

City of Taylor, Michigan

**Financial Report
with Supplemental Information
June 30, 2017**

City of Taylor, Michigan

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Independent Auditor's Report

To the Mayor and Members of the City Council
City of Taylor, 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 Taylor, Michigan (the "City") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City of Taylor, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Taylor Housing Commission (a discretely presented component unit), which represents 13 percent of assets and 42 percent of revenue of the discretely presented component units of the City of Taylor, Michigan for the year then ended. Those financial statements were audited by another auditor whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Taylor Housing Commission, is based solely on the report of the other auditor. The other auditor's report, dated October 3, 2017, expressed an unmodified opinion on the financial statements.

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 from material misstatement. The District Court Funds of District No. 23 were not audited in accordance with *Government Auditing Standards*.

To the Mayor and Members of the City Council
City of Taylor, Michigan

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of the other auditor, 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 Taylor, Michigan as of June 30, 2017 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 3, the financial statements include investments valued at \$34,104,454 (approximately 22 percent of the aggregate remaining fund information investments) at June 30, 2017 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund manager of the retirement system investments for the Police and Fire Retirement System. Our opinion has not been modified with respect to this matter

Other Matters

Required Supplemental Information

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

To the Mayor and Members of the City Council
City of Taylor, Michigan

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taylor, Michigan's basic financial statements. The other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates 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 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 other supplemental information, as identified in the table of contents, 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 December 18, 2017 on our consideration of the City of Taylor, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 of Taylor, Michigan's internal control over financial reporting and compliance.

Plante & Morse, PLLC

December 18, 2017

City of Taylor, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Taylor, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements.

In the City's General Fund, the main operating fund of the City, revenue increased by approximately \$928,000 from 2016, an increase of 2.47 percent. State-shared revenue increased by approximately \$639,000, which includes personal property tax reimbursement from the state Local Community Stabilization Authority (LCSA) that increased by approximately \$273,000. Court fine and forfeiture revenue increased by approximately \$218,000, and land sales increased by approximately \$160,000.

- Property tax-related revenue, which is the largest source of revenue, decreased in the current year by \$368,000. The majority of the decrease was based on reductions related to the small business personal property tax exemption legislation, which began in 2015. This decrease was offset by an increase in the personal property tax reimbursement from the LCSA. The City's tax revenue will continue to be a challenge due to taxable valuation limitations set forth in Proposal A and the Headlee Amendment.
- State-shared revenue was approximately \$8.1 million and our second largest revenue source. It was higher than the 2016 amount by approximately \$639,000. Constitutional and CVTRS revenue sharing increased by approximately \$277,000 and personal property tax reimbursement from the LCSA increased by approximately \$273,000.
- Other fines and forfeitures revenue increased by approximately \$218,000 from the prior year amount of \$5.30 million to approximately \$5.51 million for the year ended June 30, 2017. During the year, the City recorded approximately \$464,000 of revenue for site compliance bonds held that were forfeited.

General Fund expenditures increased by approximately \$5.4 million in the current year. General government experienced an increase of approximately \$2.2 million. Most of the increase is related to a one-time expenditure to write off an advance owed to the General Fund by the Golf Fund in the amount of \$1,750,000. The advance was incurred before fiscal year 2009 and no payments have been received. The amount was deemed uncollectible by city management. If the golf course operations improve significantly in the future, the General Fund could start recouping some overhead costs. Public safety experienced an increase of approximately \$1.5 million due to significant payouts of compensated absences for police and fire retirements. Public works experienced an increase of approximately \$1.1 million, mostly due to a large amount of vehicles and equipment purchased during 2017. Recreation and culture expenditures increased by approximately \$412,000 due to the purchase of vehicles and equipment in 2017. Debt service increased by approximately \$266,000, mostly relating to equipment leases from 2016 that were paid for a full 12 months during the 2017 fiscal year.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The fund balance of the General Fund (the cumulative difference between revenue and expenditures) shows that the annual revenue was sufficient to pay for all expenditures. The unassigned fund balance at June 30, 2017 was a surplus of \$6,495,660. The increase in unassigned fund balance indicates that the City continues to move in the right direction. The \$6,495,660 of unassigned fund balance is approximately 16 percent of annual operating expenditures. Best practices and the City's auditors state that in order to achieve financial stability, the City should have an unassigned fund balance of 15-30 percent of annual operating expenditures. Even though the City has increased its unassigned fund balance over the past three years, because of the limits on the City's ability to increase revenue, it is imperative that management's focus be on maintaining a structural surplus and only use fund balance reserve for capital or one-time expenditures.

The City's golf courses continue to operate at a collective deficit, substantially as a result of depreciation of assets and retirement benefits known as "other postemployment benefit" costs (OPEB). The golf courses' plan to limit expenses to amount of revenue generated has resulted in negative cash flow from operations during 2017 of approximately \$367,000. The golf courses' operating revenue decreased by approximately \$206,000 compared to the previous year. Constant review and evaluation of golf course operations are imperative, which allows for timely adjustments that directly impact the golf courses' bottom line. In an effort to increase revenue at the golf courses, the City has upgraded the courses and facilities, and plans to implement new marketing strategies to solicit more golf rounds, golf outings, and other events. The City has also addressed staffing expenditures by reducing full-time positions.

Total net position related to the City's governmental activities at the end of the year was a deficit of approximately \$(26.5 million), an \$18.5 million decrease from the prior year's deficit of approximately \$(7.9) million in net position. The net decrease is mainly due to recording the increase in the annual OPEB obligation and net pension liability. With the recently completed collective bargaining agreements, the City has made great strides in addressing the future increases of the OPEB obligation by mandating all newly hired and future city employees participate in a health savings account, instead of the more costly retiree healthcare insurance. Also, for the most part, all future retirees eligible for retiree health care are now required to pay 20 percent cost share.

Overview of the Financial Statements

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

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Government-wide Financial Statements - The statement of net position and the statement of activities provide information about the activities of the City on a government-wide basis. They are designed to present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting, similar to a private sector business, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Fund Financial Statements - The fund financial statements are presented after the government-wide statements. They present a short-term view and tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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 required supplemental information concerning the City's General Fund budget and the City's progress in funding its obligation to provide pension benefits to its employees. Other supplemental information is also presented in the form of major fund budget information, combining statements for nonmajor governmental funds, and fiduciary funds.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The City of Taylor, Michigan as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2016 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Assets						
Current assets	\$ 25,623,869	\$ 37,393,146	\$ 31,112,911	\$ 30,562,217	\$ 56,736,780	\$ 67,955,363
Capital assets	173,599,658	171,993,497	133,661,246	138,513,924	307,260,904	310,507,421
Other noncurrent assets	3,414,731	187,827	5,113,398	7,147,446	8,528,129	7,335,273
Total assets	202,638,258	209,574,470	169,887,555	176,223,587	372,525,813	385,798,057
Deferred Outflows of Resources						
Bond refunding loss being amortized	46,667	-	-	-	46,667	-
Pensions	32,746,629	9,888,165	813,541	665,355	33,560,170	10,553,520
Total deferred outflows	32,793,296	9,888,165	813,541	665,355	33,606,837	10,553,520
Liabilities						
Current liabilities	12,503,228	21,623,217	9,905,282	10,134,314	22,408,510	31,757,531
Long-term liabilities	230,232,470	214,639,400	42,885,026	42,257,882	273,117,496	256,897,282
Total liabilities	242,735,698	236,262,617	52,790,308	52,392,196	295,526,006	288,654,813
Deferred Inflows of Resources -						
Pensions	644,262	9,678,647	-	-	644,262	9,678,647
Net Position						
Net investment in capital assets	159,300,368	162,177,058	106,398,179	114,753,173	265,698,547	276,930,231
Restricted	13,670,493	10,206,336	2,909,045	3,199,183	16,579,538	13,405,519
Unrestricted (deficit) assets	(180,919,267)	(198,862,023)	8,603,564	6,544,390	(172,315,703)	(192,317,633)
Total net position (deficit)	<u>\$ (7,948,406)</u>	<u>\$ (26,478,629)</u>	<u>\$ 117,910,788</u>	<u>\$ 124,496,746</u>	<u>\$ 109,962,382</u>	<u>\$ 98,018,117</u>

The City's combined net position totaled approximately \$98.0 million, a decrease of 11 percent from the prior year. As we look at the governmental activities separately from the business-type activities, we can see that the current level of unrestricted deficit increased by approximately \$17.9 million for our governmental activities. The business-type activities unrestricted net position decreased by approximately \$2.0 million during 2017.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net position during the current year:

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenue						
Program revenue:						
Charges for services	\$ 13,157,355	\$ 13,263,968	\$ 21,570,444	\$ 22,819,726	\$ 34,727,799	\$ 36,083,694
Operating grants and contributions	8,055,320	9,117,097	-	-	8,055,320	9,117,097
Capital grants and contributions	3,184,160	3,957,498	443,300	2,001,830	3,627,460	5,959,328
General revenue:						
Property taxes	26,782,414	25,194,247	4,574,504	4,895,663	31,356,918	30,089,910
State-shared revenue	8,249,931	8,393,713	-	-	8,249,931	8,393,713
Unrestricted investment earnings	37,292	46,207	51,128	73,661	88,420	119,868
Miscellaneous revenue	8,636,794	8,484,033	34,044	1,831,906	8,670,838	10,315,939
Total revenue	68,103,266	68,456,763	26,673,420	31,622,786	94,776,686	100,079,549
Program Expenses						
General government	15,887,973	13,640,756	-	-	15,887,973	13,640,756
Public safety	51,791,674	44,614,112	-	-	51,791,674	44,614,112
Public works	20,767,473	20,520,512	-	-	20,767,473	20,520,512
Community and economic development	2,395,524	2,445,640	-	-	2,395,524	2,445,640
Recreation and culture	4,577,800	5,299,247	-	-	4,577,800	5,299,247
Interest on long-term debt	884,416	466,719	-	-	884,416	466,719
Water	-	-	8,742,471	11,118,425	8,742,471	11,118,425
Sewer	-	-	9,984,034	9,878,218	9,984,034	9,878,218
Golf courses	-	-	4,786,342	3,732,209	4,786,342	3,732,209
Ecorse Creek	-	-	303,628	307,976	303,628	307,976
Total program expenses	96,304,860	86,986,986	23,816,475	25,036,828	120,121,335	112,023,814
Transfers	-	-	-	-	-	-
Change in Net Position	\$ (28,201,594)	\$ (18,530,223)	\$ 2,856,945	\$ 6,585,958	\$ (25,344,649)	\$ (11,944,265)

Governmental Activities

The City's total governmental revenue increased from approximately \$68.1 million to approximately \$68.5 million. The City's total governmental expenses decreased by approximately \$9.3 million, a 9.7 percent decrease from 2016. The decrease is mainly due to the decrease in the general pension and police and fire pension expense.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water, Sewer, Ecorse Creek, and Golf Course Enterprise Funds. The City provides water to residents from the Detroit Water System. The City also provides sewage treatment through a Wayne County-owned and operated sewage treatment plant. The City operates two outstanding golf courses. The Lakes of Taylor Golf Club is a championship caliber golf course designed to challenge golfers at every level. Taylor Meadows Golf Club is a links-style course, challenging yet still player-friendly. Both courses also provide food service and pro-shop operations as well. The Sewer Fund accounts for the activity related to the City's participation in the Downriver Sewer System, including the tax levy mandated to pay for the City's share of debt issued by Wayne County to pay for the recent improvements to the system. The EPA levy is adjusted annually based on debt service for the upcoming year less any credits available at Wayne County. For all business-type activities in 2017, total revenue increased by approximately \$4,949,000, and total expenses increased by approximately \$1,220,000. Approximately \$1,200,000 of the increase in revenue is related to the City's investment in the County Sewer system, which increased net position during the year. A total of \$1,750,000 of the increase in revenue was related to a write-off of an advance due to the General Fund and approximately \$1,400,000 of the increase is related to capital contributions related to assets donated to the golf course fund by TIFA, which is a component unit of the City.

The City of Taylor, Michigan's Funds

Our analysis of the City's major funds begins on page 16, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Taylor, Michigan as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as bond projects. The City's major governmental funds for 2017 are the General Fund, the Police and Fire Retirement Fund, and the Act 179 Rubbish Fund.

The General Fund pays for most of the City's governmental services. The most significant are public safety, which incurred expenses of approximately \$15.7 million and public works, which incurred expenses of approximately \$5.4 million in 2017. Employee benefit expenses accounted for approximately another \$6.1 million.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account changes in estimated revenue and expenditures. Overall, the General Fund's revenue budget was increased during the year by a net amount of approximately \$3.9 million. Approximately \$2.3 million of the increase was due to increase in other revenue, which was comprised of land sales as part of development agreements and operating reimbursements from other funds. Approximately \$445,000 of the increase was due to higher than anticipated court fines and forfeitures. Approximately \$832,000 of the increase was related to federal and state revenue, which was higher than anticipated based on change in personal property tax reimbursement from the LCSA and new federal police COPS grant.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The City's expenditure budget was increased by approximately \$5.4 million during the fiscal year. The major budget adjustment was related to public safety, which increased by approximately \$2.2 million during the year. Compensated absences, for both police and fire, were significantly higher than originally anticipated. This was the result of employee retirements or turnover during the year. The fire department also purchased some vehicles and equipment that were not in the original budget. The public works budget increased by approximately \$1.1 million. The increase was based on a purchase of DPW vehicles that were not in the original budget. The vehicles were a carryover from the prior year and were charged against the restricted fund balance. The budget for recreation and culture increased by approximately \$969,000. A total of \$800,000 of the increase was related to purchases of equipment and park improvements not in the original budget. Capital outlay budget increased by approximately \$440,000 based on anticipated equipment for voting machines in the clerk's office and other small capital outlay items in other departments. The general government budget increased by approximately \$300,000, which was attributed to one-time land purchases as part of development agreements that were not originally budgeted.

Capital Asset and Debt Administration

At the end of 2017, the City, including its component units, had approximately \$293 million (net of depreciation) invested in a broad range of capital assets, including buildings, roads, water and sewer lines, parks, and machinery and equipment. The City finances most of its capital improvements through the issuance of long-term debt.

The City's investment in capital assets, net of related debt, increased from approximately \$265.5 million to approximately \$276.9 million. The component units' investment in capital assets, net of related debt, decreased from \$15.8 million to \$15.7 million. The City's (including component units) total debt, including the recorded OPEB liability, net pension liability, and nonexchange financial guarantees, was approximately \$286.4 million, including approximately \$24.9 million of component unit debt. Expected fiscal year 2017 debt service payments on all long-term obligations inclusive of interest are approximately \$12.9 million for the City and component units in total. The overall debt, while manageable and within legal limits, should be monitored and when possible, reduced, to ensure long-term financial stability of the City.

Economic Factors and Next Year's Budgets

Like most other communities in Michigan, particularly southeast Michigan, the City continues to struggle with providing necessary services with limited revenue. In the five years leading up to December 31, 2013, the City of Taylor, Michigan lost significant taxable value. Taxable values are expected to remain stagnant for fiscal year 2018. Because of the housing market collapse, the tax capture revenue to pay the debt on the Island Lakes (Midtown Basin) Brownfield bonds are much less than anticipated when the bonds were sold in 2005, and the developer's guarantee of support has been insufficient. The City had to budget \$434,000 from the General Fund in fiscal year 2017 to cover likely shortfalls in available debt service funding for the Island Lakes bonds. Current projections are that the shortfall between taxes captured and debt service that must be paid by the City could range from \$200,000 to \$430,000 annually.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Municipal revenue opportunities are systematically limited by state law as well as the current economic conditions, so the General Fund budget continues to depend on uncertain revenue such as state-shared revenue, cable franchise fees, court fines, and charges for services. With revenue limited, the City understands the need to continue to control expenditure budgets very closely. Due to the reduction of the number of employees, limiting wage increases, implementing co-pay arrangements for health insurance, and conservative spending, the City closed out the fiscal year ended June 30, 2017 with expenditures exceeding revenue in the General Fund by \$1,643,061 and a positive unassigned fund balance that totaled \$6,495,660.

The City's OPEB liability is significantly high. The city administration is committed to reduce OPEB costs and has met with healthcare providers to explore different opportunities to begin addressing the liability.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the city clerk's office, 23555 Goddard Road, Taylor, MI 48180.

City of Taylor, Michigan

Statement of Net Position June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 12,326,928	\$ 23,173,948	\$ 35,500,876	\$ 15,005,457
Receivables - Net:				
Property taxes	837,520	191,017	1,028,537	-
Customers	-	5,805,508	5,805,508	-
Other	2,241,691	77,785	2,319,476	774,165
Due from other governmental units	3,447,049	-	3,447,049	-
Special assessments	11,516,387	-	11,516,387	-
Due from component units	4,679,580	1,782,904	6,462,484	-
Due from primary government	-	-	-	926,787
Internal balances (Note 6)	833,535	(833,535)	-	-
Inventory	-	364,590	364,590	-
Prepaid expenses and other assets	1,510,456	-	1,510,456	11,286
Restricted assets (Note 8)	-	7,147,446	7,147,446	-
Land held for resale	187,827	-	187,827	-
Due from other governmental units	-	-	-	1,608,878
Capital assets:				
Nondepreciable capital assets (Note 5)	31,098,998	4,374,832	35,473,830	14,916,220
Depreciable capital assets (Note 5)	140,894,499	134,139,092	275,033,591	760,182
Total assets	209,574,470	176,223,587	385,798,057	34,002,975
Deferred Outflows of Resources -				
Pensions (Notes 4, 16, 17, and 18)	9,888,165	665,355	10,553,520	-
Liabilities				
Accounts payable	1,480,725	3,097,012	4,577,737	1,536,031
Due to other governmental units	556,479	186,675	743,154	-
Due to component units	635,291	291,496	926,787	-
Due to primary government	-	-	-	6,462,484
Accrued liabilities and other	4,633,773	567,203	5,200,976	369,696
Unearned revenue	11,189,041	3,364	11,192,405	743,673
Current liabilities payable from restricted assets	-	4,512,309	4,512,309	-
Tenant security deposits	-	-	-	32,748
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	878,818	85,167	963,985	-
Nonexchange financial guarantee (Note 7)	252,564	227,436	480,000	-
Current portion of long-term debt (Note 7)	1,996,526	1,163,652	3,160,178	3,297,357
Due in more than one year:				
Compensated absences (Note 7)	1,958,238	127,326	2,085,564	-
Workers' compensation (Note 7)	377,868	-	377,868	-
Nonexchange financial guarantee (Note 7)	2,885,436	2,736,765	5,622,201	-
Net OPEB obligation (Note 10)	63,891,156	5,264,746	69,155,902	-
Net pension liability (Notes 16, 17, and 18)	137,706,789	11,531,946	149,238,735	104,989
Long-term debt (Note 7)	7,819,913	22,597,099	30,417,012	21,482,016
Total liabilities	236,262,617	52,392,196	288,654,813	34,028,994
Deferred Inflows of Resources - Pensions (Notes 4 and 17)	9,678,647	-	9,678,647	-

City of Taylor, Michigan

Statement of Net Position (Continued) June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 162,177,058	\$ 114,753,173	\$ 276,930,231	\$ 15,676,402
Restricted:				
Debt service	25,821	2,635,137	2,660,958	-
Roads	1,497,340	-	1,497,340	-
Drug enforcement	1,136,966	-	1,136,966	-
Sewer	-	564,046	564,046	-
Library	790,988	-	790,988	-
Special millages	4,436,498	-	4,436,498	-
HAP restricted	-	-	-	55,999
Grants	1,096,861	-	1,096,861	-
Building	1,221,862	-	1,221,862	-
Unrestricted	(198,862,023)	6,544,390	(192,317,633)	(15,758,420)
Total net (deficit) position	<u>\$ (26,478,629)</u>	<u>\$ 124,496,746</u>	<u>\$ 98,018,117</u>	<u>\$ (26,019)</u>

City of Taylor, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 13,640,756	\$ 7,159,101	\$ 416,558	\$ 8,670
District court	-	-	128,746	5,590
Public safety:				
Police, fire, and EMS	33,650,811	1,869,834	1,955,207	109,387
Jail (county)	1,589,315	-	-	-
Building inspections and related	243,674	-	-	-
Public safety other #1	9,130,312	-	1,288,009	-
Public works	20,520,512	1,643,344	4,863,421	3,773,082
Community and economic development	2,445,640	-	283,056	-
Recreation and culture	5,299,247	2,591,689	182,100	60,769
Interest on long-term debt	466,719	-	-	-
Total governmental activities	86,986,986	13,263,968	9,117,097	3,957,498
Business-type activities:				
Water	11,118,425	10,173,312	-	74,001
Sewer	9,878,218	9,276,200	-	507,022
Golf courses	3,732,209	2,846,997	-	1,420,807
Ecorse Creek	307,976	523,217	-	-
Total business-type activities	25,036,828	22,819,726	-	2,001,830
Total primary government	\$ 112,023,814	\$ 36,083,694	\$ 9,117,097	\$ 5,959,328
Component units	\$ 13,755,819	\$ 471,548	\$ 6,647,517	\$ 82,803
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Contribution from General Fund				
Total general revenue				
Change in Net Position				
Net (Deficit) Position - Beginning of year				
Net (Deficit) Position - End of year				

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

Statement of Activities
Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (6,056,427)	\$ -	\$ (6,056,427)	\$ -
134,336	-	134,336	-
(29,716,383)	-	(29,716,383)	-
(1,589,315)	-	(1,589,315)	-
(243,674)	-	(243,674)	-
(7,842,303)	-	(7,842,303)	-
(10,240,665)	-	(10,240,665)	-
(2,162,584)	-	(2,162,584)	-
(2,464,689)	-	(2,464,689)	-
(466,719)	-	(466,719)	-
(60,648,423)	-	(60,648,423)	-
-	(871,112)	(871,112)	-
-	(94,996)	(94,996)	-
-	535,595	535,595	-
-	215,241	215,241	-
-	(215,272)	(215,272)	-
(60,648,423)	(215,272)	(60,863,695)	-
-	-	-	(6,553,951)
25,194,247	4,895,663	30,089,910	8,510,974
8,393,713	-	8,393,713	-
46,207	73,661	119,868	54,948
203,972	-	203,972	-
8,280,061	1,787,066	10,067,127	378,520
-	44,840	44,840	-
-	-	-	433,333
42,118,200	6,801,230	48,919,430	9,377,775
(18,530,223)	6,585,958	(11,944,265)	2,823,824
(7,948,406)	117,910,788	109,962,382	(2,849,843)
\$ (26,478,629)	\$ 124,496,746	\$ 98,018,117	\$ (26,019)

City of Taylor, Michigan

Governmental Funds Balance Sheet June 30, 2017

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
Assets					
Cash and investments (Note 3)	\$ 6,085,579	\$ 765,377	\$ 956,449	\$ 4,519,523	\$ 12,326,928
Receivables - Net:					
Property taxes receivable	376,942	122,827	231,013	106,738	837,520
Special assessments	11,516,387	-	-	-	11,516,387
Other	2,050,568	182,084	-	9,039	2,241,691
Due from other governmental units	1,994,599	-	32,282	1,420,168	3,447,049
Due from component units (Note 6)	2,351,494	606,665	1,188,956	532,465	4,679,580
Due from other funds (Note 6)	2,675,353	13,129	730,253	1,101,275	4,520,010
Prepaid expenses and other assets	1,510,456	-	-	-	1,510,456
Properties held for resale	-	-	-	187,827	187,827
Total assets	\$ 28,561,378	\$ 1,690,082	\$ 3,138,953	\$ 7,877,035	\$ 41,267,448
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 811,630	\$ 250,782	\$ -	\$ 418,313	\$ 1,480,725
Due to other governmental units	176,168	96,911	189,772	93,628	556,479
Due to component units (Note 6)	445,911	57,248	114,781	17,351	635,291
Due to other funds (Note 6)	1,713,889	-	-	1,972,586	3,686,475
Accrued liabilities and other	4,393,430	59,648	24,871	73,845	4,551,794
Unearned revenue	11,189,041	-	-	-	11,189,041
Total liabilities	18,730,069	464,589	329,424	2,575,723	22,099,805
Deferred Inflows of Resources -					
Unavailable revenue (Note 4)	1,420,684	96,428	-	145,805	1,662,917
Fund Balances					
Nonspendable - Prepaid expenses	1,460,456	-	-	-	1,460,456
Restricted:					
Roads	-	-	-	1,497,340	1,497,340
Drug forfeiture	-	-	-	1,136,966	1,136,966
Debt service	-	-	-	25,821	25,821
Grants	454,509	-	-	120,184	574,693
Special millage	-	1,129,065	2,809,529	401,476	4,340,070
Building	-	-	-	1,221,862	1,221,862
Library	-	-	-	790,988	790,988
Unassigned	6,495,660	-	-	(39,130)	6,456,530
Total fund balances	8,410,625	1,129,065	2,809,529	5,155,507	17,504,726
Total liabilities, deferred inflows of resources, and fund balances	\$ 28,561,378	\$ 1,690,082	\$ 3,138,953	\$ 7,877,035	\$ 41,267,448

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

City of Taylor, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

Fund Balance Reported in Governmental Funds	\$ 17,504,726
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 are not reported in the funds	171,993,497
Special assessment, grants, and other receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,662,917
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Long-term debt	(9,816,439)
Net OPEB obligation	(63,891,156)
Net pension liabilities, pension-related deferred inflows and outflows, and bond refunding deferred outflows are not current financial resources and are not reported in the funds	(137,497,271)
Workers' compensation claims	(377,868)
Accrued interest payable	(81,979)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(2,837,056)
Nonexchange financial guarantee	<u>(3,138,000)</u>
Net Deficit of Governmental Activities	<u>\$ (26,478,629)</u>

City of Taylor, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
Revenue					
Property taxes	\$ 10,406,474	\$ 4,107,264	\$ 8,233,314	\$ 4,222,106	\$ 26,969,158
Licenses and permits	1,323,222	-	-	1,705,700	3,028,922
Federal grants	2,045,007	-	487,589	661,332	3,193,928
State-shared revenue and grants	8,087,863	147,843	450,269	5,370,280	14,056,255
Charges for services	2,357,125	522,642	-	-	2,879,767
Fines and forfeitures	5,512,777	-	-	45,904	5,558,681
Investment income	3,019	8,506	16,972	18,877	47,374
Rental income	1,017,934	-	-	527,670	1,545,604
Other revenue	7,801,069	425,000	-	109,425	8,335,494
Total revenue	38,554,490	5,211,255	9,188,144	12,661,294	65,615,183
Expenditures					
Current:					
General government	9,467,187	-	-	-	9,467,187
Public safety	15,669,279	-	-	-	15,669,279
Public works and capital projects	5,379,503	4,994,037	-	7,577,785	17,951,325
Employee benefits	6,096,549	-	8,488,404	-	14,584,953
Economic and community development	1,222,117	-	-	695,587	1,917,704
Recreation and cultural	2,566,040	-	-	912,139	3,478,179
Capital outlay and other	168,268	-	-	1,036,411	1,204,679
Debt service:					
Principal	350,502	382,000	-	4,280,000	5,012,502
Interest on long-term debt	32,957	56,376	-	447,569	536,902
Total expenditures	40,952,402	5,432,413	8,488,404	14,949,491	69,822,710
Excess of Revenue (Under) Over Expenditures	(2,397,912)	(221,158)	699,740	(2,288,197)	(4,207,527)
Other Financing Sources (Uses)					
Face value of debt issue	134,448	-	-	-	134,448
Transfers in (Note 6)	620,403	-	-	3,973,783	4,594,186
Transfers out (Note 6)	-	-	-	(4,594,186)	(4,594,186)
Total other financing sources (uses)	754,851	-	-	(620,403)	134,448
Net Change in Fund Balances	(1,643,061)	(221,158)	699,740	(2,908,600)	(4,073,079)
Fund Balances - Beginning of year	10,053,686	1,350,223	2,109,789	8,064,107	21,577,805
Fund Balances - End of year	\$ 8,410,625	\$ 1,129,065	\$ 2,809,529	\$ 5,155,507	\$ 17,504,726

City of Taylor, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (4,073,079)
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, these costs are capitalized and expense is recorded over their estimated useful lives through depreciation	8,619,748
Statement of activities records depreciation on capital assets	(9,453,097)
Proceeds from asset sales are recorded in the governmental funds; on the statement of activities, a loss is recorded	(772,812)
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end	74,951
Revenue is reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	759,018
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	4,497,703
Amortization of bond premium liabilities and deferred cost of financing are reported as expense in the governmental funds when issued	166,263
Change in accrued interest on long-term debt is not recorded in the governmental funds	57,479
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	403,825
Increase in estimated workers' compensation liability is recorded in the statement of activities	(12,511)
The change in the net OPEB obligation is not included in the governmental funds	(9,795,554)
Governmental funds report expenditures for pension as they make contributions; in the statement of activities, the change in net pension liability does not require the use of current financial resources	(9,303,042)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(134,448)
Bond refunding amortization is not reported in the funds	(46,667)
Decrease in nonexchange financial guarantee	482,000
Change in Net Position	<u>\$ (18,530,223)</u>

City of Taylor, Michigan

Proprietary Funds Statement of Net Position June 30, 2017

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 6,689,925	\$ 13,447,883	\$ 704,801	\$ 2,331,339	\$ 23,173,948
Receivables - Net:					
Property taxes receivable	-	191,017	-	-	191,017
Customers	2,826,218	2,748,209	-	231,081	5,805,508
Other	6,890	-	70,895	-	77,785
Due from component units	925,242	857,662	-	-	1,782,904
Due from other funds (Note 6)	-	567,858	-	74,927	642,785
Inventories	236,046	5,033	123,511	-	364,590
Restricted assets (Note 8)	-	6,348,430	-	-	6,348,430
Total current assets	10,684,321	24,166,092	899,207	2,637,347	38,386,967
Noncurrent assets:					
Restricted assets (Note 8)	-	799,016	-	-	799,016
Capital assets - Net (Note 5):					
Assets not subject to depreciation	180,247	228,031	3,966,554	-	4,374,832
Assets subject to depreciation	28,825,055	94,497,206	8,179,046	2,637,785	134,139,092
Total noncurrent assets	29,005,302	95,524,253	12,145,600	2,637,785	139,312,940
Total assets	39,689,623	119,690,345	13,044,807	5,275,132	177,699,907
Deferred Outflows of Resources - Pensions	448,999	216,356	-	-	665,355
Liabilities					
Current liabilities:					
Accounts payable	1,956,895	824,126	259,631	56,360	3,097,012
Due to other governmental units	56,449	111,499	18,727	-	186,675
Due to component units	-	291,496	-	-	291,496
Due to other funds (Note 6)	1,067,542	3	348,987	59,788	1,476,320
Accrued and other liabilities	105,990	183,055	267,732	10,426	567,203
Unearned revenue	-	-	3,364	-	3,364
Liabilities payable from restricted assets	-	4,512,309	-	-	4,512,309
Current portion of compensated absences (Note 7)	60,201	24,250	716	-	85,167
Nonexchange financial guarantee	113,718	113,718	-	-	227,436
Current portion of long-term debt (Note 7)	176,768	699,698	116,603	170,583	1,163,652
Total current liabilities	3,537,563	6,760,154	1,015,760	297,157	11,610,634
Noncurrent liabilities:					
Compensated absences (Note 7)	77,666	26,150	23,510	-	127,326
Net OPEB obligation (Note 10)	2,664,893	1,167,582	1,432,271	-	5,264,746
Net pension liability	7,782,050	3,749,896	-	-	11,531,946
Nonexchange financial guarantee	1,368,382	1,368,383	-	-	2,736,765
Long-term debt - Net of current portion (Note 7)	277,820	20,860,975	89,850	1,368,454	22,597,099
Total noncurrent liabilities	12,170,811	27,172,986	1,545,631	1,368,454	42,257,882
Total liabilities	15,708,374	33,933,140	2,561,391	1,665,611	53,868,516
Net Position					
Net investment in capital assets	28,550,714	73,164,564	11,939,147	1,098,748	114,753,173
Restricted:					
Debt service	-	2,635,137	-	-	2,635,137
Sewer grant expenditures	-	564,046	-	-	564,046
Unrestricted	(4,120,466)	9,609,814	(1,455,731)	2,510,773	6,544,390
Total net position	\$ 24,430,248	\$ 85,973,561	\$ 10,483,416	\$ 3,609,521	\$ 124,496,746

City of Taylor, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Operating Revenue					
Water sales	\$ 8,758,102	\$ -	\$ -	\$ -	\$ 8,758,102
Sewage disposal charges	-	7,146,963	-	-	7,146,963
Charges for services	1,414,295	881,809	1,616,178	523,217	4,435,499
Sale of merchandise	-	-	1,194,319	-	1,194,319
Other	915	1,247,428	36,500	-	1,284,843
Total operating revenue	10,173,312	9,276,200	2,846,997	523,217	22,819,726
Operating Expenses					
Cost of water operations	7,895,847	-	-	-	7,895,847
Cost of sewage treatment	-	6,536,856	-	-	6,536,856
Ecorse Creek user charge system	-	-	-	206,429	206,429
Cost of sales	-	-	587,299	-	587,299
Cost of operating and maintenance	-	-	1,221,183	-	1,221,183
General and administrative	2,159,659	665,996	1,405,065	-	4,230,720
Depreciation and amortization	1,041,468	1,702,384	510,896	57,655	3,312,403
Total operating expenses	11,096,974	8,905,236	3,724,443	264,084	23,990,737
Operating (Loss) Income	(923,662)	370,964	(877,446)	259,133	(1,171,011)
Nonoperating Revenue (Expenses)					
Property taxes	-	4,895,663	-	-	4,895,663
Investment income	11,678	50,960	2,207	8,816	73,661
Interest expense	(21,451)	(744,904)	(7,766)	(43,892)	(818,013)
Brownfield debt guarantee	-	(228,078)	-	-	(228,078)
Gain on sale of assets	30,338	14,502	-	-	44,840
Advance forgiveness	-	37,066	1,750,000	-	1,787,066
Total nonoperating revenue (expenses)	20,565	4,025,209	1,744,441	(35,076)	5,755,139
(Loss) Income - Before contributions	(903,097)	4,396,173	866,995	224,057	4,584,128
Donated Assets	74,001	507,022	1,420,807	-	2,001,830
Change in Net Position	(829,096)	4,903,195	2,287,802	224,057	6,585,958
Net Position - Beginning of year	25,259,344	81,070,366	8,195,614	3,385,464	117,910,788
Net Position - End of year	<u>\$ 24,430,248</u>	<u>\$ 85,973,561</u>	<u>\$ 10,483,416</u>	<u>\$ 3,609,521</u>	<u>\$ 124,496,746</u>

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 10,062,458	\$ 8,063,511	\$ 2,800,784	\$ 557,031	\$ 21,483,784
Internal activity - Receipts (payments) to other funds	939,414	(300,458)	652,022	52,213	1,343,191
Payments to suppliers	(4,990,086)	(5,536,649)	(1,790,274)	(273,049)	(12,590,058)
Payments to employees	(2,237,017)	(821,848)	(1,168,928)	-	(4,227,793)
Other payments	915	-	36,500	-	37,415
Net cash provided by operating activities	3,775,684	1,404,556	530,104	336,195	6,046,539
Cash Flows from Noncapital Financing Activities - Brownfield debt guarantee	-	(228,078)	-	-	(228,078)
Cash Flows from Capital and Related Financing Activities					
Change in investment in joint venture	-	(1,247,428)	-	-	(1,247,428)
Proceeds from sales of capital assets	30,338	14,502	-	-	44,840
Property taxes	-	4,692,192	-	-	4,692,192
Purchase of capital assets	(4,124,828)	(62,866)	(114,659)	-	(4,302,353)
Change in capital related financing	-	1,988,430	-	-	1,988,430
Payments on capital related debt	(192,614)	(5,748,567)	(122,086)	(211,124)	(6,274,391)
Net cash used in capital and related financing activities	(4,287,104)	(363,737)	(236,745)	(211,124)	(5,098,710)
Cash Flows from Investing Activities - Interest received on investments	11,678	50,960	2,207	8,816	73,661
Net (Decrease) Increase in Cash and Cash Equivalents	(499,742)	863,701	295,566	133,887	793,412
Cash and Cash Equivalents - Beginning of year	7,189,667	19,731,628	409,235	2,197,452	29,527,982
Cash and Cash Equivalents - End of year	\$ 6,689,925	\$ 20,595,329	\$ 704,801	\$ 2,331,339	\$ 30,321,394
Statement of Net Position Classification of Cash and Cash Equivalents					
Cash and investments	\$ 6,689,925	\$ 13,447,883	\$ 704,801	\$ 2,331,339	\$ 23,173,948
Restricted cash	-	7,147,446	-	-	7,147,446
Total cash and cash equivalents	\$ 6,689,925	\$ 20,595,329	\$ 704,801	\$ 2,331,339	\$ 30,321,394

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2017

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities					
Operating (loss) income	\$ (923,662)	\$ 370,964	\$ (877,446)	\$ 259,133	\$ (1,171,011)
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation and amortization	1,041,468	1,702,384	510,896	57,655	3,312,403
Pension and OPEB expense	2,405,939	785,557	-	-	3,191,496
Changes in assets and liabilities:					
Receivables	(115,283)	223,522	(14,801)	33,814	127,252
Due from other funds	226,723	(276,169)	303,035	(7,554)	246,035
Inventories and other assets	5,344	2,234	5,088	-	12,666
Accounts payable	381,466	54,654	79,080	(66,620)	448,580
Advances to other funds	712,691	(24,289)	348,987	59,767	1,097,156
Accrued compensation and other	40,998	(186,873)	26,285	-	(119,590)
Nonexchange contribution in joint venture	-	(1,247,428)	-	-	(1,247,428)
Net cash provided by operating activities	\$ 3,775,684	\$ 1,404,556	\$ 530,104	\$ 336,195	\$ 6,046,539

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2017, the City had several noncash transactions with the assets held at Wayne County, including debt payments of \$4,970,004 and interest payments of \$755,963.

City of Taylor, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Pension and Other Employee Benefit Plans*	Agency Funds
Assets		
Cash and cash equivalents	\$ 6,721,378	\$ 3,874,214
Investments:		
U.S. government securities	6,107,060	-
Agency securities	710,737	-
Stocks	70,029,756	-
Bonds	7,469,026	-
Real estate	284,951	-
Mutual funds	32,084,621	-
Partnerships	36,234,224	-
Receivables	1,537,380	22,909
Total assets	161,179,133	\$ 3,897,123
Liabilities		
Due to other governmental units	-	\$ 1,612,656
Accrued liabilities and other	-	440,470
Other current liabilities	-	1,843,997
Total liabilities	-	\$ 3,897,123
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 161,179,133	

* Balances are as of December 31, 2016 for the General Employees' Pension Plan and as of June 30, 2017 for the Police and Fire Retirement System.

City of Taylor, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2017

	Pension and Other Employee Benefit Plans*
Additions	
Investment income:	
Interest and dividends	\$ 2,884,694
Net increase in fair value of investments	15,192,623
Less investment expenses	<u>(614,762)</u>
Net investment income	17,462,555
Contributions:	
Employer	8,720,806
Employee	<u>948,202</u>
Total contributions	<u>9,669,008</u>
Total additions - Net of investment expenses	27,131,563
Deductions	
Benefit payments	18,590,941
General and administrative	<u>137,606</u>
Total deductions	<u>18,728,547</u>
Net Increase in Net Position Held in Trust	8,403,016
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>152,776,117</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 161,179,133</u>

* Balances are as of December 31, 2016 for the General Employees' Pension Plan and as of June 30, 2017 for the Police and Fire Retirement System.

City of Taylor, Michigan

Component Units Statement of Net Position June 30, 2017

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
Assets						
Cash and investments (Note 3)	\$ 586,079	\$ 10,449,622	\$ 1,018,724	\$ 17,754	\$ 2,933,278	\$ 15,005,457
Accounts receivable	-	-	743,673	-	30,492	774,165
Due from primary government	20,347	205,688	649,181	51,571	-	926,787
Prepaid expenses and other assets	-	-	-	-	11,286	11,286
Due from other governmental units	-	1,608,878	-	-	-	1,608,878
Capital assets:						
Capital assets (Note 5)	17,745	13,191,914	77,187	869,375	759,999	14,916,220
Capital assets subject to depreciation	-	-	-	-	760,182	760,182
Total assets	624,171	25,456,102	2,488,765	938,700	4,495,237	34,002,975
Liabilities						
Accounts payable	-	1,478,755	944	1,563	54,769	1,536,031
Due to primary government	-	6,439,622	22,862	-	-	6,462,484
Accrued liabilities and other	-	63,071	263,818	-	42,807	369,696
Unearned revenue	-	-	743,673	-	-	743,673
Tenant security deposits	-	-	-	-	32,748	32,748
Due within one year (Note 7) - Current portion of long-term debt	-	2,616,835	680,522	-	-	3,297,357
Due in more than one year (Note 7): Net pension liability	-	-	-	-	104,989	104,989
Long-term debt	-	8,600,504	12,881,512	-	-	21,482,016
Total liabilities	-	19,198,787	14,593,331	1,563	235,313	34,028,994
Net Position						
Net investment in capital assets	17,745	13,191,914	77,187	869,375	1,520,181	15,676,402
Restricted - HAP payments	-	-	-	-	55,999	55,999
Unrestricted	606,426	(6,934,599)	(12,181,753)	67,762	2,683,744	(15,758,420)
Total net position	\$ 624,171	\$ 6,257,315	\$ (12,104,566)	\$ 937,137	\$ 4,259,924	\$ (26,019)

* Balances are as of March 31, 2017 for the Housing Commission.

City of Taylor, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Local Development Financing Authority	\$ -	\$ -	\$ -	\$ -
Tax Increment Financing Authority	6,160,083	-	-	-
Brownfield Redevelopment Authority	753,537	-	228,078	-
Downtown Development Authority	82,071	-	-	-
Housing Commission	6,760,128	471,548	6,419,439	82,803
Total component units	\$ 13,755,819	\$ 471,548	\$ 6,647,517	\$ 82,803
General revenue:				
Property taxes				
Investment income				
Other miscellaneous income				
Contribution from General Fund				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

* Balances are as of March 31, 2017 for the Housing Commission.

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

Net (Expense) Revenue and Changes in Net Assets					
Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(6,160,083)	-	-	-	(6,160,083)
-	-	(525,459)	-	-	(525,459)
-	-	-	(82,071)	-	(82,071)
-	-	-	-	213,662	213,662
-	(6,160,083)	(525,459)	(82,071)	213,662	(6,553,951)
101,983	7,626,111	338,599	444,281	-	8,510,974
2,132	44,329	5,012	807	2,668	54,948
-	378,520	-	-	-	378,520
-	-	433,333	-	-	433,333
104,115	8,048,960	776,944	445,088	2,668	9,377,775
-	(40,000)	253,152	(213,152)	-	-
104,115	1,848,877	504,637	149,865	216,330	2,823,824
520,056	4,408,438	(12,609,203)	787,272	4,043,594	(2,849,843)
\$ 624,171	\$ 6,257,315	\$ (12,104,566)	\$ 937,137	\$ 4,259,924	\$ (26,019)

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Taylor, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Taylor, Michigan:

Reporting Entity

The City of Taylor, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Taylor Building Authority is governed by a board that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

The 23rd Judicial District Court is reported within the Trust and Agency Fund. Although it is legally separate from the City, it is reported as if it were part of the primary government because of the fiduciary relationship it has with the City.

Discretely Presented Component Units - The following component units are reported within the component unit columns to emphasize that they are legally separate from the City.

The Local Development Financing Authority and the Tax Increment Financing Authority (the "Authorities") were created to promote economic development within a seven-square-mile district of the City and are funded primarily by property tax revenue captures. The Authorities are governed by 11-member and 13-member boards, respectively, which are appointed by the mayor and confirmed by the City Council.

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within that district. The DDA's governing body, which consists of 13 members, is appointed by the mayor and confirmed by the City Council. In addition, the DDA's budget is subject to approval by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

The Brownfield Redevelopment Authority was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the 24-square mile boundary of the City. The Brownfield Redevelopment Authority is funded primarily by property tax revenue captures. The Brownfield Redevelopment Authority is governed by a 13-member board that is appointed by the mayor and confirmed by the City Council.

The Taylor Housing Commission is a nonprofit corporation that was organized under the laws of the State of Michigan to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The Taylor Housing Commission operates with a fiscal year end of March 31. The Taylor Housing Commission is governed by a five-member board that is appointed by the mayor and confirmed by the City Council. A complete financial statement for the Taylor Housing Commission can be obtained at 15270 Plaza South, Taylor, Michigan 48180.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives: the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Note I - Summary of Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which revenue was used. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Act 179 Rubbish Fund is a special revenue fund that accounts for property taxes levied specifically for rubbish disposal and related debt service.
- The Police and Fire Retirement Fund is a special revenue fund to account for property taxes specifically levied for the Act 345 millage, which is used for the City's portion of the related retirement and healthcare costs of the Police and Fire Retirement System.

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as "major" enterprise funds:

- The Water Fund accounts for the activities of the water distribution system.
- The Sewer Fund accounts for the activities of the sewage collection system.
- The Golf Courses Fund accounts for the activity related to the City's two golf courses, Taylor Meadows and Lakes of Taylor.

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Pension Trust Fund accounts for the activities of the City's two defined benefit pension plans, including the Police and Fire Retirement System and the General Employees' Pension Plan. The General Employees' Pension Plan has a calendar year end of December 31, 2016. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2016. The plans accumulate resources for pension benefit payments to qualified employees.
- 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 the results of operations. The City's agency funds include the Tax Receiving Fund, the Agency Fund, and the 23rd District Court Fund.

Interfund activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, certain special assessments and federal grant reimbursements may be collected after the period of availability; accordingly, receivables have been recorded for these, along with a "deferred inflow."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at Wayne County being held for the construction or debt service of the City of Taylor, Michigan water and sewer lines.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives in Years</u>
Roads and sidewalks	10-65
Buildings	15-50
Sanitary sewer system	15-50
Water mains and meters	15-67
Improvements other than buildings	20
Machinery and equipment	2-20
Vehicles	4-10
Furniture and fixtures	10-20

Long-term Obligations - In the government-wide financial statements and the 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 effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt, as well as compensated absences. The General Employees' Retirement System and the Police and Fire Retirement Funds will generally be used to liquidate pension liabilities.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows related to pensions for the difference between projected and actual investment earnings, differences between projected and actual experiences, and changes in assumptions.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government reports deferred inflows related to pensions for the difference between expected and actual experience and for changes in assumptions. A deferred inflow is also reported related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two primary sources: grants and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are assessed as of December 31. The related taxes become a lien on December 1 of the following year. Taxes are due on February 28 and penalties and interest are assessed as of March 1.

The City's 2016 tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended June 30, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

Note I - Summary of Significant Accounting Policies (Continued)

The 2016 taxable valuation of the City totaled \$1,279,225,573 (a portion of which is abated and a portion of which is captured by the TIFA, BRDA, LDFA, and DDA), on which taxes levied consisted of 8.4211 mills for operating purposes, 0.8862 mills for library services, 8.2048 mills for public safety pension, 1.4331 mills for disposal authority, 2.6591 mills for garbage and rubbish services, 0.0370 mills for publicity services, 2.7000 mills for the building authority, and 4.8796 for EPA debt. This resulted in approximately \$8,570,000 for operating purposes, \$860,000 for library services, \$8,230,000 for public safety pension, \$1,400,000 for disposal authority, \$2,700,000 for garbage and rubbish services, \$40,000 for publicity services, \$3,340,000 for the building authority, and \$4,900,000 for EPA debt. These amounts are recognized in the respective General Fund, special revenue funds, debt service funds, and enterprise funds financial statements as tax revenue.

Pension and Other Postemployment Benefit (OPEB) Costs - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension 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.

The City also offers healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the respective obligations over the remaining amortization periods. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost of OPEB, which equals the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

The net pension obligation and net OPEB obligation have generally been liquidated from the funds from which the individual employees' salaries are paid, which are primarily the General and Water and Sewer Funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Compensated absences will be liquidated primarily by the General, Water, and Sewer Funds.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the Water and Sewer Funds is charges to customers for sales and services. The Water and Sewer Funds also recognize 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 include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds except that operating transfers, debt proceeds, bond premiums, and sales of fixed assets have been included in the "revenue" and/or "expenditure" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end. The annual budget is prepared by the City's management and adopted by the City Council; subsequent amendments are approved by the City Council.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The budget process is initiated in January, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize the departmental appropriation requests and submit them to the mayor on or before March 1. During the month of March, the mayor reviews the appropriation requests, meets with the departments, and puts the budget together. The budget is submitted to the City Council on or before April 1. During the next month, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than May 1.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity basis level.

The amount of encumbrances outstanding at June 30, 2017 has not been calculated. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Fund Deficits - On the modified accrual basis, the Community Development Block Grant Fund has an unassigned fund balance deficit at June 30, 2017. The component units are presented on the full accrual basis in the basic financial statements, resulting in deficits on that basis in the Brownfield Redevelopment Authority and the Tax Increment Financing Authority. The Golf Courses and Water Fund also have an unrestricted net deficit as of June 30, 2017.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Note 3 - Deposits and Investments (Continued)

The City has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$40,749,159 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$11,054,426 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity; U.S. Treasury bills and U.S. Treasury notes or bonds must mature within one year. The General Employees' Pension Plan does not restrict investment maturities, other than fixed-income portfolios which can only be purchased with less than a 20-year maturity.

At year end, the City had the following investments and maturities:

General Employees' Pension Plan	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 4,206,864	\$ 605,118	\$ 2,651,949	\$ 949,792	\$ -
U.S. government securities	3,689,470	2,776,425	663,027	250,018	-
Agency securities	249,300	-	-	-	-
Total	\$ 8,145,634	\$ 3,381,543	\$ 3,314,976	\$ 1,199,810	\$ -
Police and Fire Retirement System	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 3,262,162	\$ 146,109	\$ 2,122,209	\$ 942,818	\$ 51,026
U.S. government securities	2,417,590	-	1,639,294	778,296	-
Agency securities	461,437	-	-	33,185	428,252
Total	\$ 6,141,189	\$ 146,109	\$ 3,761,503	\$ 1,754,299	\$ 479,278

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. The General Employees' Pension Plan's investment policy does not restrict investment ratings, other than convertible securities which should be rated B- or higher at time of purchase and fixed-income securities which should be rated BBB- or higher at time of purchase. In addition, asset-backed securities, mortgage-backed securities, and CMOs should be rated AAA at the time of purchase. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
General Employees' Pension Plan			
Corporate bonds	\$ 422,158	A1	Moody's
Corporate bonds	354,794	A2	Moody's
Corporate bonds	768,081	A3	Moody's
Corporate bonds	357,261	Aa1	Moody's
Corporate bonds	343,476	Aa2	Moody's
Corporate bonds	353,103	Aa3	Moody's
Corporate bonds	265,000	Ba2	Moody's
Corporate bonds	726,299	Baa1	Moody's
Corporate bonds	353,118	Baa2	Moody's
Corporate bonds	263,569	Baa3	Moody's
U.S. government securities	3,938,766	AAA	Moody's
Police and Fire Retirement System			
Corporate bonds	250,734	A1	Moody's
Corporate bonds	202,172	A2	Moody's
Corporate bonds	346,598	A3	Moody's
Corporate bonds	34,725	Aa1	Moody's
Corporate bonds	105,795	Aa2	Moody's
Corporate bonds	65,226	Aa3	Moody's
Corporate bonds	302,821	Aaa	Moody's
Corporate bonds	27,825	B1	Moody's
Corporate bonds	181,683	Ba1	Moody's
Corporate bonds	67,927	Ba3	Moody's
Corporate bonds	290,319	Baa1	Moody's
Corporate bonds	650,343	Baa2	Moody's
Corporate bonds	466,690	Baa3	Moody's
Corporate bonds	269,305	Not rated	N/A
Agency securities	33,185	AAA	Moody's
Agency securities	428,252	Not rated	N/A
U.S. government securities	2,417,590	Aaa	Moody's

Note 3 - Deposits and Investments (Continued)

Risks and Uncertainties - The City invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Alternative Investment Valuation - Approximately 26.8 percent of the Police and Fire Retirement System assets and 6.9 percent of the General Employee's Pension Plan is not publicly traded and therefore does not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Note 4 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds	Governmental Activities
Special assessments - Unavailable	\$ 316,161	\$ -
Grant revenue - Unavailable	489,368	-
Pension deferrals	-	9,678,647
Other unavailable revenue	857,388	-
Total deferred inflows	<u>\$ 1,662,917</u>	<u>\$ 9,678,647</u>

At the end of the current fiscal year, the various components of deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities
Pension deferrals	\$ 9,888,165	\$ 665,355

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 29,378,874	\$ -	\$ 344,770	\$ (353,389)	\$ 29,370,255
Construction in progress	981,573	(675,466)	1,422,636	-	1,728,743
Subtotal	30,360,447	(675,466)	1,767,406	(353,389)	31,098,998
Capital assets being depreciated:					
Buildings and improvements	83,316,203	-	160,492	-	83,476,695
Machinery and equipment	38,642,246	73,636	2,553,528	(2,671,990)	38,597,420
Other improvements	19,364,567	205,500	341,574	-	19,911,641
Roads and sidewalks	259,688,487	396,330	3,796,748	-	263,881,565
Subtotal	401,011,503	675,466	6,852,342	(2,671,990)	405,867,321
Accumulated depreciation:					
Buildings and improvements	34,350,202	-	1,872,557	-	36,222,759
Machinery and equipment	31,746,457	-	1,631,762	(2,252,567)	31,125,652
Other improvements	16,566,728	-	408,667	-	16,975,395
Roads and sidewalks	175,108,905	-	5,540,111	-	180,649,016
Subtotal	257,772,292	-	9,453,097	(2,252,567)	264,972,822
Net capital assets being depreciated	143,239,211	675,466	(2,600,755)	(419,423)	140,894,499
Net capital assets	\$ 173,599,658	\$ -	\$ (833,349)	\$ (772,812)	\$ 171,993,497
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 3,358,372	\$ -	\$ -	\$ -	\$ 3,358,372
Construction in progress	747,668	(4,439,785)	4,708,577	-	1,016,460
Subtotal	4,106,040	(4,439,785)	4,708,577	-	4,374,832
Capital assets being depreciated:					
Water mains and meters	41,185,544	3,917,220	86,392	(33,525)	45,155,631
Sanitary sewer system	125,150,833	153,255	1,988,430	-	127,292,518
Buildings and improvements	10,300,861	-	98,530	-	10,399,391
Machinery and equipment	3,309,118	-	251,359	(347,215)	3,213,262
Vehicles	528,832	-	237,881	(118,410)	648,303
Furniture and fixtures	1,253,804	-	38,463	-	1,292,267
Land improvements	9,063,898	369,310	759,280	-	10,192,488
Intangible ECPAD improvement	2,882,728	-	-	-	2,882,728
Subtotal	193,675,618	4,439,785	3,460,335	(499,150)	201,076,588
Accumulated depreciation:					
Water mains and meters	16,092,399	-	981,396	(33,525)	17,040,270
Sanitary sewer system	31,230,994	-	1,692,793	-	32,923,787
Buildings and improvements	4,091,077	-	234,846	-	4,325,923
Machinery and equipment	2,694,247	-	161,545	(343,384)	2,512,408
Vehicles	477,462	-	23,000	(118,410)	382,052
Furniture and fixtures	1,117,606	-	29,184	-	1,146,790
Land improvements	8,229,339	-	131,984	-	8,361,323
Intangible ECPAD improvement	187,288	-	57,655	-	244,943
Subtotal	64,120,412	-	3,312,403	(495,319)	66,937,496
Net capital assets being depreciated	129,555,206	4,439,785	147,932	(3,831)	134,139,092
Net capital assets	\$ 133,661,246	\$ -	\$ 4,856,509	\$ (3,831)	\$ 138,513,924

Note 5 - Capital Assets (Continued)

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
Component Units						
Capital assets not being depreciated -						
Land	\$ 17,745	\$ 13,191,914	\$ 77,187	\$ 869,375	\$ 759,999	\$ 14,916,220
Capital assets being depreciated:						
Building and building improvements	-	-	-	-	2,777,621	2,777,621
Furniture, equipment, and machinery	-	-	-	-	255,079	255,079
Furniture, equipment, and machinery - Administration	-	-	-	-	292,307	292,307
Buildings and improvements	-	-	-	-	2,375,534	2,375,534
Subtotal	-	-	-	-	5,700,541	5,700,541
Accumulated depreciation	-	-	-	-	4,940,359	4,940,359
Net capital assets being depreciated	-	-	-	-	760,182	760,182
Net capital assets	\$ 17,745	\$ 13,191,914	\$ 77,187	\$ 869,375	\$ 1,520,181	\$ 15,676,402

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

Governmental activities:

General government	\$ 634,568
Public safety	948,704
Public works	6,341,531
Economic development	197,243
Recreation and culture	1,331,051
Total governmental activities	<u>\$ 9,453,097</u>

Business-type activities:

Water	\$ 1,041,468
Sewer	1,702,384
Ecorse Creek	57,655
Golf	510,896
Total business-type activities	<u>\$ 3,312,403</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has various active construction projects ongoing at year end whereby the City has a contractual obligation with a third party for construction and design work. At year end, the City's outstanding commitments with vendors by reporting unit are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities	\$ 189,945	\$ 351,467
Business-type activities	464,743	4,733,668
Component units	<u>1,914,756</u>	<u>280,163</u>
Total	<u>\$ 2,569,444</u>	<u>\$ 5,365,298</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Ecorse Creek Fund	\$ 59,788
	Golf Courses Fund	348,987
	Water Fund	493,992
	Other nonmajor governmental funds	<u>1,772,586</u>
	Total General Fund	2,675,353
Other nonmajor governmental funds	General Fund	901,275
	Other nonmajor governmental funds	<u>200,000</u>
	Total nonmajor governmental funds	1,101,275
Sewer Fund	Water Fund	498,626
	General Fund	<u>69,232</u>
	Total Sewer Fund	567,858
Ecorse Creek Fund	Water Fund	74,924
	Sewer Fund	<u>3</u>
	Total Ecorse Creek Fund	74,927
Police and Fire Retirement Fund	General Fund	730,253

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Act 179 Rubbish Fund	General Fund	\$ 13,129
	Total	<u>\$ 5,162,795</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur as well as to cover cash flow, transactions are recorded in the accounting system, and payments between funds are made.

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Downtown Development Authority	General Fund	\$ 13,474
	Police and Fire Retirement Fund	15,055
	Act 179 Rubbish Fund	7,509
	Sewer Fund	8,953
	Other nonmajor governmental funds	<u>6,580</u>
	Total Downtown Development Authority	51,571
Local Development Financing Authority	General Fund	6,489
	Police and Fire Retirement Fund	6,295
	Act 179 Rubbish Fund	3,140
	Sewer Fund	3,744
	Other nonmajor governmental funds	<u>679</u>
	Total Local Development Financing Authority	20,347

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Brownfield Redevelopment Authority	General Fund	\$ 425,948
	Sewer Fund	223,233
	Total Brownfield Redevelopment Authority	649,181
Tax Increment Financing Authority	Act 179 Rubbish Fund	46,599
	Police and Fire Retirement Fund	93,431
	Sewer Fund	55,566
	Other nonmajor governmental funds	10,092
	Total Tax Increment Financing Authority	205,688
Nonmajor governmental funds	Tax Increment Financing Authority	521,815
	Brownfield Redevelopment Authority	10,651
	Total nonmajor governmental funds	532,466
General Fund	Tax Increment Financing Authority	2,351,494
Police and Fire Retirement Fund	Tax Increment Financing Authority	1,180,808
	Brownfield Redevelopment Authority	8,148
	Total Police and Fire Retirement Fund	1,188,956
Act 179 Rubbish Fund	Tax Increment Financing Authority	602,601
	Brownfield Redevelopment Authority	4,064
	Total Act 179 Rubbish Fund	606,665
Sewer Fund	Tax Increment Financing Authority	857,662
Water Fund	Tax Increment Financing Authority	925,242
	Total	\$ 7,389,272

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Transfer In	Transfer Out	Amount
Local Streets Fund	Major Streets Fund	\$ 1,600,000
Taylor Building Authority Debt Fund	Building and Grounds Fund	2,012,095
2008 MI Transportation Bond Debt Fund	Major Streets Fund	361,688
General Fund	1996 Voted Levy Fund	<u>620,403</u>
	Total	<u>\$ 4,594,186</u>

Transfers from the Major Streets Fund to the 2008 Transportation Bond Debt Fund are to cover debt payments on road debt. Transfers from Major Streets to Local Streets are to cover local road work in accordance with Act 51. The transfer from Building and Grounds to the Building Authority Debt Fund is for Building Authority lease payments. Transfers from the 1996 Voted Levy Fund to the General Fund are to cover debt payments on 1996 Voted Levy debt.

Note 7 - Long-term Debt

The City 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. County contractual agreements and installment purchase agreements are also general obligations of the government.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Bonds and contractual obligations:						
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	3.5%-4.75%	\$ 645,000	\$ -	\$ 70,000	\$ 575,000	\$ 70,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	4.20%-4.40%	190,000	-	60,000	130,000	65,000
Limited Tax General Obligation Bonds - Series 2005 - Amount of issue - \$14,795,000	5.00%	1,715,000	-	1,715,000	-	-
APEX 47 Turf Vacuum - Amount of issue - \$12,750	11.00%	4,719	-	4,719	-	-
2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000	3.50%-5.25%	975,000	-	310,000	665,000	325,000
2011 Installment purchase contract trash totes - Amount of issue - \$1,880,000	3.83%	1,028,000	-	191,000	837,000	198,000
2011 Installment purchase contract trash trucks - Amount of issue - \$1,232,000	4.36%	390,000	-	191,000	199,000	199,000
Building Authority Refunding Bonds 2005 (with Sportsplex)	5.00%	915,200	-	915,200	-	-
VDI Desktop Storage Replacement - Amount of issue - \$380,977	3.24%	234,025	-	75,505	158,520	77,981
2015 Building Authority Refunding Bonds - \$6,965,000	2.00%-5.00%	6,340,000	-	695,000	5,645,000	700,000
PNC Equipment Note - Amount of issue - \$1,236,481	2.34%	1,217,035	-	236,331	980,704	241,921
Dell Capital Lease - Amount of issue - \$49,506	6.83%	-	49,506	17,602	31,904	15,425
Caterpillar Excavator Equipment Lease Purchase - Amount of issue - \$84,942	2.39%	-	84,942	16,346	68,596	14,706
Bond premium		691,978	-	166,263	525,715	89,493
Total bonds payable		14,345,957	134,448	4,663,966	9,816,439	1,996,526
Other long-term obligations:						
Workers' compensation claims		365,357	412,259	399,748	377,868	-
Nonexchange financial guarantee		3,620,000	-	482,000	3,138,000	252,564
Compensated absences		3,240,881	1,176,305	1,580,130	2,837,056	878,818
Total governmental activities		\$ 21,572,195	\$ 1,723,012	\$ 7,125,844	\$ 16,169,363	\$ 3,127,908

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Series 2004 - Water and Sewer - Amount of issue - \$1,655,000	4.20%-4.40%	\$ 450,000	\$ -	\$ 145,000	\$ 305,000	\$ 150,000
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$87,367,763	Various	29,014,555	1,988,430	4,970,004	26,032,981	5,192,007
Series 2009A - ECPAD I CWRF - Amount of issue - \$3,717,000	2.50%	1,109,677	-	101,967	1,007,710	103,308
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$236,021	3.1031%	164,535	-	58,222	106,313	60,048
Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$222,299	3.1031%	154,970	-	54,833	100,137	56,556
Lease purchase agreement - Two Ranger Xarts split 50/50 TMGC/LTGC	5.75%	1,272	-	1,272	-	-
ECPAD I Taylor/Pelham Basin Series 2014 - Amount of issue - \$722,172	2.50%	595,861	-	64,529	531,332	67,275
PNC Equipment Note - Amount of issue - \$239,033	2.34%	235,274	-	45,687	189,587	46,767
Total bonds payable		31,726,144	1,988,430	5,441,514	28,273,060	5,675,961
Other long-term obligations:						
Compensated absences		192,013	71,151	50,671	212,493	85,167
Nonexchange financial guarantee		3,112,204	-	148,003	2,964,201	227,436
Total business-type activities		\$ 35,030,361	\$ 2,059,581	\$ 5,640,188	\$ 31,449,754	\$ 5,988,564

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities						
TIFA:						
2005 Building Authority Refunding Bonds - Amount of issue - \$1,870,000	5.0%	\$ 514,800	\$ -	\$ 514,800	\$ -	\$ -
2013 Refunding - Series A - Amount of issue - \$15,995,000	2.00%-3.25%	8,910,000	-	2,620,000	6,290,000	2,555,000
2013 Refunding - Series B - Amount of issue - \$4,680,000	4.00%	4,680,000	-	-	4,680,000	-
Bond premium		309,174	-	61,835	247,339	61,835
Total TIFA		14,413,974	-	3,196,635	11,217,339	2,616,835
Brownfield:						
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2006 - Amount of issue - \$3,100,000	5.70%-6.00%	2,095,000	-	2,095,000	-	-
Brownfield Redevelopment Tax Increment Bonds, taxable Series 2005 - Amount of issue - \$3,080,000	4.75%-5.30%	2,070,000	-	2,070,000	-	-
2017 Refunding - Series A - Amount of issue - \$1,915,000	2.10-4.45%	-	1,915,000	-	1,915,000	255,000
2017 Refunding - Series B - Amount of issue - \$2,045,000	5.35-6.00%	-	2,045,000	-	2,045,000	180,000
Brownfield Redevelopment Tax Increment Bonds, Series 2015	2.00% - 5.00%	9,480,000	-	220,000	9,260,000	225,000
Bond premium		374,961	-	32,927	342,034	20,522
Total Brownfield		14,019,961	3,960,000	4,417,927	13,562,034	680,522
DDA - DDA Bonds - Downtown Development Bond - Series 2002 - Amount of issue - \$2,500,000	4.45%-4.70%	260,000	-	260,000	-	-
Total bonds payable		\$ 28,693,935	\$ 3,960,000	\$ 7,874,562	\$ 24,779,373	\$ 3,297,357

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal*	Interest	Total	Principal	Interest	Total	Principal*	Interest	Total
2018	\$ 1,907,033	\$ 402,268	\$ 2,309,301	\$ 5,675,960	\$ 741,132	\$ 6,417,092	\$ 3,215,000	\$ 925,018	\$ 4,140,018
2019	1,779,719	325,644	2,105,363	4,755,103	600,960	5,356,063	3,420,000	820,057	4,240,057
2020	1,350,332	255,361	1,605,693	3,587,690	488,394	4,076,084	3,295,001	717,833	4,012,834
2021	1,338,640	198,228	1,536,868	3,531,742	398,727	3,930,469	3,845,000	600,235	4,445,235
2022	925,000	143,056	1,068,056	1,207,409	334,820	1,542,229	684,999	451,517	1,136,516
2023-2027	1,990,000	145,406	2,135,406	6,101,122	1,082,749	7,183,871	3,955,000	1,801,284	5,756,284
2028-2032	-	-	-	3,309,688	244,179	3,553,867	3,975,000	1,003,025	4,978,025
2033-2037	-	-	-	104,346	7,260	111,606	1,800,000	136,000	1,936,000
Total	\$ 9,290,724	\$ 1,469,963	\$ 10,760,687	\$ 28,273,060	\$ 3,898,221	\$ 32,171,281	\$ 24,190,000	\$ 6,454,969	\$ 30,644,969

* Balances exclude bond premium

Note 7 - Long-term Debt (Continued)

In conjunction with the issuance of \$20,675,000 for the Tax Increment Financing Authority (TIFA) bond Series 2013A and Series 2013B, the component unit is required to maintain debt service reserves in the amount of \$1,097,000. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage totaling \$1,097,000 for this purpose. In addition to the reserves and in conjunction with the above debt issue, the City has agreed to certain covenants, including, but not limited to, restriction on amendments to the TIFA plan districts and continued compliance with the State of Michigan regulations and statutes affecting the TIFA bond indenture.

Defeased Debt - In 2017, the City defeased \$3.8 million of bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the current year defeased bonds and balance of prior year defeased bonds are not included in the basic financial statements. At June 30, 2017, approximately \$19.6 million of bonds outstanding are considered defeased.

Nonexchange Financial Guarantee - In 2005, the City pledged its full faith and credit on bonds issued by the City's Brownfield Redevelopment Authority (Brownfield). The bonds were related to the Midtown (Island Lakes) development project. The City's pledge is considered a nonexchange financial guarantee or commitment to back the debt payments of the bonds which continue through fiscal year 2034. Due to the downturn in the economy, the development project was never finished and as a result, the Brownfield's projected tax increment revenue was insufficient to fully pay the bond debt. The present value of the total estimated shortfall related to Brownfield's bond payments is \$6,102,201 and has been recognized by the City as a liability of \$3,138,000, \$1,482,101, and \$1,482,100 in the governmental activities, Water Fund, and Sewer Fund, respectively. In a prior year, the full amount was recorded in governmental activities; the City obtained additional guidance from third-party legal counsel that concluded that the Water and Sewer Funds are responsible for a portion of the cost. As such, the City recorded the proportionate share in these funds.

No Commitment Debt - Excluded from long-term debt are bonds issued under the Economic Development Corporation Act of 1974, as amended, which authorizes the formation of economic development corporations and their participation in economic development projects in the City. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

Note 8 - Restricted Assets

The restricted assets are restricted for the following purposes:

	<u>Business-type Activities</u>
Assets held at Wayne County for future debt payments	\$ 6,348,430
Assets held at Wayne County for sewer operations	799,016

The above assets held at Wayne County set aside for contractual obligations are the result of the county issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay \$10,488,358 of the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, to fund \$15,544,623 of the obligation to repay the county. Proceeds from the county bonds provided financing for the construction of the expansion of the Downriver Wastewater Treatment Plant and System. The remaining principal and interest to be paid on the revenue bonds total \$29,660,485. During the current year, net revenue of the system was \$1,807,920 compared to the annual debt requirements of \$742,024. Annual tax collections related to the debt were \$4,895,663 compared to the annual debt requirements of \$4,983,343.

Note 9 - Risk Management

The City 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 City has purchased commercial insurance for medical and property claims and for risk related to torts and errors and omissions and is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2017</u>	<u>2016</u>
Unpaid claims - Beginning of year	\$ 365,357	\$ 495,603
Incurred claims, including adjustments to claims incurred but not reported	356,413	256,975
Claim payments (net of insurance refunds)	<u>(343,902)</u>	<u>(387,221)</u>
Unpaid claims - End of year	<u>\$ 377,868</u>	<u>\$ 365,357</u>

Note 10 - Other Postemployment Benefits

Plan Description - The City provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan. This is a single-employer defined benefit plan administered by the City.

Funding Policy - The labor contracts require employee contributions for optical and dental for all employees and medical contributions for some of the new Command Union retirees. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis).

Funding Progress - For the year ended June 30, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 17,992,359
Interest on the prior year's net OPEB obligation	2,353,821
Less adjustment to the annual required contribution	<u>(2,143,145)</u>
Annual OPEB cost	18,203,035
Amounts contributed - Payments of current premiums	<u>7,892,660</u>
Increase in net OPEB obligation	10,310,375
OPEB obligation - Beginning of year	<u>58,845,527</u>
OPEB obligation - End of year	<u><u>\$ 69,155,902</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and three preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	6/30/12	\$ 13,900,300	50.0 %	\$ 41,583,310
6/30/15	6/30/14	14,397,330	51.9	48,572,396
6/30/16	6/30/14	17,751,739	43.1	58,845,527
6/30/17	6/30/14	17,992,359	43.9	69,155,902

Note 10 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/10	\$ -	\$ 208,546,075	\$ 208,546,075	- %	\$ 12,239,209	1,703.9 %
6/30/12	-	232,697,568	232,697,568	-	12,057,769	1,929.9
6/30/14	-	333,124,138	333,124,138	-	11,720,401	2,842.3

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per year compounded annually, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 3.5 percent over 10 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 30 years.

Note 11 - Other Postemployment Benefits - MERS Health Care Plan

The City provides retiree healthcare benefits to eligible employees and their spouses through the Municipal Employees' Retirement System healthcare plan. This is a defined contribution plan administered by the Municipal Employees' Retirement System. Any employee in the Police Officer Association of Michigan union hired after September 30, 2011 is eligible to use the balance in his or her account to fund current medical insurance premiums.

During the year ended June 30, 2017, the City made contributions of \$13,090 and the plan members contributed \$19,874 to the plan.

Note 12 - Defined Contribution Pension Plan

The City provides benefits to recently hired employees that are not eligible for the defined benefit plans through a defined contribution plan established on July 1, 2003. In the City of Taylor, Michigan's defined contribution plan, which is administered by Nationwide, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of hire. As established by various collective bargaining agreements, the employees are permitted to contribute up to 4 percent of their pretax earnings and up to 25 percent of their after-tax earnings. The City contributes between 50 percent and 200 percent of no greater than 4 percent of the employee contributions as an employer match. Employee contributions are immediately vested. Earnings and the employer match are fully vested after five years of service.

The City's total payroll during the current year was \$21,377,219. The current year contribution was calculated based on covered payroll of \$3,280,260, resulting in an employer contribution of \$125,278 and employee contributions of \$131,210.

Note 13 - Pension Plan Description

General Government Employees' Retirement System

Plan Description - The City of Taylor General Employee Retirement System Board of Trustees administers the City of Taylor Government Employees' Retirement System - a single-employer defined benefit pension plan that provides pensions for all employees of the City other than court, police, and fire employees. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The plan does not issue a separate financial report.

The financial statements of the plan are included in these financial statements as a fiduciary fund. Management of the plan is vested in the board of trustees, which consists of five members appointed by the City.

Note 13 - Pension Plan Description (Continued)

Employees Covered by Benefit Terms - At December 31, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	257
Inactive plan members entitled to but not yet receiving benefits	23
Active plan members	<u>58</u>
Total employees covered by the plan	<u><u>338</u></u>

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Retirement benefits for general plan members are based off of average final compensation, and are calculated as follows:

Local 1128 AFCSME and Local 1917 members hired prior to August 4, 1988 - Straight life pension equals 55 percent of average final compensation (AFC).

Taylor Governmental Management and Administrative Employees Association members hired prior to May 18, 1988 - Straight life pension equals 30 percent of average final compensation (AFC) after four years of service increasing by 6.25 percent each year until eight years, at which the pension equals 55 percent of AFC until 13 or more years of service, at which the pension equals 65 percent of AFC.

Elected officials elected before November 27, 1989 - Straight life pension equals 30 percent of average final compensation (AFC) after four years of service increasing by 6.25 percent each year until eight years of service, at which the pension equals 55 percent of AFC.

Local 1128 AFCSME and Local 1917 members hired on or after August 4, 1988 - Straight life pension equals 2.2 percent of average final compensation (AFC) per year of service to a maximum of 25 years of service.

Taylor Governmental Management and Administrative Employees Association members hired on or after May 18, 1988 - Straight life pension equals 30 percent of final average earnings (FAE) for service accrued before January 1, 2011 after five years of service increasing by 2.25 percent each year until 12 years, at which the percentage rate equals 47.5 percent. The pension then increases in years 13, 14, and 15 to 52.5, 60, and 65 percent, respectively, which is where the FAE is capped. The pension percentage increases 2.25 percent for each year of service accrued after January 1, 2011, not to exceed 65 percent.

Elected officials elected on or after November 27, 1989 excluding City Council elected on or after November 25, 1997, judges elected on or after October 1, 2008, and the mayor, clerk, and treasurer elected on or after November 8, 2005 - Straight life pension equals 30 percent of final average compensation after five years of service increasing by 2.25 percent each year not to exceed 55 percent.

Note 13 - Pension Plan Description (Continued)

Average final compensation is defined as the average of the employee's highest five years of earnings prior to retirement.

Local 1128 AFCSME and Local 1917 members hired prior to August 4, 1988 are eligible at the earlier of age 55 with eight or more years of service (10 or more years if hired after August 1, 1982), or 25 years of service. Taylor Governmental Management and Administrative Employees Association members and elected officials elected before November 27, 1989 hired prior to May 18, 1988 are eligible at age 55 with four or more years of service or any age with 25 or more years of service. Local 1128 AFCSME and Local 1917 members hired on or after August 4, 1988 are eligible at age 55 with 10 or more years of service, or age 50 and 25 or more years of service beginning January 1, 2009. Employees hired after December 22, 2004 are not eligible to participate. Taylor Governmental Management and Administrative Employees Association members hired on or after May 18, 1988 are eligible at age 55 with five or more years of service. Employees hired after March 6, 2001 are not eligible to participate. Elected officials elected on or after November 27, 1989 excluding City Council elected on or after November 25, 1997, judges elected on or after October 1, 2008, and the mayor, clerk, and treasurer elected on or after November 8, 2005 are eligible at age 55 with five or more years of service.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended December 31, 2016, the average active member contribution rate was 5.0 percent of annual pay and the City's average contribution rate was 114.18 percent of annual payroll.

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Board administers the City of Taylor, Michigan Pension Plan - a single-employer defined benefit pension plan that provides pensions for almost all public safety employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The plan does not issue a separate financial report.

Note 13 - Pension Plan Description (Continued)

The financial statements of the plan are included in these financial statements as a fiduciary fund. Management of the plan is vested in the pension board, which consists of five members: one police officer elected by the members, one firefighter elected by the members, two members representing the City, and the city treasurer.

Employees Covered by Benefit Terms - At June 30, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	218
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	<u>107</u>
Total employees covered by the plan	<u>336</u>

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Retirement benefits for police and fire plan members are based off of average final compensation, and are calculated as follows:

Corporal/patrol hired prior to October 1, 2011 - Straight life pension equals 2.8 percent of average final compensation (AFC) times first 25 years of service, maximum of 70 percent of AFC.

Police command and fire hired prior to July 1, 2007 - Straight life pension equals 2.8 percent of average final compensation (AFC) times first 25 years of service plus 1.0 percent of AFC times years of service in excess of 25 years to a maximum of 75 percent of AFC.

Fire hired on or after July 1, 2007 (and before August 1, 2012) and corporal/patrol hired after September 30, 2011 - Straight life pension equals 2.25 percent of AFC times years of service. Fire AFC will use base wages only and overtime is capped at \$3,000. Corporal/patrol AFC shall be base wage plus a maximum of 240 hours of paid leave.

Average final compensation is defined as the employee's highest three years of earnings from the last 10 years of service.

Corporal/patrol hired prior to October 1, 2011 and fire hired prior to August 1, 2012 are with 20 or more years of service or age 60, regardless of service. Fire post-July 31, 2012 hires are covered by a defined contribution plan. Corporal/patrol hired after September 30, 2011 are eligible at age 50 with 25 or more years of service, or age 60. Police command are eligible at any age with 25 or more years of service, or age 60 regardless of service. Command officers are eligible to participate in the DROP after 20 years of service.

Note 13 - Pension Plan Description (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2017, the average active member contribution rate was 10 percent of annual pay, and the City's average contribution rate was 64.5 percent of annual payroll.

Note 14 - Pension Plan Investments - Policy and Rate of Return

General Employees' Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	45 %
Fixed income	25
International equity	15
Real estate	5
Other assets	10

Concentrations - At December 31, 2016, the plan held approximately 60 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.59 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 14 - Pension Plan Investments - Policy and Rate of Return (Continued)

Police and Fire Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	2 %
Fixed income	14
Domestic equity	59
International equity	13
Real estate	10
Hedge funds	2

Concentrations - At June 30, 2017, the plan held approximately 40 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.45 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 15 - Pension Plan Reserves

Police and Fire Retirement System

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 7.6 percent. For any employee who terminates before vesting in the pension plan, his or her balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

Note 15 - Pension Plan Reserves (Continued)

There are no employer reserves as of June 30, 2017.

The balances of the employee and retiree reserve accounts at June 30, 2017 are as follows:

	Required Reserve	Amount Funded
Employee reserve	\$ 10,727,321	\$ 10,727,322
Retiree reserve	125,194,199	111,753,713

General Employees' Pension Plan

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 5.0 percent. For any employee who terminates before vesting in the pension plan, his or her balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

There are no employer reserves as of December 31, 2016.

The balances of the employee, retiree, and terminated vested reserve accounts at December 31, 2016 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 66,628,090	\$ 32,776,421
Employee reserve	2,589,882	2,589,882
Terminated vested reserve	3,331,795	3,331,795

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 16 - Net Pension Liability - General Employees' Retirement System

The components of the net pension liability of the City at December 31, 2016 were as follows:

Total pension liability	\$ 83,051,749
Plan fiduciary net position	<u>(38,698,098)</u>
City's net pension liability	<u>\$ 44,353,651</u>

Plan fiduciary net position as a percentage of the total pension liability 46.6 %

The City has chosen to use December 31, 2016 as its measurement date for the net pension liability. The December 31, 2016 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 82,015,213	\$ 38,393,907	\$ 43,621,306
Service cost	278,102	-	278,102
Interest	5,933,218	-	5,933,218
Differences between expected and actual experience	914,633	-	914,633
Contributions - Employer	-	3,530,436	(3,530,436)
Contributions - Employee	-	164,004	(164,004)
Net investment income	-	2,764,949	(2,764,949)
Benefit payments, including refunds	(6,089,417)	(6,089,417)	-
Administrative expenses	-	(65,781)	65,781
Net changes	<u>1,036,536</u>	<u>304,191</u>	<u>732,345</u>
Balance at December 31, 2016	<u>\$ 83,051,749</u>	<u>\$ 38,698,098</u>	<u>\$ 44,353,651</u>

Note 16 - Net Pension Liability - General Employees' Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the City recognized pension expense of \$5,711,604. At December 31, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,559,062</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2018	\$ 943,962
2019	943,962
2020	666,675
2021	4,463

Actuarial Assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increases	3.5 % Average, including inflation
Investment rate of return	7.5 % Net of pension plan investment expense, including inflation

Mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 16 - Net Pension Liability - General Employees' Retirement System (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, 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. Best estimates of arithmetic real rates of return as of December 31, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.77 %
International equity	9.19
Core fixed income	2.22
Global fixed income	3.58
Real estate	5.61
Hedge funds	2.21

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 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability of the City	\$ 52,217,224	\$ 44,353,651	\$ 37,636,014

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 17 - Net Pension Liability - Police and Fire Retirement System

The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ 226,318,289
Plan fiduciary net position	<u>(122,481,035)</u>
City's net pension liability	<u>\$ 103,837,254</u>
Plan fiduciary net position as a percentage of the total pension liability	54.1 %

The City has chosen to use June 30, 2017 as its measurement date for the net pension liability. The June 30, 2017 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2017. The June 30, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2016	\$ 238,870,839	\$ 114,382,210	\$ 124,488,629
Service cost	4,313,576	-	4,313,576
Interest	11,363,200	-	11,363,200
Differences between expected and actual experience	(1,734,435)	-	(1,734,435)
Changes in assumptions	(13,993,367)	-	(13,993,367)
Contributions - Employer	-	5,190,370	(5,190,370)
Contributions - Employee	-	784,198	(784,198)
Net investment income	-	14,698,347	(14,698,347)
Benefit payments, including refunds	(12,501,524)	(12,501,524)	-
Administrative expenses	-	(72,618)	72,618
Miscellaneous other charges	-	52	(52)
Net changes	<u>(12,552,550)</u>	<u>8,098,825</u>	<u>(20,651,375)</u>
Balance at June 30, 2017	<u>\$ 226,318,289</u>	<u>\$ 122,481,035</u>	<u>\$ 103,837,254</u>

Assumption Changes - The discount rate used to measure the total pension liability was changed from 4.84 percent to 5.35 percent.

Note 17 - Net Pension Liability - Police and Fire Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$14,927,172. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 123,126	\$ 1,067,345
Changes in assumptions	7,029,811	8,611,302
Net difference between projected and actual earnings on pension plan investments	<u>610,057</u>	<u>-</u>
Total	<u>\$ 7,762,994</u>	<u>\$ 9,678,647</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2018	\$ 1,839,631
2019	(2,893,644)
2020	389,576
2021	(1,251,216)

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 %
Salary increases	0-6.5 % Average, including inflation
Investment rate of return	7.6 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Health Annuitant Mortality Table.

Note 17 - Net Pension Liability - Police and Fire Retirement System (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 5.35 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate of 3.13 percent. The source of that bond rate is the Standard & Poor's Municipal Bond 20-year high grade index as of June 30, 2017. The resulting single discount rate is 5.35 percent. The long-term expected rate of return was applied to projected benefit payments from July 1, 2018 through July 1, 2042 and the municipal bond rate was applied to the remaining periods.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, 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. Best estimates of arithmetic real rates of return as of June 30, 2017 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
International equity	9.19 %
Domestic equity	5.77
Fixed income	2.22
Hedge funds	2.21
Real estate	5.61

Note 17 - Net Pension Liability - Police and Fire Retirement System (Continued)

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 5.35 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.35 percent) or 1 percentage point higher (6.35 percent) than the current rate:

	1% Decrease (4.35%)	Current Discount Rate (5.35%)	1% Increase (6.35%)
Net pension liability of the City	\$ 132,726,107	\$ 103,837,254	\$ 80,154,595

Note 18 - Defined Benefit Pension Plan - District Court Employees

Plan Description - The court participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS), that covers all district court employees of the court hired before June 30, 2002. MERS was established as a statewide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all district court employees hired before June 30, 2002.

Retirement benefits for employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Note 18 - Defined Benefit Pension Plan - District Court Employees (Continued)

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>9</u>
Total employees covered by MERS	<u>20</u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members 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.

For the year ended December 31, 2016, the average active employee contribution rate was 5.0 percent of annual pay and the court's average contribution rate was 19.67 percent of annual payroll for the district court.

Net Pension Liability

The net pension liability reported was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2017

Note 18 - Defined Benefit Pension Plan - District Court Employees (Continued)

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 3,675,863	\$ 2,634,725	\$ 1,041,138
Service cost	40,596	-	40,596
Interest	287,968	-	287,968
Differences between expected and actual experience	30,322	-	30,322
Contributions - Employer	-	42,463	(42,463)
Contributions - Employee	-	20,845	(20,845)
Net investment income	-	294,707	(294,707)
Benefit payments, including refunds	(193,111)	(193,111)	-
Administrative expenses	-	(5,821)	5,821
Net changes	<u>165,775</u>	<u>159,083</u>	<u>6,692</u>
Balance at December 31, 2016	<u>\$ 3,841,638</u>	<u>\$ 2,793,808</u>	<u>\$ 1,047,830</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the court recognized pension expense of \$252,516. At June 30, 2017, the court reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 52,148
Changes in assumptions	57,455
Net difference between projected and actual earnings on pension plan investments	106,850
Employer contributions to the plan subsequent to the measurement date	<u>15,011</u>
Total	<u>\$ 231,464</u>

Note 18 - Defined Benefit Pension Plan - District Court Employees (Continued)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$20,262, which will impact the net pension liability in fiscal year 2018, rather than pension expense.

Years Ending June 30	Amount
2018	\$ 144,329
2019	54,940
2020	35,056
2021	(17,872)

Actuarial Assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Salary increases	3.75 %	
Investment rate of return	7.75 %	Net of pension plan investment expense, including inflation

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study from 2009-2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 18 - Defined Benefit Pension Plan - District Court Employees (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, 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 as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20	2.2
Real assets	12	4.2
Diversifying strategies	10	6.6

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the court, calculated using the discount rate of 8.00 percent, as well as what the court's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the court	\$ 1,470,113	\$ 1,047,830	\$ 687,493

**Note 18 - Defined Benefit Pension Plan - District Court Employees
(Continued)**

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis as it is reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 19 - Pension and Other Employee Benefit Trust Funds

As of June 30, 2017, the statement of net position and the statement of changes in net position for the pension plan are as follows:

	Police and Fire System	General Employees' Pension Plan*
	<u> </u>	<u> </u>
<u>Statement of Net Position</u>		
Cash and investments	\$ 122,327,544	\$ 37,314,209
Other assets	153,491	1,383,889
	<u> </u>	<u> </u>
Net position	<u>\$ 122,481,035</u>	<u>\$ 38,698,098</u>
<u>Statement of Changes in Net Position</u>		
Investment income - Net of investment expenses	\$ 14,698,400	\$ 2,764,155
Contributions	5,974,568	3,694,440
Benefit payments	12,501,524	6,089,417
Other deductions	72,619	64,987
	<u> </u>	<u> </u>
Net change in net position	<u>\$ 8,098,825</u>	<u>\$ 304,191</u>

* Balances are as of December 31, 2016

The City recognized total pension expense of \$20,891,292 for the year ended June 30, 2017.

Note 19 - Pension and Other Employee Benefit Trust Funds (Continued)

The total net pension liability is broken out as follows:

Allocation of the net pension liability:	
General Government Employees' Retirement System*	\$ 44,353,651
Police and Fire Retirement System	103,837,254
Municipal Employees Retirement System	<u>1,047,830</u>
Total net pension liability	<u>\$ 149,238,735</u>
Allocation of the net pension liability:	
Governmental activities portion of the net pension liability	\$ 137,706,789
Business-type activities portion of the net pension liability	<u>11,531,946</u>
Total	<u>\$ 149,238,735</u>

* Balances are as of December 31, 2016

Note 20 - Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 20 - Fair Value Measurement (Continued)

The City has the following recurring fair value measurements as of June 30, 2017:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Agency bonds	\$ 710,737	\$ -	\$ 710,737	\$ -
Asset-backed securities	930,096	-	930,096	-
Common - Not traded	3,588,159	-	3,588,159	-
Corporate - Not traded	2,129,771	-	2,129,771	-
Corporate bonds	7,469,026	-	7,469,026	-
ETF - Equity	12,863,610	12,863,610	-	-
ETF - Fixed income	223,200	223,200	-	-
Mutual funds - Equity	16,954,809	16,954,809	-	-
Other assets	2,311,097	-	-	2,311,097
Other equity	8,803	-	8,803	-
Other fixed-income assets	24,388	-	24,388	-
Other alternative investments	30,561,100	-	-	30,561,100
Private equity	1,232,257	-	-	1,232,257
Stocks	67,806,263	67,806,263	-	-
Treasury bonds	6,107,059	2,417,590	3,689,469	-
Total investments by fair value level	<u>\$ 152,920,375</u>	<u>\$ 100,265,472</u>	<u>\$ 18,550,449</u>	<u>\$ 34,104,454</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of agency bonds, certain asset-backed securities, common and corporate - not traded, certain corporate bonds, mortgages, and Treasury bonds at June 30, 2017 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of certain asset-backed securities, certain corporate bonds, other alternative investments, certain other fixed-income assets, private equity, and certain stocks at June 30, 2017 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using the City's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Note 21 - Contingent Liabilities

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. In addition, the City is involved in certain labor negotiation discussions. The City has not recorded an estimate of any liabilities that may result from these matters at June 30, 2017.

Note 22 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2019-2020 fiscal year.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2017-2018 fiscal year.

Note 22 - Upcoming Accounting Pronouncements (Continued)

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2017-2018 fiscal year.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2020-2021 fiscal year.

Note 23 - Tax Abatements

The City receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974). Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. Under the program, the City grants reduction of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 10 years.

For the fiscal year ended June 30, 2017, the City abated \$89,022 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Required Supplemental Information

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 10,571,500	\$ 10,641,500	\$ 10,406,474	\$ (235,026)
Fees and permits	1,388,600	1,388,600	1,323,222	(65,378)
Federal grants	2,044,250	2,391,270	2,045,007	(346,263)
State-shared revenue and grants	7,357,390	7,842,401	8,087,863	245,462
Charges for services	2,550,715	2,593,180	2,357,125	(236,055)
Fines and forfeitures	4,975,000	5,420,400	5,512,777	92,377
Investment income	1,500	1,500	3,019	1,519
Rental income	807,720	1,038,520	1,017,934	(20,586)
Other revenue	6,244,269	8,467,590	7,801,069	(666,521)
Total revenue	<u>35,940,944</u>	<u>39,784,961</u>	<u>38,554,490</u>	<u>(1,230,471)</u>
Expenditures - Current				
General government	8,096,638	8,406,508	9,467,187	(1,060,679)
Public safety	13,709,707	15,891,104	15,669,279	221,825
Public works	4,436,050	5,450,782	5,379,503	71,279
Employee benefits	6,220,208	6,130,726	6,096,549	34,177
Economic and community development	977,065	1,259,765	1,222,117	37,648
Recreation and culture	2,390,670	3,360,463	2,566,040	794,423
Capital outlay	2,500	446,808	168,268	278,540
Debt service	107,227	383,995	383,459	536
Total expenditures	<u>35,940,065</u>	<u>41,330,151</u>	<u>40,952,402</u>	<u>377,749</u>
Excess of Revenue Over (Under)				
Expenditures	879	(1,545,190)	(2,397,912)	(852,722)
Other Financing Sources				
Face value of debt issue	-	135,942	134,448	(1,494)
Transfers in	-	620,403	620,403	-
Transfers out	-	(23,225)	-	23,225
Total other financing sources	<u>-</u>	<u>733,120</u>	<u>754,851</u>	<u>21,731</u>
Net Change in Fund Balance	879	(812,070)	(1,643,061)	(830,991)
Fund Balance - Beginning of year	<u>10,053,686</u>	<u>10,053,686</u>	<u>10,053,686</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 10,054,565</u></u>	<u><u>\$ 9,241,616</u></u>	<u><u>\$ 8,410,625</u></u>	<u><u>\$ (830,991)</u></u>

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Act 179 Rubbish Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,140,000	\$ 4,140,000	\$ 4,107,264	\$ (32,736)
State-shared revenue and grants	25,000	147,600	147,843	243
Charges for services	433,500	502,000	522,642	20,642
Investment income	5,000	8,400	8,506	106
Other revenue	-	425,000	425,000	-
Total revenue	4,603,500	5,223,000	5,211,255	(11,745)
Expenditures				
Current - Public works	4,437,400	5,042,902	4,994,037	48,865
Debt service	438,377	438,377	438,376	1
Total expenditures	4,875,777	5,481,279	5,432,413	48,866
Excess of Revenue Over (Under) Expenditures	(272,277)	(258,279)	(221,158)	37,121
Other Financing Sources -				
Transfers in	-	23,225	-	(23,225)
Net Change in Fund Balance	(272,277)	(235,054)	(221,158)	13,896
Fund Balance - Beginning of year	1,350,223	1,350,223	1,350,223	-
Fund Balance - End of year	\$ 1,077,946	\$ 1,115,169	\$ 1,129,065	\$ 13,896

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Police and Fire Retirement Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,208,200	\$ 8,208,200	\$ 8,233,314	\$ 25,114
Federal grants	400,000	400,000	487,589	87,589
State-shared revenue and grants	20,000	20,000	450,269	430,269
Investment income	10,000	10,000	16,972	6,972
Total revenue	8,638,200	8,638,200	9,188,144	549,944
Expenditures - Current -				
Retirement contributions	9,138,200	8,700,520	8,488,404	212,116
Net Change in Fund Balance	(500,000)	(62,320)	699,740	762,060
Fund Balance - Beginning of year	2,109,789	2,109,789	2,109,789	-
Fund Balance - End of year	\$ 1,609,789	\$ 2,047,469	\$ 2,809,529	\$ 762,060

City of Taylor, Michigan

Note to Required Supplemental Information Year Ended June 30, 2017

During the year, the General Fund incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government	\$ 8,406,508	\$ 9,467,187	\$ (1,060,679)

General government expenditures were over budget as the result of a write-off of the long-term advance owed to the General Fund from the Golf Courses Enterprise Fund, which management determined to be uncollectible.

City of Taylor, Michigan

Required Supplemental Information Schedule of Changes in the City's Net Pension Liability and Related Ratios General Employees' Retirement System Fiscal Year Ended

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 278,102	\$ 306,468	\$ 295,423
Interest	5,933,218	5,610,828	5,970,109
Changes in benefit terms	-	-	-
Differences between expected and actual experience	914,633	1,318,385	-
Changes in assumptions	-	3,166,569	-
Benefit payments, including refunds	(6,089,417)	(6,089,658)	(6,083,112)
Net Change in Total Pension Liability	1,036,536	4,312,592	182,420
Total Pension Liability - Beginning of year	82,015,213	77,702,621	77,520,201
Total Pension Liability - End of year	\$ 83,051,749	\$ 82,015,213	\$ 77,702,621
Plan Fiduciary Net Position			
Contributions - Employer	\$ 3,530,436	\$ 3,259,165	\$ 2,725,322
Contributions - Member	164,004	172,866	192,334
Net investment income (expense)	2,764,949	(115,718)	1,909,582
Administrative expenses	(65,781)	(206,733)	(127,101)
Benefit payments, including refunds	(6,089,417)	(6,089,658)	(6,083,112)
Other	-	-	(179,016)
Net Change in Plan Fiduciary Net Position	304,191	(2,980,078)	(1,561,991)
Plan Fiduciary Net Position - Beginning of year	38,393,907	41,373,985	42,935,976
Plan Fiduciary Net Position - End of year	\$ 38,698,098	\$ 38,393,907	\$ 41,373,985
City's Net Pension Liability - Ending	\$ 44,353,651	\$ 43,621,306	\$ 36,328,636
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	46.60 %	46.81 %	53.25 %
Covered Employee Payroll	\$ 3,092,088	\$ 3,405,502	\$ 3,171,020
City's Net Pension Liability as a Percentage of Covered Employee Payroll	1,434.4 %	1,280.9 %	1,145.6 %

City of Taylor, Michigan

Required Supplemental Information Schedule of Investment Returns General Employees' Retirement System Fiscal Year Ended

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	4.60 %	0.40 %	3.90 %

City of Taylor, Michigan

Required Supplemental Information Police and Fire Retirement System Changes in the City's Net Pension Liability and Related Ratios Municipal Employees' Retirement System Fiscal Year Ended

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 4,313,576	\$ 2,270,877	\$ 3,241,963	\$ 1,396,417
Interest	11,363,200	11,979,040	11,718,402	11,854,409
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(1,734,435)	474,915	(2,254,916)	651,910
Changes in assumptions	(13,993,367)	27,114,985	14,501,830	-
Benefit payments, including refunds	(12,501,524)	(11,811,553)	(11,500,428)	(11,524,629)
Net Change in Total Pension Liability	(12,552,550)	30,028,264	15,706,851	2,378,107
Total Pension Liability - Beginning of year	238,870,839	208,842,575	193,135,724	161,043,175
Total Pension Liability - End of year*	\$ 226,318,289	\$ 238,870,839	\$ 208,842,575	\$ 163,421,282
Plan Fiduciary Net Position				
Contributions - Employer	\$ 5,190,370	\$ 5,588,834	\$ 5,409,465	\$ 5,145,379
Contributions - Members	784,198	728,821	802,920	788,448
Net investment income	14,698,347	652,396	7,010,053	18,971,058
Administrative expenses	(72,618)	(108,612)	(104,875)	(96,516)
Benefit payments, including refunds	(12,501,524)	(11,811,553)	(11,500,428)	(11,524,629)
Other	52	104	-	18,460
Net Change in Plan Fiduciary Net Position	8,098,825	(4,950,010)	1,617,135	13,302,200
Plan Fiduciary Net Position - Beginning of year	114,382,210	119,332,220	117,715,085	104,412,884
Plan Fiduciary Net Position - End of year	\$ 122,481,035	\$ 114,382,210	\$ 119,332,220	\$ 117,715,084
City's Net Pension Liability - End	\$ 103,837,254	\$ 124,488,629	\$ 89,510,355	\$ 45,706,198
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	54.12 %	47.88 %	57.14 %	72.03 %
Covered Employee Payroll	\$ 8,050,037	\$ 9,360,386	\$ 9,148,649	\$ 9,328,103
City's Net Pension Liability as a Percentage of Covered Employee Payroll	1,289.9 %	1,330.0 %	978.4 %	490.0 %

* June 30, 2014 total pension liability was restated at a 6.20 percent discount rate.

City of Taylor, Michigan

Required Supplemental Information Police and Fire Retirement System Schedule of Investment Returns Fiscal Year Ended

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	13.50 %	0.60 %	6.40 %	19.40 %

City of Taylor, Michigan

Required Supplemental Information Changes in the City's Net Pension Liability and Related Ratios Municipal Employees' Retirement System Fiscal Year Ended

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 40,596	\$ 38,483	\$ 44,150
Interest	287,968	263,413	251,106
Changes in benefit terms	-	-	-
Differences between expected and actual experience	30,322	95,801	-
Changes in assumptions	-	172,366	-
Benefit payments, including refunds	<u>(193,111)</u>	<u>(135,684)</u>	<u>(150,800)</u>
Net Change in Total Pension Liability	165,775	434,379	144,456
Total Pension Liability - Beginning of year	<u>3,675,863</u>	<u>3,241,484</u>	<u>3,097,028</u>
Total Pension Liability - End of year	<u>\$ 3,841,638</u>	<u>\$ 3,675,863</u>	<u>\$ 3,241,484</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 42,463	\$ 46,082	\$ 40,320
Contributions - Member	20,845	24,797	23,779
Net investment income	294,707	(40,969)	167,698
Administrative expenses	(5,821)	(5,997)	(6,143)
Benefit payments, including refunds	(193,111)	(135,684)	(150,800)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	159,083	(111,771)	74,854
Plan Fiduciary Net Position - Beginning of year	<u>2,634,725</u>	<u>2,746,496</u>	<u>2,671,642</u>
Plan Fiduciary Net Position - End of year	<u>\$ 2,793,808</u>	<u>\$ 2,634,725</u>	<u>\$ 2,746,496</u>
City's Net Pension Liability - Ending	<u>\$ 1,047,830</u>	<u>\$ 1,041,138</u>	<u>\$ 494,988</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.72 %	71.68 %	84.73 %
Covered Employee Payroll	\$ 419,817	\$ 403,805	\$ 463,273
City's Net Pension Liability as a Percentage of Covered Employee Payroll	249.6 %	257.8 %	106.8 %

City of Taylor, Michigan

Required Supplemental Information Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2017

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ -	\$ 173,173,410	\$ 173,173,410	- %	\$ -	- %
6/30/10	-	208,546,075	208,546,075	-	12,239,209	1,703.9
6/30/12	-	232,697,568	232,697,568	-	12,057,769	1,929.9
6/30/14	-	333,124,138	333,124,138	-	11,720,401	2,842.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/12	6/30/10	\$ 13,692,137	48.6 %
6/30/13	6/30/12	13,674,671	51.7
6/30/14	6/30/12	13,900,300	55.5
6/30/15	6/30/14	14,397,330	57.4
6/30/16	6/30/14	17,751,739	43.1
6/30/17	6/30/14	17,992,359	43.9

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Amortization method	Individual entry-age cost method
Amortization period (perpetual)	30
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases:	
General employees	2.5%
23rd District Court	4.0 - 17.0%
Police and fire	5.0 - 8.0%
Cost-of-living adjustments	None

Other Supplemental Information

City of Taylor, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant
Assets						
Cash and investments	\$ 466,995	\$ 623,940	\$ 801,979	\$ 209,119	\$ 171,387	\$ 242,097
Accounts receivable:						
Property taxes	-	-	-	-	-	-
Other	-	-	1,500	5,366	-	2,173
Due from other governmental units	685,846	246,472	-	-	-	295,278
Due from component units	-	-	-	-	-	-
Due from other funds	-	200,000	-	27,338	-	-
Properties held for resale	-	-	-	-	-	-
Total assets	\$ 1,152,841	\$ 1,070,412	\$ 803,479	\$ 241,823	\$ 171,387	\$ 539,548
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 25,914	\$ 11,070	\$ 52,962	\$ 366	\$ -	\$ 151,461
Due to other governmental units	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-
Due to other funds	323,721	365,623	21,029	-	-	388,087
Accrued liabilities and other	-	-	-	-	-	-
Total liabilities	349,635	376,693	73,991	366	-	539,548
Deferred Inflows of Resources -						
Unavailable revenue	-	-	-	5,366	-	39,130
Fund Balances (Deficit)						
Restricted:						
Roads	803,206	693,719	-	-	-	-
Drug forfeiture	-	-	729,488	236,091	171,387	-
Debt service	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Special millages	-	-	-	-	-	-
Building	-	-	-	-	-	-
Library	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(39,130)
Total fund balances (deficit)	803,206	693,719	729,488	236,091	171,387	(39,130)
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 1,152,841	\$ 1,070,412	\$ 803,479	\$ 241,823	\$ 171,387	\$ 539,548

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

Special Revenue Funds					Debt Service Funds			Total Nonmajor Governmental Funds
Building Department	DARE/ GREAT	Neighborhood Stabilization Program	Building and Grounds	Library	2008 MI Transportation Bond Debt	Taylor Building Authority Debt	1996 Voted Levy	
\$ 1,116,068	\$ 6,617	\$ 55,957	\$ 281,708	\$ -	\$ 415	\$ -	\$ 543,241	\$ 4,519,523
-	-	-	81,380	24,719	-	-	639	106,738
-	-	-	-	-	-	-	-	9,039
-	-	-	-	192,572	-	-	-	1,420,168
-	-	-	387,794	33,058	-	-	111,613	532,465
143,120	-	-	-	730,817	-	-	-	1,101,275
-	-	187,827	-	-	-	-	-	187,827
\$ 1,259,188	\$ 6,617	\$ 243,784	\$ 750,882	\$ 981,166	\$ 415	\$ -	\$ 655,493	\$ 7,877,035
\$ 23,187	\$ 2,330	\$ 2,021	\$ 108,921	\$ 40,081	\$ -	\$ -	\$ -	\$ 418,313
-	-	-	63,941	20,987	-	-	8,700	93,628
-	-	-	4,954	12,397	-	-	-	17,351
-	-	121,579	138,656	-	-	-	613,891	1,972,586
14,139	-	-	32,934	19,691	-	-	7,081	73,845
37,326	2,330	123,600	349,406	93,156	-	-	629,672	2,575,723
-	4,287	-	-	97,022	-	-	-	145,805
-	-	-	-	-	415	-	-	1,497,340
-	-	-	-	-	-	-	-	1,136,966
-	-	-	-	-	-	-	25,821	25,821
-	-	120,184	-	-	-	-	-	120,184
-	-	-	401,476	-	-	-	-	401,476
1,221,862	-	-	-	-	-	-	-	1,221,862
-	-	-	-	790,988	-	-	-	790,988
-	-	-	-	-	-	-	-	(39,130)
1,221,862	-	120,184	401,476	790,988	415	-	25,821	5,155,507
\$ 1,259,188	\$ 6,617	\$ 243,784	\$ 750,882	\$ 981,166	\$ 415	\$ -	\$ 655,493	\$ 7,877,035

City of Taylor, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal grants	-	-	-	4,515	-	656,708
State-shared revenue and grants	3,554,473	1,274,150	322,122	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest income	1,354	1,167	2,758	1,736	759	-
Rental income	-	-	-	-	-	-
DMA/911 and other revenue	-	-	-	27,338	-	-
Total revenue	3,555,827	1,275,317	324,880	33,589	759	656,708
Expenditures						
Current:						
Public works	1,390,056	3,569,135	-	-	-	-
Community development	-	-	-	-	-	681,838
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	182,728	448,929	37,856	-
Debt service	-	68,240	-	-	-	-
Total expenditures	1,390,056	3,637,375	182,728	448,929	37,856	681,838
Excess of Revenue Over (Under) Expenditures	2,165,771	(2,362,058)	142,152	(415,340)	(37,097)	(25,130)
Other Financing Sources (Uses)						
Transfers in	-	1,600,000	-	-	-	-
Transfers out	(1,961,688)	-	-	-	-	-
Total other financing (uses) sources	(1,961,688)	1,600,000	-	-	-	-
Net Change in Fund Balances	204,083	(762,058)	142,152	(415,340)	(37,097)	(25,130)
Fund Balances (Deficit) - Beginning of year	599,123	1,455,777	587,336	651,431	208,484	(14,000)
Fund Balances (Deficit) - End of year	\$ 803,206	\$ 693,719	\$ 729,488	\$ 236,091	\$ 171,387	\$ (39,130)

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2017

Special Revenue Funds					Debt Service Funds			Total Nonmajor Governmental Funds
Building Department	DARE/ GREAT	Neighborhood Stabilization Program	Building and Grounds	Library	2008 MI Transportatio n Bond Debt	Taylor Building Authority Debt	1996 Voted Levy	
\$ -	\$ -	\$ -	\$ 3,343,434	\$ 855,646	\$ -	\$ -	\$ 23,026	\$ 4,222,106
1,705,700	-	-	-	-	-	-	-	1,705,700
-	-	109	-	-	-	-	-	661,332
-	-	-	20,198	199,337	-	-	-	5,370,280
-	-	-	-	45,904	-	-	-	45,904
3,786	21	-	4,451	-	-	-	2,845	18,877
-	-	-	-	-	-	527,670	-	527,670
-	4,287	-	77,800	-	-	-	-	109,425
1,709,486	4,308	109	3,445,883	1,100,887	-	527,670	25,871	12,661,294
1,591,690	-	-	1,026,904	-	-	-	-	7,577,785
-	-	13,749	-	-	-	-	-	695,587
-	-	-	-	912,139	-	-	-	912,139
-	4,308	-	362,590	-	-	-	-	1,036,411
-	-	-	-	-	361,688	2,539,765	1,757,876	4,727,569
1,591,690	4,308	13,749	1,389,494	912,139	361,688	2,539,765	1,757,876	14,949,491
117,796	-	(13,640)	2,056,389	188,748	(361,688)	(2,012,095)	(1,732,005)	(2,288,197)
-	-	-	-	-	361,688	2,012,095	-	3,973,783
-	-	-	(2,012,095)	-	-	-	(620,403)	(4,594,186)
-	-	-	(2,012,095)	-	361,688	2,012,095	(620,403)	(620,403)
117,796	-	(13,640)	44,294	188,748	-	-	(2,352,408)	(2,908,600)
1,104,066	-	133,824	357,182	602,240	415	-	2,378,229	8,064,107
\$ 1,221,862	\$ -	\$ 120,184	\$ 401,476	\$ 790,988	\$ 415	\$ -	\$ 25,821	\$ 5,155,507

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2017

	Trust Funds			Agency Funds			
	Pension and Other Employee Benefit Plans						
	Police and Fire	General					
	Retirement	Employees'		23rd District			
System	Pension Plan*	Total	Tax Receiving	Agency	Court	Total	
Assets							
Cash and cash equivalents	\$ 4,227,824	\$ 2,493,554	\$ 6,721,378	\$ 3,021,192	\$ -	\$ 853,022	\$ 3,874,214
Investments:							
U.S. government securities	2,417,590	3,689,470	6,107,060	-	-	-	-
Agency securities	461,437	249,300	710,737	-	-	-	-
Common and preferred stocks	49,257,248	20,772,508	70,029,756	-	-	-	-
Corporate bonds	3,262,162	4,206,864	7,469,026	-	-	-	-
Real estate	-	284,951	284,951	-	-	-	-
Mutual funds	31,004,905	1,079,716	32,084,621	-	-	-	-
Partnerships	31,696,378	4,537,846	36,234,224	-	-	-	-
Receivables	153,491	1,383,889	1,537,380	-	22,909	-	22,909
Total assets	122,481,035	38,698,098	161,179,133	\$ 3,021,192	\$ 22,909	\$ 853,022	\$ 3,897,123
Liabilities							
Due to other governmental units	-	-	-	\$ 940,707	\$ -	\$ 671,949	\$ 1,612,656
Other current liabilities	-	-	-	1,640,015	22,909	181,073	1,843,997
Tax collections distributable	-	-	-	440,470	-	-	440,470
Total liabilities	-	-	-	\$ 3,021,192	\$ 22,909	\$ 853,022	\$ 3,897,123
Net Position Held in							
Trust for Pension and							
Other Employee Benefits	\$ 122,481,035	\$ 38,698,098	\$ 161,179,133				

* Balances are as of December 31, 2016

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2017

	Police and Fire Retirement System	General Employees' Pension Plan*	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,102,030	\$ 782,664	\$ 2,884,694
Net increase in fair value of investments	13,029,743	2,162,880	15,192,623
Less investment expenses	(433,373)	(181,389)	(614,762)
Net investment income	14,698,400	2,764,155	17,462,555
Contributions:			
Employer	5,190,370	3,530,436	8,720,806
Employee	784,198	164,004	948,202
Total contributions	5,974,568	3,694,440	9,669,008
Total additions - Net of investment expenses	20,672,968	6,458,595	27,131,563
Deductions			
Benefit payments	12,501,524	6,089,417	18,590,941
General and administrative	72,619	64,987	137,606
Total deductions	12,574,143	6,154,404	18,728,547
Net Increase in Net Position Held in Trust	8,098,825	304,191	8,403,016
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	114,382,210	38,393,907	152,776,117
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 122,481,035	\$ 38,698,098	\$ 161,179,133

* Balances are as of December 31, 2016

City of Taylor, Michigan

**Federal Awards
Supplemental Information
June 30, 2017**

City of Taylor, Michigan

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**Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

We have audited the basic 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 Taylor, Michigan (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 18, 2017, which contained unmodified opinions on 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. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 18, 2017. We did not audit the financial statements of the Taylor Housing Commission (a discretely presented component unit) which represent 13 percent of the assets and 35 percent of the revenue, and revenue of the discretely presented component units of the City of Taylor for the year then ended. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Taylor Housing Commission, is based on the report of the other auditors.

The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis as required by the Uniform Guidance and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied 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 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 financial statements as a whole.

Plante & Moran, PLLC

December 18, 2017

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*

Independent Auditor's Report

To Management, the Honorable Mayor, and
Members of City Council
City of Taylor, 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 Taylor, Michigan (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2017. Our report includes a reference to other auditors who audited the financial statements of Taylor Housing Commission, as described in our report on the City of Taylor, Michigan'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 District Court Funds of District No. 23, City of Taylor, Michigan 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 of Taylor, Michigan'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 City'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.

To Management, the Honorable Mayor, and
Members of City Council
City of Taylor, Michigan

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Taylor, Michigan'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*.

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 18, 2017

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited City of Taylor, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. City of Taylor, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Taylor, Michigan's basic financial statements include the operations of the Taylor Housing Commission, which received \$6,502,242 in federal awards and which is not included in the schedule during the year ended June 30, 2017. Our audit, described below, did not include the operations of the Taylor Housing Commission because the Taylor Housing Commission issues a separate single audit report.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Taylor, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Taylor, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Taylor, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Taylor, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City of Taylor, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Taylor, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

December 18, 2017

City of Taylor, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development -				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant - Entitlement Grant:				
Program year - 2014 - B14-MC-26-0015	14.218	N/A	\$ 10,000	\$ 210,194
Program year - 2015 - B15-MC-26-0015		N/A	7,500	165,305
Program year - 2016 - B16-MC-26-0015		N/A	5,000	306,338
Total Community Development Block Grant			22,500	681,837
Neighborhood Stabilization Program - NSP1 -				
Program year 2008 - B08-MN-26-0013	14.218	N/A	-	12,394
Total CDBG Program Cluster			-	694,231
HOME Investment Partnerships Program/Entitlement Grant 2010-2013	14.239	PO-21458453	-	315,548
Total U.S. Department of Housing and Urban Development			22,500	1,009,779
U.S. Department of Justice:				
Passed through the Office of the Wayne County Sheriff -				
Edward Byrne Memorial Justice Assistance Grant Program -FY 2014	16.738	DJ-BX-0503	-	19,846
Organized Crime Drug Enforcement Task Force Grant	16.111	SI-GL-013-16	-	6,952
COPS Hiring Program 2015	16.710	2015-UM-WX-0094	-	209,540
COPS Hiring Program 2014	16.710	2014-UM-WX-0042	-	192,042
Total COPS Hiring Program			-	401,582
Passed through Michigan Department of Transportation - Michigan				
State Police - Office of Highway Safety Planning -				
Enforcing Underage Drinking Laws Program -	16.727	N/A	-	8,687
Passed through First Step Western Wayne County Project on				
Domestic and Sexual Violence - STOP -				
Violence Against Women Formula Grant	16.588	STOP-11-82003	-	34,069
Federal Equitable Sharing Program-Justice	16.922	N/A	-	37,855
Total U.S. Department of Justice			-	508,991
U.S. Department of Transportation -				
Highway Safety Cluster:				
Federal Aid to Urban Systems (FAUS) - Passed through Michigan				
Department of Transportation - Michigan State Police				
Office of Highway Safety Planning - State and Community Highway Safety -				
OUIL & Seat Belt Grant - 10/1/14-9/30/15	20.600	PT-14-21	-	60,985
Passed through the Michigan Supreme Court Administrative Office -				
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant - 10/1/12-9/30/13				
Downriver Regional Drug Court Grant	20.601	N/A	-	174,841
Total U.S. Department of Transportation			-	235,826
U.S. Department of Treasury:				
U.S. Custom Service Outbound Currency Task Force (ICE)				
H.S.I. Task Force	21.unknown	N/A	-	20,605
Federal Equitable Sharing Program - Treasury	21.unknown	N/A	-	17,000
	21.unknown	N/A	-	448,931
Total U.S. Department of Treasury			-	486,536
U.S. Department of Homeland Security -				
Staffing for Adequate Fire Emergency Response - SAFER	97.083	EMW-2011-FH-00574	-	1,715,726
Total federal awards			\$ 22,500	\$ 3,956,858

City of Taylor, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 3,196,423
Federal expenditures reported on the SEFA, but revenue not received within the current period	980,192
Less federal revenue reported on financial statements, but not expended in the current period	<u>(219,757)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 3,956,858</u></u>

City of Taylor, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Taylor, Michigan under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City of Taylor, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Taylor, Michigan.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The City of Taylor, Michigan has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

City of Taylor, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
97.083	Staffing for Adequate Fire Emergency Response

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

RICK SOLLARS
Mayor

CYNTHIA A. BOWER
City Clerk

EDWARD L. BOURASSA
Treasurer

City of Taylor

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CITY COUNCIL

ALEX GARZA
Chairman

TIMOTHY WOOLLEY
Chairman Pro-Tem

CHARLES JOHNSON
ANGELA CROFT
CAROLINE PATTS
BUTCH RAMIK
DANIEL BZURA

November 29, 2017

Federal Audit Clearinghouse
RE: City of Taylor, Michigan
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2017

Prior Year Finding Number: 2016-001

Fiscal Year in Which the Finding Initially Occurred: June 30, 2016

Federal Program, CFDA Number and Name: N/A

Original Finding Description: During the June 30, 2016 audit, we identified adjustments to the accounting records in order to correctly present the City's financial statements at year end.

Status/Partial Corrective Action (as applicable): Fully corrected

Planned Corrective Action: N/A

Jason Couture, Finance Director/CFO
City of Taylor