

City of Flint

Comprehensive Annual Financial Report
June 30, 2013



Deliverables

- ⌚ **Auditors report letter on CAFR – Dated December 17, 2013**
- ⌚ **Report to the Emergency Financial Manager, Mayor, and City Council – Dated December 17, 2013**
- ⌚ **Single Audit – in process**

Report on the Results of the Audit

P&M's Responsibility Under Professional Standards

- ⌚ Related to: 1) Opinion on the Financial statements- provide reasonable but not absolute assurance- free of material misstatements, 2) Internal Controls- understand controls to plan the audit but not to render an opinion on Internal Control, 3) Perform an audit of the City's compliance related to general laws and regulations as well as Major Federal programs 4) communicate any fraud noted (No communications required)
- ⌚ Accounting policy change during FY 2013 – GASB 63
- ⌚ Management Judgments and Accounting Estimates-
 - ☐ Estimate of lawsuit claims payable, obligations related to pension and other post-employment benefits

Report on the Results of the Audit

Management Judgments and Accounting Estimates-(continued)

- ☐ Allowance for uncollectible receivables including income taxes, water and sewer and DDA receivables
- ☐ Allowance for pending tax tribunal and county chargebacks

Difficulties Encountered in Performing the Audit

- ⌚ During the process of performing and completing our audit, there were no difficulties in dealing with management (received full cooperation)

Corrected and Uncorrected Misstatements

- ⌚ As a result of our audit, there were adjustments proposed and posted by Plante Moran.

Report on the Results of the Audit

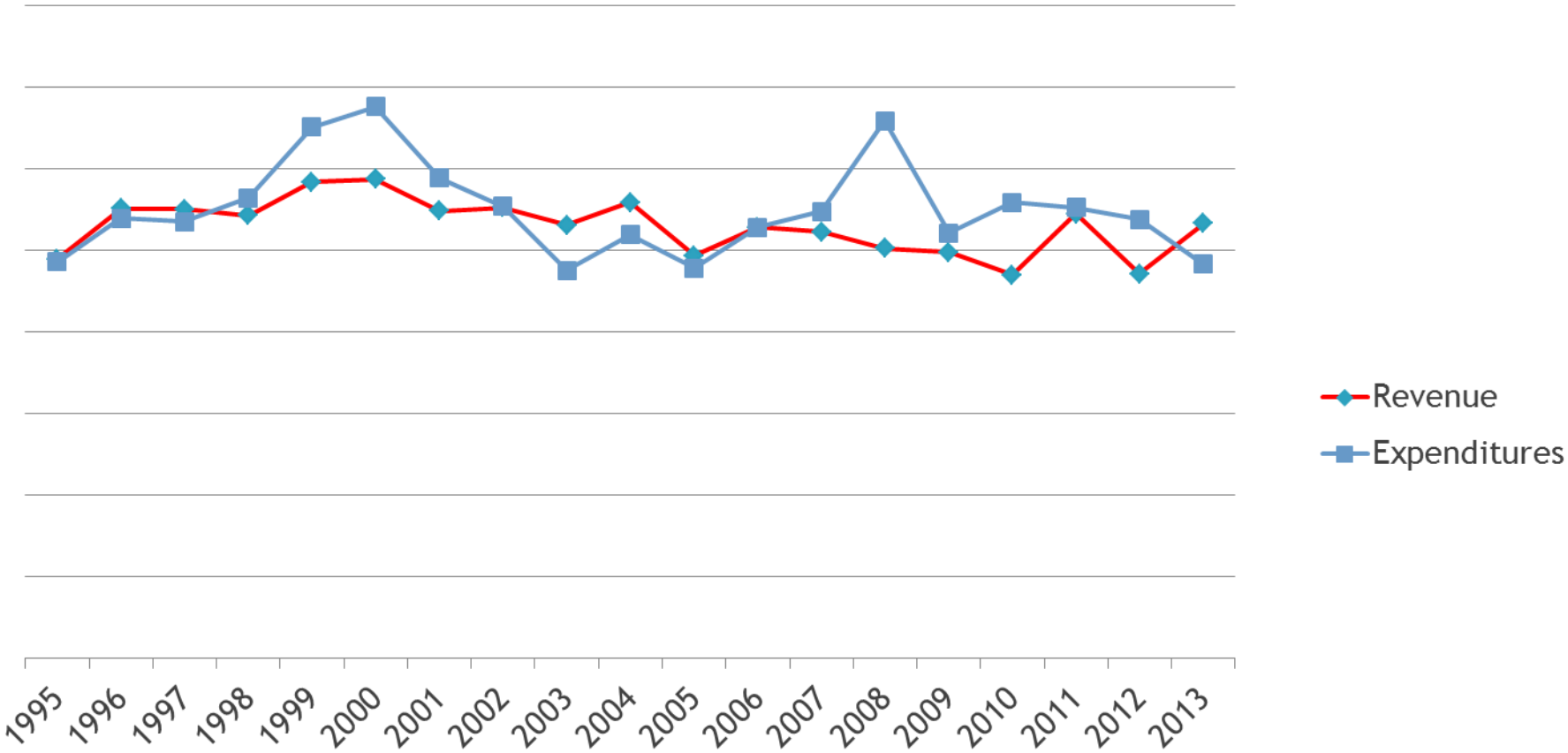
Report on Internal Control

Consideration of the City's internal controls over financial reporting in accordance with auditing standards generally accepted in the United States

The following material weaknesses were noted:

- ⌚ Interfund borrowings
- ⌚ Accrual adjustments (P&M identified additional year-end accruals)
- ⌚ Accounting treatment of the loan between the City and the Downtown Development Authority
- ⌚ Accounting treatment related to the closing of Flint Employees Retirement Systems' Fund and the calculation of fiscal year 2013 pension contributions
- ⌚ Capital asset procedures

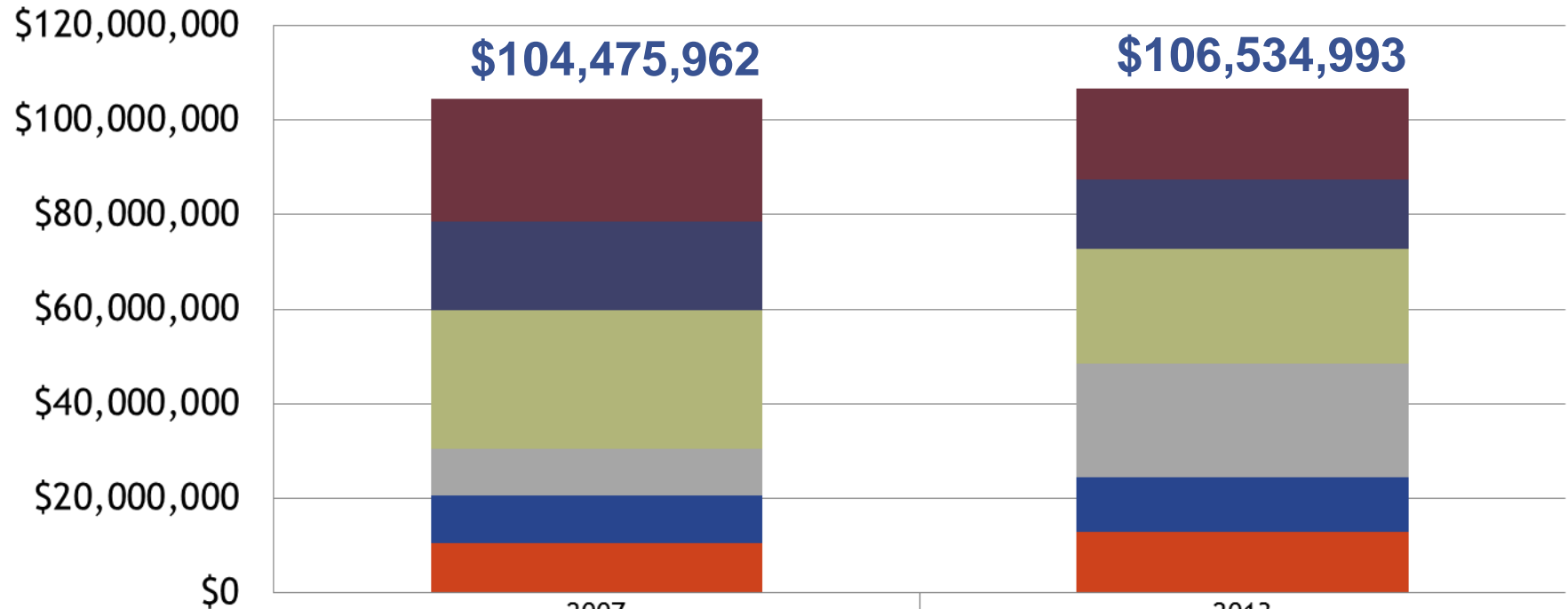
Example of Structural Deficit



Timing of Property Tax Decreases

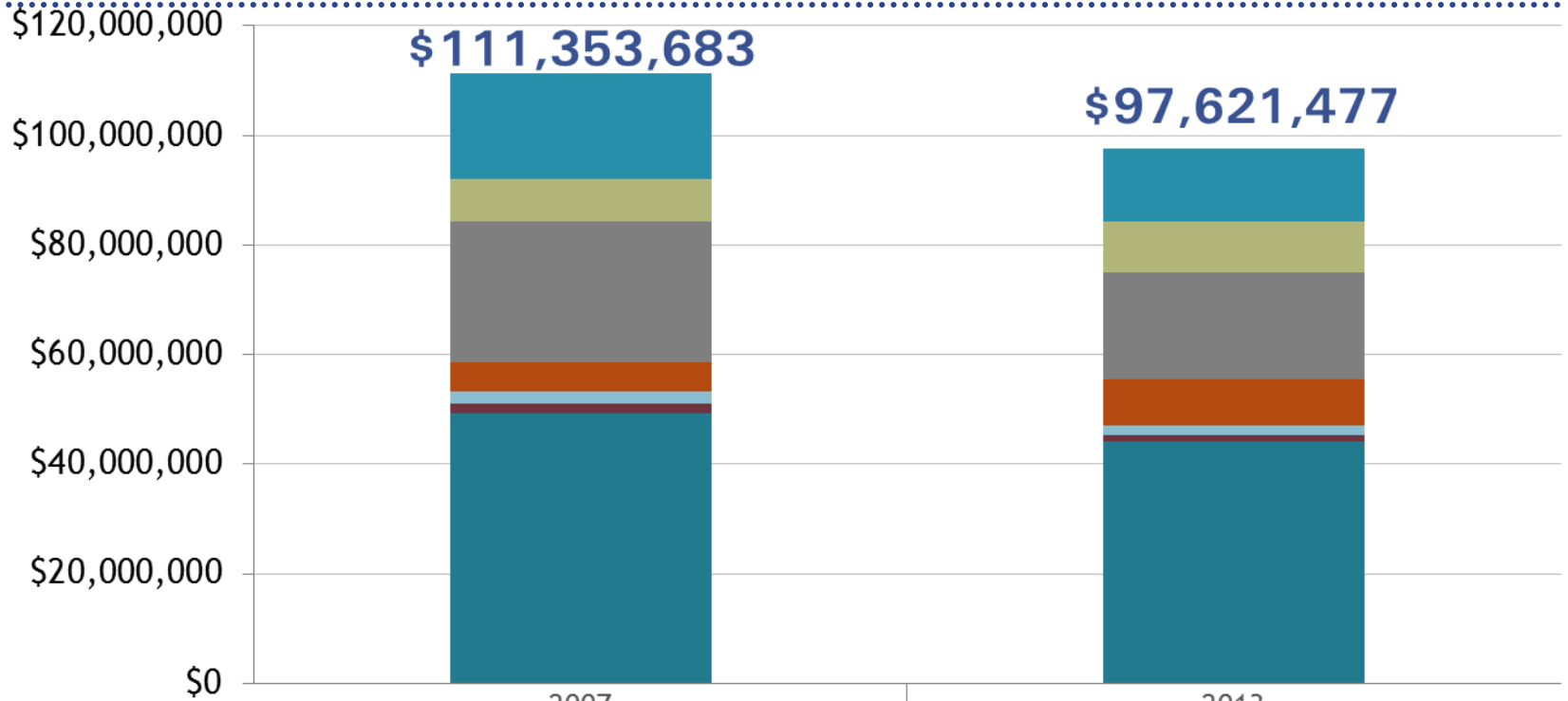
Budget Year	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14
Assessment date (based on sales from 12-24 months prior)	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12
Levy Date	7/1/09	7/1/10	7/1/11	7/1/12	7/1/13
Taxable Value	\$1,505,610,437	\$1,305,121,403	\$1,146,789,005	\$918,943,232	\$752,954,202
Percent increase (decrease)	(8.4%)	(13.3%)	(12.1%)	(19.9%)	(18.1%)

Governmental Fund Revenue Comparison



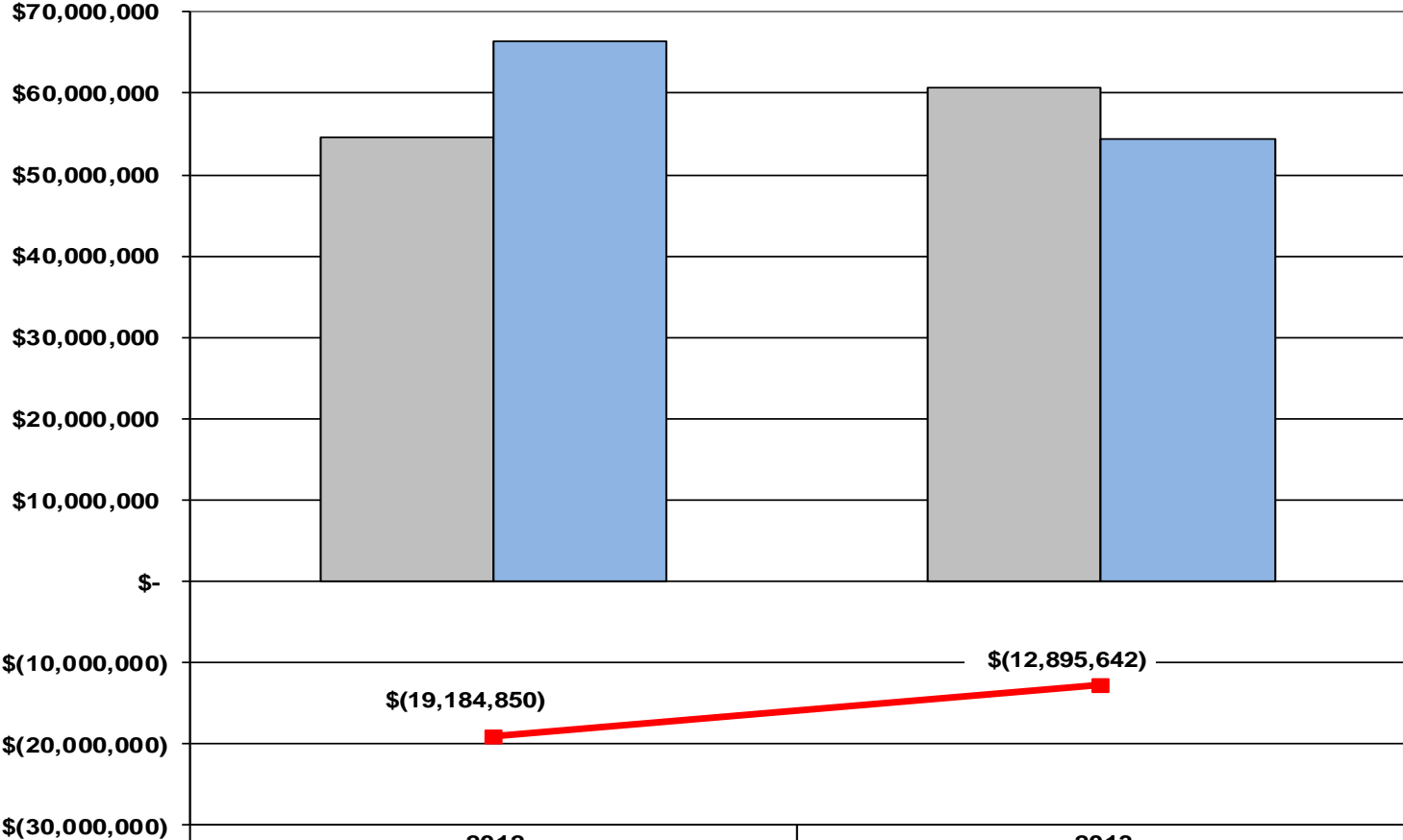
	2007	2013
Property Taxes	\$25,914,497	\$19,213,064
Income Taxes	\$18,717,312	\$14,674,274
State Revenue	\$29,486,652	\$24,262,024
Federal Grants	\$9,813,891	\$23,822,041
Charges for Services	\$10,108,460	\$11,594,534
Other	\$10,435,150	\$12,969,056

Governmental Fund Expenditure Comparison



	2007	2013
General Government/Legislative	\$19,403,209	\$13,299,031
Community Development	\$7,587,157	\$9,379,517
Public Works	\$25,746,155	\$19,456,387
Recreation and Culture	\$5,257,766	\$8,328,093
Debt Service	\$2,225,445	\$1,935,353
Transfers Out	\$1,856,380	\$1,028,457
Public Safety	\$49,277,571	\$44,194,639

Total Revenues and Expenditures General Fund



	2012	2013
Total Revenue and Transfers In	\$54,511,986	\$60,720,558
Total Expenditures and Transfers Out	\$66,420,697	\$54,431,350
Fund Balances	\$(19,184,850)	\$(12,895,642)

Revenue and Expenditures – Budget vs. Actual General Fund - 2013

	Amended Budget	Actual	Variance
Total revenue and other financing sources	\$59,260,279	\$60,720,558	\$1,460,279
Total expenditures and other financing uses	\$58,161,177	\$54,431,350 *	\$3,729,827

* These expenditures are predicated on the retiree health care cuts that were made in fiscal year 2013. With the Court of appeals ruling, these expenditures will increase substantially.

Governmental Funds

Total Fund Balance Comparison

Year-end	Fund Balance	
	<u>6/30/12</u>	<u>6/30/13</u>
Nonspendable – long-term receivable DDA	\$4,901,451	\$4,901,451
Restricted:		
Roads	\$3,284,634	\$4,515,164
Police	\$951,331	\$1,171,547
Debt service	\$7,163	\$7,163
Community development	\$640,253	\$826,744
Capital projects	\$1,630,490	\$2,597,719
Economic development	\$224,840	\$258,854
Parks and recreation	\$132,109	\$104,110
Building inspections	\$101,688	\$400,968
Garbage collection	\$43,792	-
Public safety	-	\$5,063,475
Street lighting	-	\$213,421
Unassigned (Deficit)	<u>\$(19,184,850)</u>	<u>\$(12,895,642)</u>
Total Fund Balance	\$ (7,267,099)	\$7,164,974

Sewer and Water Funds

Revenue and Expense Comparison

	Water Supply Division		Sewage Disposal Division	
	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>6/30/13</u>
Year end				
Operating Revenue	\$44,854,439	\$49,903,868	\$23,214,899	\$32,025,929
Operating Expenses-Other	\$36,852,252	\$37,738,353	\$20,249,253	\$21,203,557
Operating Expenses- Depreciation Expense	<u>\$4,984,242</u>	<u>\$3,563,937</u>	<u>\$5,071,908</u>	<u>\$3,974,076</u>
Operating Income (loss)	\$3,017,945	\$8,601,578	(\$2,106,262)	\$6,848,296
Nonoperating Revenue (Expense)	(\$641,082)	(\$742,736)	\$206,972	\$(1,855,832)
Capital Contributions	\$0	\$99,240	\$0	\$0
Transfers Out	<u>(\$1,130,000)</u>	<u>(\$1,130,000)</u>	<u>(\$1,860,000)</u>	<u>(\$1,860,000)</u>
Change in Net Position	<u>\$1,246,863</u>	<u>\$6,828,082</u>	<u>(\$3,759,290)</u>	<u>\$3,132,464</u>
Ending Unrestricted (Deficit)	<u>(\$8,758,091)</u>	<u>\$834,447</u>	<u>\$299,427</u>	<u>\$7,982,563</u>

Pension Obligation

Year End	Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)
2013	6/30/11	\$829,380,000	\$322,876,000
2012	6/30/10	\$835,052,000	\$267,837,000
2011	6/30/09	\$873,088,000	\$249,796,000
2010	6/30/08	\$841,266,000	\$170,900,000

Upcoming accounting change (GASB 68) will require the above liability to be recorded on the financial statements for Government Wide (for general government employees) and in the Water Supply Division and Sewage Disposal Division. This will be effective for the City's 2014-2015 fiscal year.

Other Postemployment Benefits (OPEB)

Year End	Actuarial Valuation Date	Actuarial Accrued Liability (AAL)
2013	7/1/12	\$320,180,757
2012	7/1/11	\$366,832,597
2011	7/1/10	\$862,302,934
2010	7/1/09	\$774,606,738

While the OPEB liability remains a large obligation to be funded there was significant improvement of the total amount of actuarial accrued liability for Other Postemployment Benefits as a result of changes made.

Other Recommendations

Pooled Cash Balance

<u>Year</u>	<u>Total Pooled Cash</u>	<u>General Fund Pooled Cash Balance (Deficit)</u>
2013	\$43,638,297	(\$17,112,000)
2012	13,496,000	(21,911,000)
2011	10,300,000	(13,300,000)
2010	14,950,000	(19,000,000)
2009	34,380,000	(17,160,000)

Single Audit Report

- ⌚ Report to be issued before March 31, 2014
- ⌚ Testing performed for five major federal programs (87.5% of total federal expenditures being tested)
- ⌚ Schedule of Expenditures of Federal Awards
 - ✎ Total Federal Expenditures - \$21,191,962
 - ✎ Total ARRA dollars spent in 2013 - \$7,374,488

Thank you for the opportunity to serve as
auditors for the City of Flint.

