	<u>\$ 6,475,000</u>	<u>\$ (7,784,897)</u>	<u>\$ 6,529,275</u>	<u>\$ 404,896</u>

Contractual Obligations - The above contractual obligations to the City for the James Rutherford Parking Deck are the result of the City's issuance of bonds on the Authority's behalf. The City refunded and reissued the bonds with a lower interest rate in the current year. The renegotiation of the bonds resulted in income to the Authority of \$845,000. The Authority has pledged tax increment revenue and net operating revenue of the parking system to repay the obligations. During the current year, the operating loss from the parking operations was \$600,219 and TIF payments were \$489,044.

At year end, the funds generated by the Authority from the parking structure, net operating revenue, and tax increment revenue did not cover its debt obligation for the bonds. Due to the fact that the City of Flint issued the bonds on behalf of the Authority, the City of Flint has been remitting the full debt payments. According to the agreement between the City and the Authority, the Authority has the obligation to pay the full principal and interest, however, for the current year the City forgave the portion of the principal and interest that was due for the current year that exceeded the Authority's TIF capture.

### **Economic Development Corporation**

On December 1, 2011, the Authority issued \$8,435,000 of Series 2011, Limited Obligation Revenue bonds. Principal payments ranging from \$110,000 to \$790,000 are due annually on October 1 through fiscal year 2042. Interest is charged on the outstanding balance at 2.00% to 5.25% and is due April 1 and October 1 of each year.

Long-term liability activity for EDC for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Economic Development Corporation</b>					
Revenue Bond	\$ 7,715,000	\$ -	\$ (130,000)	\$ 7,585,000	\$ (135,000)

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

Debt service requirements to maturity for the EDC's bond are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 135,000	\$ 382,850
2022	145,000	376,213
2023	170,000	369,125
2024	180,000	361,250
2025	185,000	353,038
2026-2030	1,195,000	1,615,676
2031-2035	1,780,000	1,242,144
2036-2040	2,430,000	693,726
2041-2042	1,365,000	77,307
	<u>\$ 7,585,000</u>	<u>\$ 5,471,329</u>

### *Hurley Medical Center*

Long-term debt activity for Hurley Medical Center for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Hurley Medical Center</b>					
Notes from direct borrowings and direct placements:					
Series 2010	\$ 31,215,000	\$ -	\$ (31,215,000)	\$ -	\$ -
Series 2013A	21,925,000	-	(530,000)	21,395,000	935,000
Series 2013B	19,860,000	-	(5,350,000)	14,510,000	5,590,000
Series 2020	-	45,830,000	-	45,830,000	-
Mortgage payable	364,077	-	(51,700)	312,377	54,346
	<u>73,364,077</u>	<u>45,830,000</u>	<u>(37,146,700)</u>	<u>82,047,377</u>	<u>6,579,346</u>
Capital leases payable	17,119	-	(17,119)	-	-
Unamortized bond premium	363,178	7,019,789	(170,472)	7,212,495	-
Unamortized bond discount	(738,268)	738,268	-	-	-
	<u>(738,268)</u>	<u>738,268</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Hurley Medical Center</b>	<u>\$ 73,006,106</u>	<u>\$ 53,588,057</u>	<u>\$ (37,334,291)</u>	<u>\$ 89,259,872</u>	<u>\$ 6,579,346</u>

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Year Ended June 30,	Notes from Direct Borrowings and Direct Placements	
	Principal	Interest
2021	\$ 6,579,346	\$ 1,983,272
2022	2,482,126	3,358,217
2023	2,600,049	3,231,019
2024	2,728,121	3,097,784
2025	3,581,351	2,954,255
2026-2030	18,281,384	12,006,322
2031-2035	16,510,000	8,243,750
2036-2040	20,255,000	4,249,938
2041-2042	9,030,000	545,400
	<u>\$ 82,047,377</u>	<u>\$ 39,669,957</u>

#### *Current Bond Refunding*

During 2020, the City of Flint Hospital Building Authority issued general obligation (revenue) bonds, Series 2020, totaling \$45,830,000 (the "2020 Bonds"). The 2020 Bonds consist of serial bonds and term bonds. The serial bonds bear interest ranging from 4.00 to 5.00 percent and have annual maturities ranging from \$180,000 to \$2,835,000 beginning in 2021 through 2035. The term bonds have amounts and interest due of \$9,205,000 and 4 percent, \$1,515,000 and 5.00 percent, and \$12,345,000 and 4.00 percent on July 1, 2038, July 1, 2038, and July 1, 2041, respectively. The bonds are secured by the gross revenue of the Medical Center pursuant to a lease/purchase agreement between the City of Flint Hospital Building Authority and the Medical Center. The net proceeds of the 2020 Bonds were used to immediately refund \$31,740,300 of outstanding Series 2010 Bonds with interest rates ranging from 5.84 to 7.50 percent. As a result, the liability for the Series 2010 Bonds has been removed from long-term debt. The refunding reduced total debt service payments for the year by \$1,300,000. Total reduction in debt service payments through 2039 totaled \$17,100,000, which represents an economic gain of approximately \$15,800,000.

#### *Unused Line of Credit*

Hurley Health Services has an unused line of credit in the amount of \$150,000 renewable on October 1 of each year as of June 30, 2020 that is collateralized by a certificate of deposit.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

#### *Direct Borrowings and Direct Placements*

The Medical Center's outstanding revenue refunding bonds are payable from the revenue of the Medical Center pursuant to lease/purchase agreements between the Medical Center and the City of Flint Hospital Building Authority. Under terms of the lease/purchase agreements, the Medical Center transferred title to substantially all of its facilities to the Authority and leases such facilities from the Authority. Ownership of the facilities reverts to the Medical Center upon payment of the bonds. Rental payments to the Authority are equal to the amounts required to make principal and interest payments on the bonds. Payments on Series 2013A range from \$935,000 in 2021 to \$930,000 in 2040, plus interest from 5.0 to 5.25 percent through 2040. Payments on Series 2013B range from \$5,590,000 in 2021 to \$1,305,000 in 2029, plus interest ranging from 3.5 percent to 5.0 percent over the life of the bond.

The net revenue of the Medical Center is pledged for payment of principal and interest on the revenue rental and revenue refunding bonds. Accordingly, the basic financial statements of the Medical Center include the facilities as if owned by the Medical Center and the bonds as if issued by the Medical Center.

The outstanding 2020 Series bond lease agreement with the Authority includes certain financial covenants that, if not met, require the hiring of a consultant. The Medical Center is not in default as a result of violating the covenants unless the Medical Center fails to hire a consultant within 90 days of year end or if days cash on hand falls below 50 days.

#### *Other Debt*

The outstanding lease purchase agreement contains certain restrictive covenants, including maintaining a certain minimum debt service ratio and minimum days cash on hand.

During 2016, HHS entered into a mortgage note payable to acquire real property and a building in Lapeer, Michigan. The mortgage note payable is due in monthly installment of \$5,728, including interest of 5 percent. The mortgage note payable is collateralized by the building and real property and is due on August 3, 2025.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 10. RISK MANAGEMENT

#### *Primary Government*

The City is a defendant in various civil and administrative legal actions arising during the normal course of its activities. The City accrues for loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The City is exposed to various risks of loss related to property loss torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and worker's compensation benefits provided to employees. The City has purchased commercial insurance for fleet equipment and tort claims, boiler and machinery, certain property and equipment damage and theft, employee theft, and limited tort claims for specific City facilities or events.

The City Attorney protects the legal interests of the City by vigorously defending these actions. The City has estimated the claims that have been incurred through the end of the year, including both those claims that have been reported as well as those that have not yet been reported to the City. The estimate is based on legal counsel's recommendation and past settlement history. Often, the City Attorney negotiates expedient settlements on behalf of the City in amounts substantially less than the amount sought by the claimants. The City does not admit liability, however, in any of the cases settled.

The City has a commercial insurance policy that covers certain general tort liability. The per claim limit is \$10,000,000 with a \$3,000,000 deductible per occurrence and a \$10,000,000 aggregate claim annually. The commercial policy covers public officials, employment practices, employee benefits, law enforcement, and commercial auto.

#### *Component Units*

The Flint Economic Development Corporation is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Flint Downtown Development Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims.



# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

The Flint Area Enterprise Community is exposed to various risks of loss related to property loss and torts. The FAEC has purchased commercial insurance for tort claims and certain property damage and theft. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the year.

The Medical Center is exposed to various risks of loss, including hospital professional and patient general liability claims. The Medical Center has established an irrevocable trust to assist in accumulating resources to fund excess insurance premiums and to pay claims.

### **Conditional Asset Retirement Obligation**

The Medical Center has an obligation related to various diagnostic imaging radiation equipment. As the disposal of this equipment is included as part of the service agreement when purchasing new equipment, no liability has been recorded at this time.

## 11. SELF INSURANCE

### **General Liability**

The self-insurance program for general liability is accounted for in the self-insurance internal service fund for claims not covered by the commercial insurance policy. The revenues for this fund's operation are reimbursements from various funds and a transfer from the general fund. Funds are charged for general liability insurance based on total budget. Losses, deductibles, legal and administrative fees are paid from this fund. The liability for known claims is estimated by the City as determined by the City Attorney.

Changes in the reported liability for the fiscal years 2019 and 2020 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2019	\$ 1,265,475	\$ 194,109	\$ (21,973)	\$ 1,437,611
2020	1,437,611	140,745	(665,670)	912,686

As of June 30, 2020, general liability insurance has \$74,343 of current claims payable, and the remaining \$553,625 is classified as long-term. Other types of risk are covered by commercial insurance. There were no insurance settlements that exceeded coverage in the last three years.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

#### Health, Dental and Eye Insurance

The City is self-insured for medical benefits provided to active employees and retirees. The benefits are funded on a pay-as-you-go basis. Claims are being paid out of the fringe benefits internal service fund for active employee and retirees. The two plans are administered by Blue Cross/Blue Shield (BCBSM) and HAP of Michigan. Once the individual contract or aggregate stop-loss amount is reached. Reinsurance provides the remaining benefits. The City is protected from catastrophic claims by an excess insurance policy which provides \$2,000,000 in coverage per specific contract with a \$175,000 self-insured retention (SIR). The City did not have any claims in excess of the stop-loss deductible during the year. The self-insured coverages provided through BCBSM were protected by specific stop-loss coverage, which provided an unlimited excess with a \$175,000 deductible. The City also provides fully insured HMO health insurance coverage to a limited number of employees.

Changes in the reported liability for the fiscal years 2019 and 2020 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2019	\$ 1,337,263	\$ 8,545,013	\$ (8,784,245)	\$ 1,098,031
2020	1,098,031	8,837,913	(8,831,950)	1,103,994

The claims payable as of June 30, 2020 are included in accounts payable on the financial statements.

The City is self-insured for active employee dental and eye care benefits on a pay-as-you-go basis. The self-insurance program is administered by a third-party administrator. All claims and benefits are paid out of the fringe benefits internal service fund. The amount of estimated claims payable at June 30, 2020 was not material.

#### Workers' Compensation

The City is self-insured for worker's compensation on a pay-as-you go basis for claims up to \$1,000,000, with reinsurance coverage provided once claims exceed \$1,000,000 in the aggregate. The self-insurance program is administered by a third-party administrator. All workers' compensation benefits are paid out of the fringe benefits internal service fund.

Changes in the reported liability for the fiscal years 2019 and 2020 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2019	\$ 1,077,697	\$ 627,991	\$ (250,478)	\$ 1,455,210
2020	1,455,210	(146,381)	(114,159)	1,194,670

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

The claims payable as of June 30, 2020 are included in accounts payable on the financial statements.

#### Hurley Medical Center

The Medical Center's self-insured retention is \$6 million per occurrence annually, with excess claims made coverage up to \$20 million annually. The Medical Center employs the use of an actuary to provide an analysis of the existing claims and to estimate the liability for incurred but not reported (IBNR) claims.

Changes in the aggregate malpractice claims for the fiscal years 2019 and 2020 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2019	\$ 24,184,435	\$ 10,613,967	\$ (10,845,474)	\$ 23,952,928
2020	23,952,928	5,532,181	(3,859,199)	25,625,910

Professional liability for claims is reported in other long-term liabilities, net of \$5,744,000 included as a current liability in accrued expenses for the year ending June 30, 2020. The carrying amount of the insurance trust assets (at market) amounted to \$14,989,373 at June 30, 2020.

The Medical Center is self-insured for workers' compensation claims with a self-insured retainer of \$600,000 per claim. As of June 30, 2020, the Medical Center has recorded long-term accrued liabilities for workers' compensation of \$2,654,181. The changes in the aggregate workers' compensation claims for the past two years were as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2019	\$ 1,725,178	\$ 2,059,522	\$ (1,882,937)	\$ 1,901,763
2020	1,901,763	3,160,524	(2,408,106)	2,654,181

Total long-term accrued liabilities as of June 30, 2020 are \$22,505,449.

There are various legal actions pending against HHS, its subsidiaries, and certain employees. Due to the inconclusive nature of these actions, it is not possible for legal counsel of HHS to determine in the aggregate either the probable outcome of these actions or a reasonable estimate of HHS' ultimate liability, if any. HHS maintains what it believes to be adequate coverage of malpractice, errors and omissions, and directors and officers insurances to cover any possible claims.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

#### 12. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Hurley Medical Center's management believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

There are numerous cases arising out of the Flint Water Crisis that remain pending. These cases name the City or one of its former officials or employees (including, for these purposes, former state-appointed Emergency Managers). There are over 100 cases pending in federal or state courts. Three of those matters are putative class actions (1 in federal and 2 in state courts). To date, the City has successfully gotten many claims in those cases dismissed, with the exception of claims based on a violation of bodily integrity under the state or federal constitutions, unjust enrichment, and inverse condemnation.

Procedurally, discovery is ongoing and the underlying allegations in those cases against the City or its former officials/employees have not yet been tried. The City now can resolve the majority of the litigation by joining multiple other defendants in a settlement that will resolve, to the maximum extent possible, Flint Water Crisis litigation against them. The City's excess liability insurance carrier has agreed to provide \$20 million as the City's contribution to the Settlement, which will resolve Flint Water Litigation claims against the City, its former officials, and/or its former employees, at no cost to the City and its taxpayers. City Council approval of the City joining this settlement is currently pending, and the courts' preliminary approval hearing on the settlement is scheduled for December 21, 2020.

On December 23, 2020, the City of Flint approved the resolution to approve the Flint Water Litigation allowing the City to reduce its liability by using insurance funds in the amount of \$20 million to settle on the City behalf. We are still awaiting the Court's decision on preliminary approval of the settlement.

The City also is involved in two pending water rate litigation matters in state court. One of these cases is currently stayed in the Genesee County Court while an application for leave to appeal is pending in the Michigan Supreme Court. The likely financial impact is unknown until the Michigan Supreme Court has provided (or declined to provide) guidance on key issues in this case. These cases are separate from the Flint Water Crisis litigation described previously.

Related to other litigation, the City of Flint is a party in a variety of lawsuits involving matters ranging from discrimination, retaliation, personal injury, rental code violations, election law, tort, civil rights claims, sewer backups, pension, healthcare and other benefits for Flint retirees, whistleblower protection act violations, and other legal proceedings and investigations that occur in the normal course of governmental operations.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 13. PENSION PLANS

#### Michigan Municipal Employees' Retirement System

##### *General Information about the Pension Plan*

*Plan Description.* The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Benefits Provided.* Benefits provided include plans with multipliers ranging from 1.50% to 2.60%. Vesting periods range from 6 to 15 years. Normal retirement age ranging from 55 to 60 years with early retirement ranging from 50 to 60 with 10 to 30 years of service, including some plans that have 23 to 25 years and out options. Final average compensation is calculated based on 3 years. Member contributions range from 0% to 12%.

*Employees Covered by Benefit Terms.* At the December 31, 2019 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1,768
Inactive employees entitled to but not yet receiving benefits	138
Active employees	<u>443</u>
<b>Total membership</b>	<b><u><u>2,349</u></u></b>

*Contributions.* The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. The City is required to contribute an amount equal to a percentage of covered payroll, which is based on a flat rate as determined by the actuary. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50%

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

*Long-term Expected Rate of Return.* The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	5.25%	3.15%
Global fixed income	20.0%	1.25%	0.25%
Private investments	20.0%	7.25%	1.45%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
<b>Investment rate of return</b>			<u><u>7.60%</u></u>

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2019 was 7.6% (down from 8.0% at December 31, 2018). The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **Changes in Net Pension Liability**

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at December 31, 2018	\$ 537,218,332	\$ 164,293,251	\$ 372,925,081
Changes for the year:			
Service cost	2,164,613	-	2,164,613
Interest	41,008,971	-	41,008,971
Differences between expected and actual experience	55,724	-	55,724
Changes in assumptions	17,084,353	-	17,084,353
Employer contributions	-	23,133,233	(23,133,233)
Employee contributions	-	1,523,222	(1,523,222)
Net investment income	-	20,591,049	(20,591,049)
Benefit payments, including refunds of employee contributions	(51,377,003)	(51,377,003)	-
Administrative expense	-	(353,408)	353,408
Net changes	<u>8,936,658</u>	<u>(6,482,907)</u>	<u>15,419,565</u>
<b>Balances at December 31, 2019</b>	<u><u>\$ 546,154,990</u></u>	<u><u>\$ 157,810,344</u></u>	<u><u>\$ 388,344,646</u></u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.6%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

<b>1% Decrease (6.6%)</b>	<b>Current Discount Rate (7.6%)</b>	<b>1% Increase (8.6%)</b>
\$ 436,932,722	\$ 388,344,646	\$ 346,523,046

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

#### *Pension Expense and Deferred Outflows of Resources Related to Pensions*

For the year ended June 30, 2020, the City recognized pension expense of \$42,784,716. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 27,862	\$ -	\$ 27,862
Changes in assumptions	8,542,176	-	8,542,176
Change in allocation of net pension liability	12,665,996	12,665,996	-
Net difference between projected and actual earnings on pension plan investments	806,914	-	806,914
	<u>22,042,948</u>	<u>12,665,996</u>	<u>9,376,952</u>
Contributions subsequent to the measurement date	12,184,364	-	12,184,364
<b>Total</b>	<u>34,227,312</u>	<u>12,665,996</u>	<u>\$ 21,561,316</u>

*Changes in assumptions.* In 2019, amounts reported as changes in assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

*Changes in allocation of net pension liability.* In 2020, amounts reported as changes in allocation of net pension liability resulted primarily from the funds or departments originally being charged based solely on the number of employees they were assigned to now being allocated equally per person, regardless of the division or bargaining group.

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	7,853,342
2022	643,213
2023	2,586,508
2024	<u>(1,706,111)</u>
<b>Total</b>	<u>\$ 9,376,952</u>

*Payable to the Pension Plan.* At June 30, 2020, the City had \$1,985,710 payable for contributions to the pension plan.



# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### Hurley Medical Center Component Unit

The Hurley Medical Center also participates in MERS and has a defined contribution plan, profit-sharing plan and deferred compensation plan. Detailed information on these plans, including all required footnote disclosures, is available in the separately issued Hurley Medical Center financial statements.

## 14. OTHER POSTEMPLOYMENT BENEFITS

### General Information about the OPEB Plan

*Plan Description.* The City administers a single-employer defined-benefit other postemployment benefits plan (the "Plan"). The Plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the Plan through employer contributions. The Plan does not cover Hurley Medical Center employees. City Council has the authority to establish and amend the contribution requirements of the City and the Plan members.

*Benefits Provided.* The City provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to public safety and general employees. The benefits are provided under collective bargaining agreements of Local 1799, Local 1600, and Fire Local 352.

The City also provides postemployment death benefits to certain retirees who retired after July 1, 1978, under the terms of collective bargaining agreements with two employee unions. If the retiree was a member of one of the bargaining units at the time of retirement, his or her designated beneficiary will receive a death benefit at the time of the retiree's death. The death benefit ranges from \$2,000 to \$38,000 depending on the employee's contract. Employees who retired as of June 30, 2012 are eligible for this benefit. The death benefit trust fund is reported as an other postemployment benefits trust fund; however, the City has not created a formal irrevocable trust in accordance with GASB 74. Therefore, the assets in the death benefit trust fund are not considered assets of the plan.

*Employees Covered by Benefit Terms.* At June 30, 2020 (the date of the most recent actuarial report), the following employees were covered by the benefit terms:

Inactive employees/beneficiaries receiving benefits	1,366
Active employees	<u>249</u>
<b>Total membership</b>	<b><u><u>1,615</u></u></b>

*Contributions.* The collective bargaining agreements require a contribution of 20% of premiums toward retiree health plan insurance. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. The City recognizes the expenses in the funds on a "pay-as-you-go" basis. The costs of administering the plan are borne by the City's general fund.

### Total OPEB Liability

The City is not prefunding the plan and the total OPEB liability was measured as of June 30, 2020.

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

*Actuarial Assumptions.* The total OPEB liability in the June 30, 2020 valuation was determined using the following actuarial assumptions, applied consistently to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.75% per year for wage inflation plus merit and productivity increase
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based tables that are specific to the type of eligibility condition
Healthcare cost trend rate	7.5% and gradually decreasing to an ultimate trend rate of 4.5%

Mortality rates were based on the following tables: (1) General retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019, (2) Police and Fire retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019 and (3) Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study done during 2005.

*Discount Rate.* The discount rate used to measure the total OPEB liability was 2.66%. The projection of cash flows used to determine the discount rate assumed that Plan does not require and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Plan is funded on a pay-as-you-go basis, therefore, the AA municipal index bond rate of 2.66% was applied for future periods. The municipal index bond rate was obtained from the Bond Buyer 20-Bond GO index.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

*Changes in the Total OPEB Liability.* The components of the change in the total OPEB liability are summarized as follows:

	<b>Total OPEB Liability</b>
Balances at June 30, 2019	<u>\$ 249,833,756</u>
Changes for the year:	
Service cost	1,694,385
Interest on total OPEB liability	8,625,830
Differences between expected and actual experience	(12,188,738)
Changes in assumptions	30,062,708
Benefit payments	<u>(11,656,543)</u>
Net changes	<u>16,537,642</u>
<b>Balances at June 30, 2020</b>	<b><u>\$ 266,371,398</u></b>

*Changes in assumptions.* In 2020, the amounts reported as changes in assumptions resulted primarily from health care trend rates were updated to an initial rate of 7.50% decreasing by 0.5% annually to an ultimate rate of 4.5% for pre-Medicare and post-Medicare medical/rx costs and the discount rate was been updated from 3.51% to 2.66%.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the City, calculated using the discount rate of 2.66%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.66%) or 1% higher (3.66%) than the current rate:

	<b>1% Decrease (1.66%)</b>	<b>Current Discount Rate (2.66%)</b>	<b>1% Increase (3.66%)</b>
City's total OPEB liability	\$ 310,296,950	\$ 266,371,398	\$ 231,573,729

## CITY OF FLINT, MICHIGAN

### Notes to Financial Statements

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 7.5% (decreasing to an ultimate rate of 4.5%), as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (6.5% trending to 3.5%) or 1% higher (8.5% trending to 5.5%) than the current rate:

	<b>1% Decrease (6.5% Decreasing to 3.5%)</b>	<b>Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)</b>	<b>1% Increase (8.5% Decreasing to 5.5%)</b>
City's total OPEB liability	\$ 230,232,554	\$ 266,371,398	\$ 311,646,749

#### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2020, the City recognized OPEB expense of \$28,194,185. The City reported no deferred outflows or inflows of resources related to OPEB.

*Payable to the OPEB Plan.* At June 30, 2020, the City had no amount payable to the OPEB plan.

#### **Hurley Medical Center Component Unit**

The Hurley Medical Center operates its own Retiree Health Benefits Plan. Detailed information on this plan, including all required footnote disclosures, is available in the separately issued Hurley Medical Center financial statements.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2020, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 17,880,474	\$ 12,596,022
Capital assets being depreciated, net	<u>79,770,641</u>	<u>157,242,261</u>
	<u>97,651,115</u>	<u>169,838,283</u>
Total installment debt	28,127,316	101,029,474
Less noncapital debt:		
Grant program related debt	(6,043,000)	-
Debt used for noncapital purposes	(17,430,000)	(101,029,474)
Net premium/discount	1,021,228	-
Deferred charge on advance refunding	<u>(101,559)</u>	<u>-</u>
	<u>5,573,985</u>	<u>-</u>
<b>Net investment in capital assets</b>	<u><u>\$ 92,077,130</u></u>	<u><u>\$ 169,838,283</u></u>

Certain loans payable are not considered capital-related, as they were used for grant programs or government operations.

The KWA agreement payable is not considered to be capital-related debt, in that it is partially offset by a long-term receivable from GLWA and the City does not have ownership of the related capital assets, which are owned by KWA.

### 16. LEASES

Hurley Medical Center and Hurley Health Services lease office space under various operating leases. Certain operating leases contain rental escalation clauses that are based on prime rate at a future date and purchase options at fair market value. The future minimum rental payments are as follows:

Year Ended June 30,	Amount
2021	\$ 1,671,638
2022	1,446,024
2023	1,342,735
2024	775,003
2025	355,037
Thereafter	<u>386,835</u>
	<u><u>\$ 5,977,272</u></u>

Total rent expense under these leases was approximately \$1,120,000 for the year ended June 30, 2020.

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### 17. TAX ABATEMENTS

The City received reduced property tax revenues during the current year as a result of industrial facilities tax exemptions (IFT's) entered into by the City.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements for the current year amounted to approximately \$298,000 in reduced tax revenues.

### 18. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, is as follows:

	General	Grants	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Prepays	\$ 37,192	\$ 76,529	\$ -	\$ -	\$ 113,721
<b>Restricted</b>					
Grants	-	373,350	-	-	373,350
Roads	-	-	14,829,614	6,174,867	21,004,481
Public safety	-	-	-	2,560,686	2,560,686
Police	-	-	-	1,772,761	1,772,761
Parks and recreation	-	-	-	411,979	411,979
Street lights	-	-	-	2,936,260	2,936,260
Garbage collection	-	-	-	2,074,603	2,074,603
Revolving loans	-	-	-	680,476	680,476
State forfeitures	-	-	-	1,138,017	1,138,017
Building inspections	-	-	-	4,291,864	4,291,864
Debt service	-	-	-	1,435,434	1,435,434
	-	373,350	14,829,614	23,476,947	38,679,911
<b>Assigned</b>					
Subsequent years expenditures	1,632,576	-	-	-	1,632,576
<b>Unassigned</b>					
	15,925,521	(76,529)	-	-	15,848,992
	<u>\$ 17,595,289</u>	<u>\$ 373,350</u>	<u>\$ 14,829,614</u>	<u>\$ 23,476,947</u>	<u>\$ 56,275,200</u>

# CITY OF FLINT, MICHIGAN

## Notes to Financial Statements

### *Deficit Fund Equity*

The grants fund reported an unassigned fund balance deficit of \$76,529 at June 30, 2020.

## 19. SUBSEQUENT EVENT

On August 10, 2020, the Board approved the purchase of an easement to complete the construction of the Secondary Water Source in the amount of \$413,450.

On August 12, 2020, the Board approved the following Sewer capital related projected to be paid with funds from the issuance of the Sewer Disposal System Jr Lien Rev Bond, SRF:

- Aeration system improvements not to exceed \$18,209,831
- Ultraviolet disinfection project not to exceed \$4,316,000
- Sludge dewatering improvements not to exceed \$4,251,000
- Influent Structure and Battery A Grit rehabilitation not to exceed \$3,490,002
- Northwest Pump Station diversion not to exceed \$3,019,189
- Northwest Pump Station rehabilitation not to exceed \$1,877,260

On September 21, 2020, the Pierce Park Golf Course club house was destroyed in a fire. The City received \$1,104,294 in insurance proceeds in December 2020.

On November 9, 2020, the Board approved change order #1 for the service line replacement project not to exceed \$1,169,686.

On December 14, 2020 the Board approved a contract for the Primary Clarifier improvements and the Battery B Grit improvements in the amount of \$1,362,600 as well as engineering services for secondary Clarifier improvements in the amount of \$436,000. The Board also approved a contract for the Third Avenue Pumping Station improvements in the amount of \$965,000.

## 20. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the City's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the City for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the City's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.



**REQUIRED SUPPLEMENTARY INFORMATION**



## CITY OF FLINT, MICHIGAN

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
 Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Year Ended June 30,		
	2020	2019	2018
<b>Change in total pension liability</b>			
Service cost	\$ 2,164,613	2,225,716	\$ 2,271,177
Interest	41,008,971	41,507,314	41,968,824
Differences between expected and actual experience	55,724	1,196,815	823,878
Changes in assumptions	17,084,353	-	-
Benefit payments, including refunds of member contributions	(51,377,003)	(50,880,152)	(50,739,893)
Other changes	-	-	(3)
<b>Net change in total pension liability</b>	<u>8,936,658</u>	<u>(5,950,307)</u>	<u>(5,676,017)</u>
<b>Total pension liability, beginning</b>	<u>537,218,332</u>	<u>543,168,639</u>	<u>548,844,656</u>
<b>Total pension liability, ending (a)</b>	<u>546,154,990</u>	<u>537,218,332</u>	<u>543,168,639</u>
<b>Change in plan fiduciary net position</b>			
Contributions - employer	23,133,233	23,514,772	18,869,912
Contributions - member	1,523,222	1,624,560	1,558,004
Net investment income (loss)	20,591,049	(6,736,753)	24,736,166
Benefit payments, including refunds of member contributions	(51,377,003)	(50,880,152)	(50,739,893)
Administrative expense	(353,408)	(357,675)	(395,183)
<b>Net change in plan fiduciary net position</b>	<u>(6,482,907)</u>	<u>(32,835,248)</u>	<u>(5,970,994)</u>
<b>Plan fiduciary net position, beginning</b>	<u>164,293,251</u>	<u>197,128,499</u>	<u>203,099,493</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>157,810,344</u>	<u>164,293,251</u>	<u>197,128,499</u>
<b>City's net pension liability, ending (a)-(b)</b>	<u>\$ 388,344,646</u>	<u>\$ 372,925,081</u>	<u>\$ 346,040,140</u>
Plan fiduciary net position as a percentage of the total pension liability	28.89%	30.58%	36.29%
Covered payroll	\$ 22,736,587	\$ 22,408,172	\$ 22,010,179
City's net pension liability as a percentage of covered payroll	1708.02%	1664.24%	1572.18%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Note: The 2016 assumption changes resulted from a change in the investment rate of return from 8.00% to 7.75% and the mortality table was adjusted to reflect longer lifetimes. In 2019, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.



Year Ended June 30,		
2017	2016	2015
\$ 2,233,013	\$ 2,240,734	\$ 2,288,673
42,351,721	41,160,626	41,626,038
1,729,337	(3,016,376)	-
-	24,031,996	-
(51,497,082)	(50,963,762)	(51,039,410)
(882)	1,705,992	1,293,199
<u>(5,183,893)</u>	<u>15,159,210</u>	<u>(5,831,500)</u>
<u>554,028,549</u>	<u>538,869,339</u>	<u>544,700,839</u>
<u>548,844,656</u>	<u>554,028,549</u>	<u>538,869,339</u>
22,022,738	8,119,213	20,420,923
1,665,719	2,128,481	2,999,208
22,386,661	(3,316,770)	16,151,453
(51,497,082)	(50,963,762)	(51,039,410)
(443,862)	(512,817)	(584,862)
<u>(5,865,826)</u>	<u>(44,545,655)</u>	<u>(12,052,688)</u>
<u>208,965,319</u>	<u>253,510,974</u>	<u>265,563,662</u>
<u>203,099,493</u>	<u>208,965,319</u>	<u>253,510,974</u>
<u>\$ 345,745,163</u>	<u>\$ 345,063,230</u>	<u>\$ 285,358,365</u>

37.00%	37.72%	47.04%
\$ 21,427,792	\$ 18,783,674	\$ 18,635,475
1613.54%	1837.04%	1531.26%

**CITY OF FLINT, MICHIGAN**

**Required Supplementary Information**

MERS Agent Multiple-Employer Defined Benefit Pension Plan

**Schedule of the Net Pension Liability**

<b>Fiscal Year Ended June 30,</b>	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>	<b>Plan Net Position as Percentage of Total Pension Liability</b>	<b>Covered Payroll</b>	<b>Net Pension Liability as Percentage of Covered Payroll</b>
2020	\$ 546,154,990	\$ 157,810,344	\$ 388,344,646	28.89%	\$ 22,736,587	1708.02%
2019	537,218,332	164,293,251	372,925,081	30.58%	22,408,172	1664.24%
2018	543,168,639	197,128,499	346,040,140	36.29%	22,010,179	1572.18%
2017	548,844,656	203,099,493	345,745,163	37.00%	21,427,792	1613.54%
2016	554,028,549	208,965,319	345,063,230	37.72%	18,783,674	1837.04%
2015	538,869,339	253,510,974	285,358,365	47.04%	18,635,475	1531.26%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## CITY OF FLINT, MICHIGAN

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2020	\$ 24,218,053	\$ 24,218,053	\$ -	\$ 23,351,589	103.7%
2019	22,023,688	22,023,688	-	23,282,295	94.6%
2018	18,869,913	22,756,482	(3,886,569)	22,649,859	100.5%
2017	17,325,673	16,964,535	361,138	21,927,937	77.4%
2016	17,194,662	16,598,425	596,237	22,376,956	74.2%
2015	16,676,472	16,545,459	131,013	24,228,491	68.3%
2014	16,409,676	16,409,676	-	26,648,918	61.6%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2020, based on the 12/31/2017 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	22 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

## CITY OF FLINT, MICHIGAN

### Required Supplementary Information

Other Postemployment Benefits Plan

#### Schedule of Changes in City's Total OPEB Liability and Related Ratios

	Year Ended June 30,		
	2020	2019	2018
<b>Total OPEB liability</b>			
Service cost	\$ 1,694,385	\$ 1,919,202	\$ 2,312,576
Interest	8,625,830	10,625,304	11,083,100
Differences between expected and actual experience	(12,188,738)	(42,174,650)	(23,163,328)
Changes of assumptions	30,062,708	13,670,455	(12,462,521)
Benefit payments, including refunds of employee contributions	(11,656,543)	(13,557,337)	(14,730,209)
<b>Net change in total OPEB liability</b>	<u>16,537,642</u>	<u>(29,517,026)</u>	<u>(36,960,382)</u>
Total OPEB liability, beginning of year	<u>249,833,756</u>	<u>279,350,782</u>	<u>316,311,164</u>
<b>Total OPEB liability, end of year</b>	<u>\$ 266,371,398</u>	<u>\$ 249,833,756</u>	<u>\$ 279,350,782</u>
Covered payroll	\$ 13,104,499	\$ 14,281,760	\$ 17,034,088
City's total OPEB liability as a percentage of covered payroll	2032.67%	1749.32%	1639.95%

Notes:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## CITY OF FLINT, MICHIGAN

### Required Supplementary Information

#### Other Postemployment Benefits Plan

#### Schedule of the Net OPEB Liability

Fiscal Year Ended June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Total OPEB Liability as Percentage of Covered Payroll
2020	\$ 266,371,398	\$ -	\$ 266,371,398	0.0%	\$ 13,104,499	2032.67%
2019	249,833,756	-	249,833,756	0.0%	14,281,760	1749.32%
2018	279,350,782	-	279,350,782	0.0%	17,034,088	1639.95%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

*Changes in assumptions.* In 2020, the amounts reported as changes in assumptions resulted primarily from health care trend rates were updated to an initial rate of 7.50% decreasing by 0.5% annually to an ultimate rate of 4.5% for pre-Medicare and post-Medicare medical/rx costs and the discount rate was been updated from 3.51% to 2.66%.

*Changes in assumptions.* In 2019, the amounts reported as changes in assumptions resulted primarily from updates to the mortality tables used, health care trend rates were updated to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5% for pre-Medicare and post-Medicare medical/rx costs, the Michigan Hard Cap healthcare cost trend rate was updated from 4% annually to 3.5% annually based on historical increases, and the discount rate was been updated from 3.87% to 3.51%.

*Changes in assumptions.* In 2018, the amounts reported as changes in assumptions resulted primarily from updates to the mortality tables used and health care trend rates were updated to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 4.5% for pre-Medicare period and 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5% for Medicare period.

# CITY OF FLINT, MICHIGAN

## Required Supplementary Information

### Other Postemployment Benefits Plan

#### Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2020	\$ 14,011,557	\$ 11,656,543	2,355,014	\$ 13,104,499	89.0%
2019	16,291,451	13,557,337	2,734,114	14,281,760	94.9%
2018	14,730,209	14,730,209	-	17,034,088	86.5%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Market value
Discount rate	3.51%
Inflation	2.50%
Salary increases	3.75%, including inflation
Retirement age	Experience-based tables of rates are specific to the type of eligibility condition
Healthcare cost trend rate	8.00% and gradually decreasing to an ultimate trend rate of 4.50%
Mortality	(1) General retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019, (2) Police and Fire retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019 and (3) Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019.

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**



# CITY OF FLINT, MICHIGAN

## Combining Balance Sheet

Nonmajor Governmental Funds  
June 30, 2020

	Special Revenue	Debt Service	Totals
<b>Assets</b>			
Cash and investments	\$ 22,826,205	\$ 1,523,549	\$ 24,349,754
Receivables:			
Accounts receivable, net	10,537	-	10,537
Property taxes receivable	60,284	-	60,284
Loans receivable	6,534	-	6,534
Due from other governments	437,326	-	437,326
Due from component unit	-	6,879,203	6,879,203
<b>Total assets</b>	<b>\$ 23,340,886</b>	<b>\$ 8,402,752</b>	<b>\$ 31,743,638</b>
<b>Liabilities</b>			
Accounts payable	\$ 837,682	\$ 88,115	\$ 925,797
Accrued and other liabilities	201,912	-	201,912
Deposits payable	182,579	-	182,579
Unearned revenue	28,422	-	28,422
<b>Total liabilities</b>	<b>1,250,595</b>	<b>88,115</b>	<b>1,338,710</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue - loans	6,534	6,879,203	6,885,737
Unavailable revenue - taxes	42,244	-	42,244
<b>Total deferred inflows of resources</b>	<b>48,778</b>	<b>6,879,203</b>	<b>6,927,981</b>
<b>Fund balances</b>			
Restricted	22,041,513	1,435,434	23,476,947
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 23,340,886</b>	<b>\$ 8,402,752</b>	<b>\$ 31,743,638</b>

# CITY OF FLINT, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds  
For the Year Ended June 30, 2020

	Special Revenue	Debt Service	Totals
<b>Revenues</b>			
Property taxes	\$ 15,086,026	\$ 1,752,678	\$ 16,838,704
State sources	4,047,775	120,124	4,167,899
Charges for services	54,434	-	54,434
Fines and forfeitures	86,889	-	86,889
Licenses and permits	2,203,085	-	2,203,085
Local contributions	-	440,797	440,797
Interest	279,874	22,531	302,405
Other revenues	109,276	-	109,276
<b>Total revenues</b>	<b>21,867,359</b>	<b>2,336,130</b>	<b>24,203,489</b>
<b>Expenditures</b>			
Current expenditures:			
Public safety	8,007,624	-	8,007,624
Public works	11,814,117	-	11,814,117
Recreation and culture	328,477	204,440	532,917
Community development	1,791	-	1,791
Debt service:			
Principal	-	1,190,000	1,190,000
Interest	-	1,045,508	1,045,508
<b>Total expenditures</b>	<b>20,152,009</b>	<b>2,439,948</b>	<b>22,591,957</b>
Revenues under expenditures	1,715,350	(103,818)	1,611,532
<b>Other financing sources (uses)</b>			
Proceeds from issuance of refunding bonds	-	13,270,000	13,270,000
Premium on issuance of long-term debt	-	1,099,784	1,099,784
Payments to refunded bond escrow agent	-	(13,849,999)	(13,849,999)
Transfers in	1,500,000	2,055,063	3,555,063
Transfers out	-	(2,055,063)	(2,055,063)
<b>Total other financing sources</b>	<b>1,500,000</b>	<b>519,785</b>	<b>2,019,785</b>
<b>Net change in fund balances</b>	<b>3,215,350</b>	<b>415,967</b>	<b>3,631,317</b>
Fund balances, beginning of year	18,826,163	1,019,467	19,845,630
<b>Fund balances, end of year</b>	<b>\$ 22,041,513</b>	<b>\$ 1,435,434</b>	<b>\$ 23,476,947</b>

## CITY OF FLINT, MICHIGAN

### Nonmajor Special Revenue Funds

*Local Streets Fund* – This fund accounts for the City’s share of proceeds from gas and weight taxes levied by the State and distributed to local government units for local street construction and maintenance.

*Public Safety Fund* – This fund accounts for a special property tax levy approved by voters to provide support for public safety departments.

*Neighborhood Policing Fund* – This fund is used to account for a special property tax levy approved by voters to provide additional police protection for neighborhoods.

*Parks and Recreation Fund* – This fund was established to account for the annual ½ mil tax levy for the purpose of providing dedicated funds for the improvement and maintenance of City parks, forestry, and recreation services.

*Street Light Fund* - This fund accounts for a special property tax assessment allowed to provide support for utility cost of the City’s street lighting.

*Rubbish Collection Fund* – This fund accounts for a special property tax assessment allowed to provide garbage and compost collection services.

*EDA Revolving Loan Fund* – This fund accounts is used to account for monies received from the U.S. Economic Development Administration. The grant was used to establish a revolving loan fund to loan money to economic development projects which meet program criteria.

*State Act 251 Forfeiture Fund* – This fund accounts is used to account for proceeds from the sale of confiscated property seized in drug-related crimes.

*Building Inspection Fund* – This fund accounts for the operational revenues and expenditures of the City’s code inspection and building inspection department in accordance with State Construction Code Act of 1999 (PA 245 of 1999).

**CITY OF FLINT, MICHIGAN**

**Combining Balance Sheet**

Nonmajor Special Revenue Funds

June 30, 2020

	Local Streets	Public Safety	Neighborhood Policing	Parks and Recreation	Street Light
<b>Assets</b>					
Cash and investments	\$ 5,833,658	\$ 2,643,627	\$ 1,791,910	\$ 463,604	\$ 3,301,480
Receivables:					
Accounts receivable, net	-	-	-	-	-
Property taxes receivable	-	39,243	21,041	-	-
Loans receivable	-	-	-	-	-
Due from other governments	437,326	-	-	-	-
<b>Total assets</b>	<u>\$ 6,270,984</u>	<u>\$ 2,682,870</u>	<u>\$ 1,812,951</u>	<u>\$ 463,604</u>	<u>\$ 3,301,480</u>
<b>Liabilities</b>					
Accounts payable	\$ 38,580	\$ -	\$ 3,005	\$ 49,983	\$ 364,437
Accrued and other liabilities	57,537	98,269	18,856	1,642	783
Deposits payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<u>96,117</u>	<u>98,269</u>	<u>21,861</u>	<u>51,625</u>	<u>365,220</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - loans	-	-	-	-	-
Unavailable revenue - taxes	-	23,915	18,329	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>23,915</u>	<u>18,329</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Restricted	<u>6,174,867</u>	<u>2,560,686</u>	<u>1,772,761</u>	<u>411,979</u>	<u>2,936,260</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 6,270,984</u>	<u>\$ 2,682,870</u>	<u>\$ 1,812,951</u>	<u>\$ 463,604</u>	<u>\$ 3,301,480</u>



<b>Rubbish Collection</b>	<b>EDA Revolving Loan</b>	<b>State Act 251 - Forfeiture</b>	<b>Building Inspection</b>	<b>Totals</b>
\$ 2,457,849	\$ 709,191	\$ 1,316,686	\$ 4,308,200	\$ 22,826,205
-	-	4,952	5,585	10,537
-	-	-	-	60,284
-	6,534	-	-	6,534
-	-	-	-	437,326
<u>\$ 2,457,849</u>	<u>\$ 715,725</u>	<u>\$ 1,321,638</u>	<u>\$ 4,313,785</u>	<u>\$ 23,340,886</u>
\$ 380,717	\$ 293	\$ 269	\$ 398	\$ 837,682
2,529	-	773	21,523	201,912
-	-	182,579	-	182,579
-	28,422	-	-	28,422
<u>383,246</u>	<u>28,715</u>	<u>183,621</u>	<u>21,921</u>	<u>1,250,595</u>
-	6,534	-	-	6,534
-	-	-	-	42,244
-	6,534	-	-	48,778
<u>2,074,603</u>	<u>680,476</u>	<u>1,138,017</u>	<u>4,291,864</u>	<u>22,041,513</u>
<u>\$ 2,457,849</u>	<u>\$ 715,725</u>	<u>\$ 1,321,638</u>	<u>\$ 4,313,785</u>	<u>\$ 23,340,886</u>

**CITY OF FLINT, MICHIGAN**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2020

	Local Streets	Public Safety	Neighborhood Policing	Parks and Recreation	Street Light
<b>Revenues</b>					
Property taxes	\$ -	\$ 4,361,569	\$ 1,270,181	\$ 349,920	\$ 4,248,103
State sources	3,639,354	288,297	96,099	24,025	-
Charges for services	-	15,329	2,712	-	-
Fines and forfeitures	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Interest	76,976	28,710	24,186	6,701	34,552
Other revenues	106,709	-	-	2,135	-
<b>Total revenues</b>	<u>3,823,039</u>	<u>4,693,905</u>	<u>1,393,178</u>	<u>382,781</u>	<u>4,282,655</u>
<b>Expenditures</b>					
Current:					
Public safety	-	5,083,949	1,182,473	-	-
Public works:					
Streets	4,423,718	-	-	-	-
Street lights	-	-	-	-	2,474,522
Garbage and rubbish	-	-	-	-	-
Recreation and culture	-	-	-	328,477	-
Community development	-	-	-	-	-
<b>Total expenditures</b>	<u>4,423,718</u>	<u>5,083,949</u>	<u>1,182,473</u>	<u>328,477</u>	<u>2,474,522</u>
Revenues over (under) expenditures	(600,679)	(390,044)	210,705	54,304	1,808,133
<b>Other financing sources</b>					
Transfers in	1,500,000	-	-	-	-
<b>Net change in fund balances</b>	899,321	(390,044)	210,705	54,304	1,808,133
Fund balances, beginning of year	5,275,546	2,950,730	1,562,056	357,675	1,128,127
<b>Fund balances, end of year</b>	<u>\$ 6,174,867</u>	<u>\$ 2,560,686</u>	<u>\$ 1,772,761</u>	<u>\$ 411,979</u>	<u>\$ 2,936,260</u>

<b>Rubbish Collection</b>	<b>EDA Revolving Loan</b>	<b>State Act 251 - Forfeiture</b>	<b>Building Inspection</b>	<b>Totals</b>
\$ 4,856,253	\$ -	\$ -	\$ -	\$ 15,086,026
-	-	-	-	4,047,775
11,030	-	4,952	20,411	54,434
-	-	86,889	-	86,889
960	-	-	2,202,125	2,203,085
28,662	4,046	17,378	58,663	279,874
-	432	-	-	109,276
<u>4,896,905</u>	<u>4,478</u>	<u>109,219</u>	<u>2,281,199</u>	<u>21,867,359</u>
-	-	115,397	1,625,805	8,007,624
-	-	-	-	4,423,718
-	-	-	-	2,474,522
4,915,877	-	-	-	4,915,877
-	-	-	-	328,477
-	1,791	-	-	1,791
<u>4,915,877</u>	<u>1,791</u>	<u>115,397</u>	<u>1,625,805</u>	<u>20,152,009</u>
(18,972)	2,687	(6,178)	655,394	1,715,350
-	-	-	-	1,500,000
(18,972)	2,687	(6,178)	655,394	3,215,350
<u>2,093,575</u>	<u>677,789</u>	<u>1,144,195</u>	<u>3,636,470</u>	<u>18,826,163</u>
<u>\$ 2,074,603</u>	<u>\$ 680,476</u>	<u>\$ 1,138,017</u>	<u>\$ 4,291,864</u>	<u>\$ 22,041,513</u>

## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
State sources	\$ 3,121,934	\$ 3,203,950	\$ 3,639,354	\$ 435,404
Interest	-	-	76,976	76,976
Other revenues	257,753	257,753	106,709	(151,044)
<b>Total revenues</b>	<b>3,379,687</b>	<b>3,461,703</b>	<b>3,823,039</b>	<b>361,336</b>
<b>Expenditures</b>				
Current -				
Public works -				
Streets	5,178,128	5,914,475	4,423,718	(1,490,757)
Revenues over (under) expenditures	(1,798,441)	(2,452,772)	(600,679)	1,852,093
<b>Other financing sources</b>				
Transfers in	1,815,996	1,500,000	1,500,000	-
<b>Net change in fund balance</b>	<b>17,555</b>	<b>(952,772)</b>	<b>899,321</b>	<b>1,852,093</b>
Fund balance, beginning of year	5,275,546	5,275,546	5,275,546	-
<b>Fund balance, end of year</b>	<b>\$ 5,293,101</b>	<b>\$ 4,322,774</b>	<b>\$ 6,174,867</b>	<b>\$ 1,852,093</b>



## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Public Safety Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,901,191	\$ 3,894,093	\$ 4,361,569	\$ 467,476
State sources	630,000	401,153	288,297	(112,856)
Interest	-	-	28,710	28,710
Charges for services	15,000	15,000	15,329	329
<b>Total revenues</b>	4,546,191	4,310,246	4,693,905	383,659
<b>Expenditures</b>				
Current - Public safety	5,744,181	4,792,571	5,083,949	291,378
<b>Net change in fund balance</b>	(1,197,990)	(482,325)	(390,044)	92,281
Fund balance, beginning of year	2,950,730	2,950,730	2,950,730	-
<b>Fund balance, end of year</b>	<u>\$ 1,752,740</u>	<u>\$ 2,468,405</u>	<u>\$ 2,560,686</u>	<u>\$ 92,281</u>

## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Neighborhood Policing Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 1,300,397	\$ 1,298,031	\$ 1,270,181	\$ (27,850)
State sources	300,000	133,718	96,099	(37,619)
Interest	-	-	24,186	24,186
Charges for services	8,100	8,100	2,712	(5,388)
<b>Total revenues</b>	1,608,497	1,439,849	1,393,178	(46,671)
<b>Expenditures</b>				
Current - Public safety	1,407,958	1,352,164	1,182,473	(169,691)
<b>Net change in fund balance</b>	200,539	87,685	210,705	123,020
Fund balance, beginning of year	1,562,056	1,562,056	1,562,056	-
<b>Fund balance, end of year</b>	<u>\$ 1,762,595</u>	<u>\$ 1,649,741</u>	<u>\$ 1,772,761</u>	<u>\$ 123,020</u>

## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Parks and Recreation Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 325,099	\$ 324,508	\$ 349,920	\$ 25,412
State sources	-	-	24,025	24,025
Interest	-	-	6,701	6,701
Other revenues	1,500	1,800	2,135	335
<b>Total revenues</b>	326,599	326,308	382,781	56,473
<b>Expenditures</b>				
Current - Recreation and culture	377,110	324,341	328,477	4,136
<b>Net change in fund balance</b>	(50,511)	1,967	54,304	52,337
Fund balance, beginning of year	357,675	357,675	357,675	-
<b>Fund balance, end of year</b>	\$ 307,164	\$ 359,642	\$ 411,979	\$ 52,337

## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Street Light Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 2,473,768	\$ 3,159,297	\$ 4,248,103	\$ 1,088,806
Interest	-	-	34,552	34,552
<b>Total revenues</b>	2,473,768	3,159,297	4,282,655	1,123,358
<b>Expenditures</b>				
Current -				
Public works -				
Street lights	2,473,768	3,131,519	2,474,522	(656,997)
<b>Net change in fund balance</b>	-	27,778	1,808,133	1,780,355
Fund balance, beginning of year	1,128,127	1,128,127	1,128,127	-
<b>Fund balance, end of year</b>	<u>\$ 1,128,127</u>	<u>\$ 1,155,905</u>	<u>\$ 2,936,260</u>	<u>\$ 1,780,355</u>

## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Rubbish Collection Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 4,369,348	\$ 5,019,103	\$ 4,856,253	\$ (162,850)
Charges for services	-	-	11,030	11,030
Licenses and permits	1,500	1,500	960	(540)
Interest	-	-	28,662	28,662
<b>Total revenues</b>	<b>4,370,848</b>	<b>5,020,603</b>	<b>4,896,905</b>	<b>(123,698)</b>
<b>Expenditures</b>				
Current -				
Public works -				
Garbage and rubbish	4,546,842	5,009,010	4,915,877	(93,133)
<b>Net change in fund balance</b>	<b>(175,994)</b>	<b>11,593</b>	<b>(18,972)</b>	<b>(30,565)</b>
Fund balance, beginning of year	2,093,575	2,093,575	2,093,575	-
<b>Fund balance, end of year</b>	<b>\$ 1,917,581</b>	<b>\$ 2,105,168</b>	<b>\$ 2,074,603</b>	<b>\$ (30,565)</b>

## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - EDA Revolving Loan Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Interest	\$ 9,800	\$ 9,800	\$ 4,046	\$ (5,754)
Other revenues	31,300	31,300	432	(30,868)
<b>Total revenues</b>	41,100	41,100	4,478	(36,622)
<b>Expenditures</b>				
Current -				
Community development	3,800	3,800	1,791	(2,009)
<b>Net change in fund balance</b>	37,300	37,300	2,687	(34,613)
Fund balance, beginning of year	677,789	677,789	677,789	-
<b>Fund balance, end of year</b>	<u>\$ 715,089</u>	<u>\$ 715,089</u>	<u>\$ 680,476</u>	<u>\$ (34,613)</u>

## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - State Act 251 Forfeiture Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Charges for services	\$ 17,000	\$ 10,000	\$ 4,952	\$ (5,048)
Fines and forfeitures	77,500	77,500	86,889	9,389
Interest	-	-	17,378	17,378
<b>Total revenues</b>	94,500	87,500	109,219	21,719
<b>Expenditures</b>				
Current - Public safety	159,265	200,639	115,397	(85,242)
<b>Net change in fund balance</b>	(64,765)	(113,139)	(6,178)	106,961
Fund balance, beginning of year	1,144,195	1,144,195	1,144,195	-
<b>Fund balance, end of year</b>	<u>\$ 1,079,430</u>	<u>\$ 1,031,056</u>	<u>\$ 1,138,017</u>	<u>\$ 106,961</u>

## CITY OF FLINT, MICHIGAN

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Building Inspection Special Revenue Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Charges for services	\$ 30,000	\$ 21,000	\$ 20,411	\$ (589)
Licenses and permits	1,987,000	1,924,000	2,202,125	278,125
Federal sources	398,129	-	-	-
Interest	13,000	13,000	58,663	45,663
<b>Total revenues</b>	<b>2,428,129</b>	<b>1,958,000</b>	<b>2,281,199</b>	<b>323,199</b>
<b>Expenditures</b>				
Current - Public safety	2,372,968	2,006,744	1,625,805	(380,939)
<b>Net change in fund balance</b>	<b>55,161</b>	<b>(48,744)</b>	<b>655,394</b>	<b>704,138</b>
Fund balance, beginning of year	3,636,470	3,636,470	3,636,470	-
<b>Fund balance, end of year</b>	<b>\$ 3,691,631</b>	<b>\$ 3,587,726</b>	<b>\$ 4,291,864</b>	<b>\$ 704,138</b>



## CITY OF FLINT, MICHIGAN

### ■ Nonmajor Debt Service Funds

*Parking Deck Fund* – This fund was established to accumulate resources for the payment of bonds issued to construct a parking deck facility.

*Public Improvement Fund* – This fund was established to account for the annual 2.5 mill tax levy reserved by Section 7 201 of the City Charter for capital improvements and servicing of general obligation debt.

**CITY OF FLINT, MICHIGAN**

**Combining Balance Sheet**

Nonmajor Debt Service Funds  
June 30, 2020

	Parking Deck	Public Improvement Fund	Totals
<b>Assets</b>			
Cash and investments	\$ 355,010	\$ 1,168,539	\$ 1,523,549
Due from component unit	-	6,879,203	6,879,203
<b>Total assets</b>	<u>\$ 355,010</u>	<u>\$ 8,047,742</u>	<u>\$ 8,402,752</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 88,115	\$ 88,115
<b>Deferred inflows of resources</b>			
Unavailable revenue - loans	-	6,879,203	6,879,203
<b>Fund balances</b>			
Restricted	<u>355,010</u>	<u>1,080,424</u>	<u>1,435,434</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 355,010</u>	<u>\$ 8,047,742</u>	<u>\$ 8,402,752</u>

# CITY OF FLINT, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2020

	Parking Deck	Public Improvement Fund	Totals
<b>Revenues</b>			
Property taxes	\$ -	\$ 1,752,678	\$ 1,752,678
State sources	-	120,124	120,124
Local contributions	-	440,797	440,797
Interest	4,685	17,846	22,531
<b>Total revenues</b>	<u>4,685</u>	<u>2,331,445</u>	<u>2,336,130</u>
<b>Expenditures</b>			
Current -			
Recreation and culture	-	204,440	204,440
Debt service:			
Principal	1,190,000	-	1,190,000
Interest	1,045,508	-	1,045,508
<b>Total expenditures</b>	<u>2,235,508</u>	<u>204,440</u>	<u>2,439,948</u>
Revenues over (under) expenditures	<u>(2,230,823)</u>	<u>2,127,005</u>	<u>(103,818)</u>
<b>Other financing sources (uses)</b>			
Proceeds from issuance of refunding bonds	13,270,000	-	13,270,000
Premium on issuance of long-term debt	1,099,784	-	1,099,784
Payments to refunded bond escrow agent	(13,849,999)	-	(13,849,999)
Transfers in	2,055,063	-	2,055,063
Transfers out	-	(2,055,063)	(2,055,063)
<b>Total other financing sources (uses)</b>	<u>2,574,848</u>	<u>(2,055,063)</u>	<u>519,785</u>
<b>Net change in fund balances</b>	344,025	71,942	415,967
Fund balances, beginning of year	<u>10,985</u>	<u>1,008,482</u>	<u>1,019,467</u>
<b>Fund balances, end of year</b>	<u>\$ 355,010</u>	<u>\$ 1,080,424</u>	<u>\$ 1,435,434</u>

## CITY OF FLINT, MICHIGAN

### Internal Service Funds

*Fringe Benefits Fund* – This fund is used as a clearing account for the City's payroll and related fringe benefits, and to make payments for workers' compensation and unemployment claims. Monies are accumulated in this fund as a result of payroll allocations made on a departmental and/or bargaining unit basis.

*Data Processing Fund* – This fund distributes the costs of central data processing services to the various user departments.

*Central Maintenance Garage Fund* – This fund accounts for the costs of vehicles and equipment provided to City funds.

*Self-Insurance Fund* – This fund was established to accumulate monies which are available to settle claims against the City when no insurance coverage exists and to make insurance premium payments. The fund is reimbursed by the user departments for insurance premium payments made and monies accumulated for self-insurance.

# CITY OF FLINT, MICHIGAN

## Combining Statement of Net Position

Internal Service Funds

June 30, 2020

	Fringe Benefits	Data Processing	Central Maintenance Garage	Self-Insurance	Totals
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 21,717,619	\$ 5,134,048	\$ 9,302,730	\$ 79,533	\$ 36,233,930
Accounts receivable, net	912	-	472	-	1,384
Inventory	-	-	104,014	-	104,014
Prepays	-	37,480	10,041	251,875	299,396
<b>Total current assets</b>	<b>21,718,531</b>	<b>5,171,528</b>	<b>9,417,257</b>	<b>331,408</b>	<b>36,638,724</b>
Noncurrent assets -					
Capital assets being depreciated, net	-	475,058	7,427,245	-	7,902,303
<b>Total assets</b>	<b>21,718,531</b>	<b>5,646,586</b>	<b>16,844,502</b>	<b>331,408</b>	<b>44,541,027</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	4,611,549	121,149	218,611	1,084,722	6,036,031
Accrued liabilities	88,465	18,465	14,981	-	121,911
Due to other governments	90,953	-	-	-	90,953
Accrued interest	-	-	60,401	-	60,401
Current portion of claims payable	-	-	-	169,249	169,249
Current portion of notes payable	-	-	923,132	-	923,132
<b>Total current liabilities</b>	<b>4,790,967</b>	<b>139,614</b>	<b>1,217,125</b>	<b>1,253,971</b>	<b>7,401,677</b>
Noncurrent liabilities:					
Claims, net of current portion	-	-	-	743,437	743,437
Notes payable, net of current portion	-	-	2,689,775	-	2,689,775
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>2,689,775</b>	<b>743,437</b>	<b>3,433,212</b>
<b>Total liabilities</b>	<b>4,790,967</b>	<b>139,614</b>	<b>3,906,900</b>	<b>1,997,408</b>	<b>10,834,889</b>
<b>Net position</b>					
Net investment in capital assets	-	475,058	3,814,338	-	4,289,396
Unrestricted (deficit)	16,927,564	5,031,914	9,123,264	(1,666,000)	29,416,742
<b>Total net position</b>	<b>\$ 16,927,564</b>	<b>\$ 5,506,972</b>	<b>\$ 12,937,602</b>	<b>\$ (1,666,000)</b>	<b>\$ 33,706,138</b>

# CITY OF FLINT, MICHIGAN

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2020

	Fringe Benefits	Data Processing	Central Maintenance Garage	Self-Insurance	Totals
<b>Operating revenues</b>					
Charges for services	\$ 52,744,548	\$ 3,337,624	\$ 5,207,365	\$ 772,682	\$ 62,062,219
Other	5,954	-	10,430	6,965,443	6,981,827
<b>Total operating revenues</b>	<u>52,750,502</u>	<u>3,337,624</u>	<u>5,217,795</u>	<u>7,738,125</u>	<u>69,044,046</u>
<b>Operating expenses</b>					
Salaries and benefits	768,110	1,129,637	1,241,615	80,424	3,219,786
Supplies	-	478	968,425	-	968,903
Contractual services	334,469	2,676,207	67,030	7,269,944	10,347,650
Utilities	-	-	11,169	-	11,169
Repairs and maintenance	-	10,909	356,664	-	367,573
Insurance	-	-	-	754,877	754,877
Costs of materials and services rendered	45,561,541	-	-	-	45,561,541
Other	46,535	47,275	463,545	500	557,855
Depreciation	-	123,922	1,629,734	-	1,753,656
<b>Total operating expenses</b>	<u>46,710,655</u>	<u>3,988,428</u>	<u>4,738,182</u>	<u>8,105,745</u>	<u>63,543,010</u>
Operating income (loss)	<u>6,039,847</u>	<u>(650,804)</u>	<u>479,613</u>	<u>(367,620)</u>	<u>5,501,036</u>
<b>Nonoperating revenues (expenses)</b>					
Interest revenue	264,783	63,643	123,345	3,984	455,755
Interest expense and fees	-	-	(116,467)	-	(116,467)
<b>Total nonoperating revenues</b>	<u>264,783</u>	<u>63,643</u>	<u>6,878</u>	<u>3,984</u>	<u>335,304</u>
Income (loss) before transfers	6,304,630	(587,161)	486,491	(363,636)	5,836,340
Transfers out	(819,518)	-	-	-	(819,518)
<b>Change in net position</b>	5,485,112	(587,161)	486,491	(363,636)	5,020,806
Net position, beginning of year	11,442,452	6,094,133	12,451,111	(1,302,364)	28,685,332
<b>Net position, end of year</b>	<u>\$ 16,927,564</u>	<u>\$ 5,506,972</u>	<u>\$ 12,937,602</u>	<u>\$ (1,666,000)</u>	<u>\$ 33,706,138</u>

**CITY OF FLINT, MICHIGAN**

**Combining Statement of Cash Flows**

Internal Service Funds

For the Year Ended June 30, 2020

	Fringe Benefits	Data Processing	Central Maintenance Garage	Self-Insurance	Totals
<b>Cash flows from operating activities</b>					
Cash received from interfund services	\$ 52,843,053	\$ 3,337,624	\$ 5,217,796	\$ 8,072,682	\$ 69,471,155
Cash payments for goods and services	(45,741,701)	(2,715,468)	(1,551,247)	(8,110,464)	(58,118,880)
Cash payments to employees	(768,110)	(1,129,637)	(1,241,615)	(605,349)	(3,744,711)
<b>Net cash provided by (used in) operating activities</b>	<u>6,333,242</u>	<u>(507,481)</u>	<u>2,424,934</u>	<u>(643,131)</u>	<u>7,607,564</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers out	(819,518)	-	-	-	(819,518)
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	-	(279,231)	(722,088)	-	(1,001,319)
Proceeds from issuance of long-term debt	-	-	-	-	-
Principal paid on long-term debt	-	-	(1,356,927)	-	(1,356,927)
Interest paid on long-term debt	-	-	(56,066)	-	(56,066)
<b>Net cash used in capital and related financing activities</b>	<u>-</u>	<u>(279,231)</u>	<u>(2,135,081)</u>	<u>-</u>	<u>(2,414,312)</u>
<b>Cash flows from investing activities</b>					
Interest received	264,783	63,643	123,345	3,984	455,755
<b>Net change in cash and investments</b>	5,778,507	(723,069)	413,198	(639,147)	4,829,489
Cash and investments, beginning of year	15,939,112	5,857,117	8,889,532	718,680	31,404,441
<b>Cash and investments, end of year</b>	<u>\$ 21,717,619</u>	<u>\$ 5,134,048</u>	<u>\$ 9,302,730</u>	<u>\$ 79,533</u>	<u>\$ 36,233,930</u>

continued...

# CITY OF FLINT, MICHIGAN

## Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2020

	Fringe Benefits	Data Processing	Central Maintenance Garage	Self-Insurance	Totals
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 6,039,847	\$ (650,804)	\$ 479,613	\$ (367,620)	\$ 5,501,036
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	-	123,922	1,629,734	-	1,753,656
Change in operating assets and liabilities that provided (used) cash:					
Accounts receivable, net	92,551	-	1	-	92,552
Due from other governments	-	-	-	334,557	334,557
Inventory	-	-	2,336	-	2,336
Prepays	374,444	(37,480)	247,837	(23,671)	561,130
Accounts payable	(251,292)	51,118	66,091	(61,472)	(195,555)
Accrued liabilities	(13,261)	5,763	(678)	-	(8,176)
Due to other governments	90,953	-	-	-	90,953
Claims payable	-	-	-	(524,925)	(524,925)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 6,333,242</u>	<u>\$ (507,481)</u>	<u>\$ 2,424,934</u>	<u>\$ (643,131)</u>	<u>\$ 7,607,564</u>
concluded					
Noncash transactions:					
Capital asset financed with lease payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,218,542</u>	<u>\$ -</u>	<u>\$ 4,218,542</u>



## CITY OF FLINT, MICHIGAN

### Agency Funds

*Miscellaneous Agency Fund* – This fund is used to account for delinquent property taxes levied by other taxing units and other assets held by the City as an agent for individuals, private organizations, other governments, and other funds.

*County Revolving Loan Fund* – This fund is used to account for monies held in an agency capacity for the use of the Genesee County Economic Development Corporation.

# CITY OF FLINT, MICHIGAN

## Combining Statement of Fiduciary Assets and Liabilities

Agency Funds  
June 30, 2020

	Miscellaneous Agency	County Revolving Loan	Totals
<b>Assets</b>			
Cash and investments	\$ 4,469,778	\$ 557,385	\$ 5,027,163
<b>Liabilities</b>			
Undistributed receipts	\$ 4,469,778	\$ -	\$ 4,469,778
Due to other governments	-	557,385	557,385
<b>Total liabilities</b>	<u>\$ 4,469,778</u>	<u>\$ 557,385</u>	<u>\$ 5,027,163</u>

## **INTERNAL CONTROL AND COMPLIANCE**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

January 21, 2021

Members of the City Council  
City of Flint, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Flint, Michigan** (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2021. Our report includes a reference to other auditors who audited the financial statements of the Hurley Medical Center, Downtown Development Authority and the Flint Area Economic Corporation, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Flint Area Economic Corporation were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2020-001 through 2020-007 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* with the exception of the item reported as item 2020-005.

### **City of Flint's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

## CITY OF FLINT, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2020

#### 2020-001 – Material Audit Adjustments (repeat finding)

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition.** During the audit, multiple versions of the trial balance and adjustments were provided in order to reach proper year-end balances. The majority of the adjustments that were made to the trial balance were identified by the auditors, while a few were identified by the City.

**Cause.** This condition was the result of a lack of management oversight. Internal controls did not detect all adjustments necessary to properly record year-end balances.

**Effect.** As a result of this condition, the City's accounting records were initially misstated by amounts material to the financial statements. Specifically, the following areas were misstated:

- Pooled cash and interest revenue affecting multiple opinion units was overstated by \$1,000,000 due to the City not recording an investment loss for the change in the market value.
- Claims payable in the self-insurance fund were understated by \$543,565.
- Interest payable in the central maintenance garage internal service fund was understated by \$60,401. The City did not record accrued interest payable related to the capital leases.
- Inventory in the sewer fund was overstated by \$298,702 due to the City not writing inventory down to the count that was performed. The City does not have a perpetual system to reconcile the inventory balance against. The City does however record the inflows and outflows of inventory, and has the ability to reconcile the ending balance, but did not do so as of year-end.
- Depreciation expense and accumulated depreciation in the central maintenance garage internal service fund was overstated by \$180,000 due to the City recording depreciation for fire trucks in the incorrect fund. Further, depreciation expense for business-type activities was overstated by \$43,874. The City did not adjust the general ledger to agree to the capital asset supporting records.
- Salaries expense and related deferred inflows for the pension plan in the sewer fund were understated by \$12,665,996 and overstated in the water fund by \$3,125,036. This adjustment was the result of the City changing the pension expense allocation between funds in the current year and not amortizing that change over the average remaining service life of plan participants as required by GASB 68.

## CITY OF FLINT, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2020

- Long-term debt related to capital leases payable in the central maintenance garage internal service fund was overstated by \$17,916. The City did not adjust the general ledger to agree to the debt supporting records.
- Unearned revenue and due from other governments was overstated in the major streets fund by \$554,428. The City originally recorded a receivable from the State for reimbursement of city services, however, the City has not received the pre-authorization letter from the Michigan Department of Transportation (MDOT) justifying the receivable at year-end.
- Water and sewer fund allowance for uncollectable utility billings was overstated by \$1,422,951 and \$288,935, respectively, due to the City not calculating the allowance correctly and reconciling to the general ledger.
- Sewer fund capital assets were understated and the related repairs and maintenance expense were overstated by \$613,240 due to the City not capitalizing a sewer asset that should have been. Further, water fund capital assets were understated and the related repairs and maintenance expenses were overstated by \$1,076,110 due to the City not capitalizing retainage for water construction in progress.

**Recommendation.** We recommend that the City prepare, review, and reconcile all year-end schedules that are used in financial reporting prior to audit fieldwork.

**View of Responsible Officials.** Management concurs with this finding. New structures and organizational processes are being put in place to address these issues in FY 2021.

## CITY OF FLINT, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2020

#### 2020-002 – Purchasing Cards (repeat finding)

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** The City is responsible for developing policies and a system of internal control that ensures the City limits its exposure to misstatement whether due to fraud or error.

**Condition.** In order to observe the internal controls over purchasing cards (p-cards), we selected five transactions for testing. Of the five selected, we noted five instances in which the Agreement to Accept the Procurement Card was missing approval signatures from either the department head, finance department, or both. Additionally, for one of the expense reports selected for testing, the expense report was submitted and approved by the same individual instead of the p-card user signing and the p-card coordinator approving per the City policy. Further, the City does not have the purchasing manager approve the issuance of p-cards as outlined in the City policy. Finally, the City also has a process in place whereby department head purchases are approved by subordinates in that department. This is not a proper level of independent review.

**Cause.** The City has a policy in place that is not being followed.

**Effect.** As a result of this condition, the City is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

**Recommendation.** The City should evaluate its policies and procedures to verify that all employees are following the requirements and retain documentation and approval of all p-card purchases.

**View of Responsible Officials.** Management does concur with the finding. Management will verify individuals who can approve each card and make sure that Procurement cards have appropriate signatures and seek significant improvements in FY 2021.



## CITY OF FLINT, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2020

#### 2020-003 – Unsupported Accounts (repeat finding)

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition.** The agency fund has payables and receivables for property taxes recorded for \$4,193,158 that the City was not able to provide detail or an explanation for. Further, the City has additional liabilities of \$276,620 recorded in the agency fund that are unsupported and the City is unsure what these amounts represent and who the City is holding these funds for. Additionally, the City has retainage payable amounts totaling \$96,025 in the water fund that the City was unable to provide support for and would need to be resolved with the vendor to substantiate whether the balance recorded is accurate. The City is not reconciling these retainages back to the general ledger.

**Cause.** This condition was the result of a lack of management oversight. Internal controls did not detect all adjustments necessary to properly record year-end balances.

**Effect.** The City's accounting records could be potentially misstated with no detail to support the individual payable items.

**Recommendation.** We recommend that the City review its accounts, determine the individual items payable or receivable, and adjust accordingly.

**View of Responsible Officials.** Management does concur with finding. New organizational processes are being put in place to address these issues in FY 2021.

# CITY OF FLINT, MICHIGAN

## Schedule of Findings and Responses

For the Year Ended June 30, 2020

### 2020-004 - Utility Billing (repeat finding)

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for establishing effective internal controls to safeguard the City's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the City's unique circumstances. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

**Condition.** The City has approximately \$2.5 million in credit balances spread across roughly 8,700 accounts in the utility billing module. Additionally, any credits to customer accounts do not appear to have a formal approval process in place. The billing supervisor can approve credits and then also approve the final billings before they are sent to customers. This is an inappropriate segregation of incompatible duties. Water Residential Assistance Program ("WRAP") credits are applied to customer accounts without anyone independently reviewing the accounts that credits are applied to agree with the listing provided by Genesee County. Further, the service charges for water and sewer in the utility billing system did not agree to the approved rates. Additionally, there were tax liens of \$574,056 that had been removed and placed on the tax roll and then subsequently placed back into the utility billing receivable balance during the year, for which the City does not have a policy in place for the removal of tax liens. Finally, there were removed tax liens of \$469,511 that were improperly included in water and sewer revenue instead of being reported as a liability in the current year since they will be settled with the County as a chargeback in fiscal year 2021. This amount is shown on the Schedule of Adjustments Passed (SOAP).

**Cause.** This condition was the result of a lack of management oversight. Policies and internal controls are not designed properly.

**Effect.** As a result of this condition, the City is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

**Recommendation.** We recommend that the City implement proper internal controls over utility billing and document through a written policy. Any WRAP credits or removal of tax liens should also be approved correctly in accordance with a policy and documented. Additionally, credit balances for utility billing should be escheated to the State or applied to different accounts for the same customer. Further, the service charges in the utility billing system should be reviewed to ensure they agree to the approved rates.

## CITY OF FLINT, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2020

**View of Responsible Officials.** Management concurs with this finding. WRAP credits are processed by Genesee County Community Action Resource department (GCCARD), not the City of Flint (COF). The COF receives a list from GCCARD to state who they have approved to be on this program. We receive the checks from them with a list on who and how much should be applied. A corrected Master Fee schedule (July 2020) shows the correct service charges. A policy has been drafted for reversing liens and the COF will continue to work on this issue in FY 2021.

## CITY OF FLINT, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2020

#### 2020-005 – Investments (repeat finding)

**Finding Type.** Material Noncompliance; Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Michigan State law requires the City to have an investment policy and that the City's investments be allowable in accordance with Public Act 20 of 1943.

**Condition.** The City was unable to provide an approved investment policy. Additionally, the City has \$668,412 recorded in a Death Benefit "trust fund". However, a formal trust agreement does not exist, so the investments are required to comply with PA 20. We noted that the investments are not in compliance and the amounts are material to the financial statements.

**Cause.** This condition appears to be the result of an oversight of not putting the investments in a trust fund.

**Effect.** As a result of this condition, the City is out of compliance with State law.

**Recommendation.** We recommend that the City maintain an approved investment policy and verify that its investments are allowable in accordance with State law. We also recommend that the City create a legally irrevocable trust in compliance with GASB 74 for the death benefit and that the funds be deposited into this trust.

**View of Responsible Officials.** Management concurs with this finding. The City Council will be presented with an investment policy to review and approve in FY 2021.

## CITY OF FLINT, MICHIGAN

### Schedule of Findings and Responses

For the Year Ended June 30, 2020

#### 2020-006 – Payroll Documentation (repeat finding)

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for maintaining payroll documentation to support the rates employees are paid.

**Condition.** When comparing six individuals selected from the OPEB census to supporting in the personnel files, we noted the following: (1) one instance in which documentation of an employee's union code was not available in their personnel file and (2) one instance in which an employee had a pay increase but documentation of approval of this increase was not available and did not agree to the City's compensation schedule. When comparing the 2017 and 2019 OPEB census data downloads, we noted the following: (1) seven instances in which an individual's date of birth on the 2019 census did not match the individual's date of birth on the 2017 census, three of which the difference was greater than a year; (2) 57 instances in which an individual's date of hire on the 2019 census did not match the individual's date of hire on the 2017 census, four of which the difference was greater than a year; (3) 56 instances in which an individual's date of retirement on the 2019 census did not match the individual's date of retirement on the 2017 census, 13 of which the difference was greater than a year; (4) nine instances in which an individual's social security number on the 2019 census did not match the individual's social security number on the 2017 census and (4) one instance in which an individual was listed on the 2019 census and should not have been. When comparing seven individuals selected from the pension census to supporting documents in the personnel files, we noted the following: (1) one instance in which the City did not have documentation of the employee's hire date in the personnel file; (2) five instances in which the employee's marital status per the personnel file did not agree to the data submitted to MERS and (3) one instance in which an employee had a pay increase but documentation of approval of this increase was not available and did not agree to the City's compensation schedule.

**Cause.** This condition appears to be the result of City employees making changes and not retaining documentation or approval.

**Effect.** As a result of this condition, City employees may be being paid incorrectly and the pension and OPEB census data used by the actuaries may be incorrect.

**Recommendation.** We recommend that the City document all employee's salaries, raises and changes with documentation that contains the proper approval. Additionally, the City should verify that census data being provided to the actuaries is complete and accurate and supported by documentation in the employee files.

**View of Responsible Officials.** Management concurs with this finding. The new HR Director and Finance team will work together to resolve this issue in FY 2021.

# CITY OF FLINT, MICHIGAN

## Schedule of Findings and Responses

For the Year Ended June 30, 2020

### 2020-007 - Tax Distributions

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Section 43(3)(a) of Public Act 206 of 1893, the General Property Tax Act, MCL 211.43(3)(a) (the "Public Act"), provides that local units of Government with a State equalized value of more than \$15,000,000 shall, within 10 business days after the first and fifteenth day of each month, account for and deliver to the county treasurer and other tax assessing units, the tax collections on hand on the first and fifteenth day of each month.

**Condition.** During our review of undistributed receipts, we noted that there were taxes collected by the City on behalf of other local units that were not distributed in accordance with the Public Act totaling \$1,549,297. We also noted that the City had erroneously paid some local units more than was collected on their behalf. The total of these overpayments as of June 30, 2020 was \$362,670.

**Cause.** This condition appears to be the result of City not implementing proper internal controls to ensure the timely and appropriate disbursement of property taxes collected on behalf of other local units of government.

**Effect.** As a result of this condition, the City is in violation of Public Act 206 of 1893 and is also exposed to an increased risk related to the overpayments.

**Recommendation.** We recommend that the City implement procedures over disbursing property taxes collected on behalf of other local units of government in accordance with the Public Act as well as procedures to ensure that the amount remitted to the other local units does not exceed the amount collected on behalf of the local unit.

**View of Responsible Officials.** Management concurs with this finding. The City of Flint is updating the chart of accounts. Along with this update, Finance, Treasury and Assessing will work on procedures and internal controls to resolve this issue in FY 2021.

## CITY OF FLINT, MICHIGAN

### Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2020

#### **Finding 2019-001 – Material Audit Adjustments**

The audit identified the need for substantial adjustments to the City's accounting records, which impacted a variety of funds and financial statement areas that collectively had a material effect on the City's financial statements. This matter was repeated as finding 2020-001.

#### **Finding 2019-002– Prior Period Adjustments**

The City had various unsupported balances and incorrect amounts presented in its June 30, 2018 comprehensive audited financial report (CAFR), which required the City's fund balance and/or net position to be restated for a variety of funds. This matter was resolved in 2020.

#### **Finding 2019-003 – Segregation of Incompatible Duties**

The City lacked a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. This matter was resolved in 2020.

#### **Finding 2019-004 – Preparation of the Schedule of Expenditures of Federal Awards**

The audit identified a material adjustment to properly report the Title IX Revolving Loan Fund resulting in changes to the total federal awards expended, which in turn required a reassessment of risk in determining and selecting major federal programs for testing. Additionally, the City was unable to provide explanation of how this amount was calculated using its accounting records in accordance with the OMB Compliance Supplement for this grant. This matter was resolved in 2020.

#### **Finding 2019-005 – Capital Assets**

The City had not maintained or reconciled accurate reports for capital assets, requiring additional audit work. This matter was resolved in 2020.

#### **Finding 2019-006 – Purchasing Cards**

Of the five purchasing cards (p-cards) selected, the audit identified three instances in which the department head authorized an individual to have a p-card, but the p-card administrator did not approve the card in accordance with the City's policy. The audit also identified one instance in which the approval form could not be provided to us at all and one form in which every signature was the same individual in the finance department. Additionally, the City was unable to provide expense reports or receipts for two of the five transactions selected for testing. Finally, the City also has a process in place where department head purchases are approved by subordinates in that department. This is not a proper level of independent review. This matter was repeated as finding 2020-002.

## CITY OF FLINT, MICHIGAN

### Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2020

#### **Finding 2019-007 – Unsupported Accounts**

The agency fund had cash and an offsetting liability for \$705,811 that the City was not able to provide a detailed list of who the City is holding these funds for. Additionally, the City had \$634,545 recorded in the general fund which is management's estimate for the amount due to the District Court. This matter was repeated as finding 2020-003.

#### **Finding 2019-008 – Utility Billing**

The City had approximately \$2.5 million in credit balances spread across roughly 8,000 accounts in the utility billing module. Included in the \$2.5 million is a \$1.2 million dollar credit to a large corporate entity that should either be applied against other billings or remitted to that entity. Additionally, any credits to customer accounts do not appear to have a formal approval process in place. The billing supervisor can approve credits and then also approve the final billings before they are sent to customers. This is an inappropriate segregation of incompatible duties. Water Residential Assistance Program ("WRAP") credits can be applied to an account without any oversight over whether someone is eligible or independently approved. Finally, the service charges for water in the utility billing system did not agree to the approved rates. This matter was repeated as 2020-004.

#### **Finding 2019-009 – Investments**

The City was unable to provide an approved investment policy. Additionally, the City had \$625,650 recorded in a Death Benefit "trust fund". However, a formal trust agreement does not exist, so the investments are required to comply with PA 20. We noted that the investments are not in compliance and the amounts are material to the financial statements. This matter was repeated as finding 2020-005.

#### **Finding 2019-010 – Payroll Documentation**

The audit identified one instance out of six files tested as part of our OPEB census testing for which documentation of an employee's union code was not available in their employee file. Additionally, the audit identified one instance out of seven individuals tested as part of the pension census that did not have documentation of the employee's hire date in the file. Also, two instances were identified, one of which was part of the OPEB census testing, in which an employee had a pay increase and documentation of approval of this increase was not available and did not agree to the City's compensation schedule. This matter was repeated as finding 2020-006.

#### **Finding 2019-011 – Cash Receipts**

The City does not have a process in place to properly document and approve cash overages or shortages when reconciling cash drawers in the Treasurer's Office. The drawers in the Treasurer's Office also do not lock and there is often a significant amount of cash on hand because there is no procedure to transfer cash to the safe throughout the day. This matter was resolved in 2020.



# CITY OF FLINT, MICHIGAN

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2020

### Finding 2019-012 – Purchasing

During testing of the procurement process for the Department of Public Works ("DPW") the audit identified vendors starting work prior to purchase order approval and/or contracts with vendors being fully executed. The audit further identified two issues with contracts where they were not dated. We were not able to test bid tabulation for two requests for proposals because the City could not provide support for the selected requests. Additionally, we examined a City Council resolution for a fire truck purchase that had signatures from another document taped over it and copied. We were unable to find an original signed copy of the final resolution. Finally, the City had approximately \$11.5 million in expenditures that did not have an associated purchase order. Most of the largest items are for construction contractors. This matter was resolved in 2020.

