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# City of Taylor, Michigan Financial Report with Supplemental Information

City of Taylor, Michigan

**Financial Report  
with Supplemental Information  
June 30, 2018**

City of Taylor, Michigan

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**Independent Auditor's Report****To the Honorable 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, 2018 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 14 percent of assets and 48 percent of revenue of the discretely presented component units of the City of Taylor, Michigan as of and for the year ended June 30, 2018. Those financial statements were audited by other auditors 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 November 4, 2018, 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 under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.



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

**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 City of Taylor, Michigan as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This new standard establishes accounting and financial reporting requirements for OPEB plans provided to the employees of governmental employers. The adoption of GASB Statement No. 75 resulted in the recognition of a net other postemployment benefit liability, as well as significant changes to the other postemployment benefit plan related note disclosures and required supplemental schedules. Our opinion is not modified with respect to this matter.

As explained in Note 15, the financial statements include investments valued at \$39,614,348 (approximately 24 percent of the aggregate remaining fund information investments) at June 30, 2018, 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.

**Other Information**

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

The other supplemental 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. 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

**In accordance with Government Auditing Standards**, we have also issued our report dated December 17, 2018 on our consideration of 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.



Signature image: handwritten signature for Plante & Moran, PLLC

December 17, 2018

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## 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, 2018. 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 \$4,775,000 from 2017, an increase of 12.40 percent. State-shared revenue and grants increased by approximately \$193,000, court fine and forfeiture revenue increased by approximately \$1,575,000, and contribution from TCDC increased by \$1,000,000.

- Property tax-related revenue, which is the largest source of revenue, increased in the current year by \$239,000. 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. Another potential concern is the uncertainty of future personal property tax reimbursements from the Local Community Stabilization Authority.
- State-shared revenue was approximately \$8.3 million and our second largest revenue source. It was higher than the 2017 amount by approximately \$193,000. Constitutional and statutory revenue sharing increased by approximately \$186,000.
- Other fines and forfeitures revenue increased by approximately \$1.6 million from the prior year amount of \$5.5 million to approximately \$7.1 million for the year ended June 30, 2018. The increase can be attributable to increase in fees, ordinance enforcement, and traffic enforcement. During the year, the City resumed ALS transporting services, which increased ALS revenue by approximately \$1,000,000.

General Fund expenditures, excluding transfers out, decreased by approximately \$1.9 million in the current year. General government experienced a decrease of approximately \$1.2 million. Most of the decrease is related to a 2017 expenditure to write off an advance owed to the General Fund by the Golf Fund in the amount of \$1,750,000. Public works, including related capital outlay, experienced a decrease of approximately \$1.8 million, mostly due to a large amount of vehicles and equipment purchased during 2017. Recreation and culture expenditures increased by approximately \$513,000 due to park improvements purchased in 2018.

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, 2018 was a surplus of \$7,814,229. The increase in unassigned fund balance indicates that the City continues to move in the right direction in strengthening the modified accrual balance sheet. The \$7,814,229 of unassigned fund balance is approximately 20 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 positive cash flow from operations during 2018 of approximately \$419,000. The golf courses' operating revenue increased by approximately \$150,000 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.

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Total net position related to the City's governmental activities at the end of the year was a deficit of approximately \$(219) million, a \$193 million decrease from the prior year's deficit of approximately \$(26) million in net position. The net decrease is mainly due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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

The discussion and analysis provided here are intended to serve as an introduction to City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

## Other Information

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.

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## 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, 2018 and 2017:

| Category  | Governmental Activities |                       | Business-type Activities |                      | Total                  |                     |
|---|-------------------------|-----------------------|--------------------------|----------------------|------------------------|---------------------|
|   | 2018                    | 2017                  | 2018                     | 2017                 | 2018                   | 2017                |
|   | <b>Assets</b>           |                       |                          |                      |                        |                     |
| <b>Current and other assets</b>                 | \$32,006,574            | \$37,393,146          | \$37,498,709             | \$37,709,663         | \$69,505,283           | \$75,102,809        |
| <b>Capital assets</b>                           | 169,102,759             | 172,181,324           | 142,429,043              | 138,513,924          | 311,531,802            | 310,695,248         |
| <b>Total assets</b>                             | 201,109,333             | 209,574,470           | 179,927,752              | 176,223,587          | 381,037,085            | 385,798,057         |
| <b>Deferred Outflows of Resources</b>           | 2,519,426               | 9,888,165             | -                        | 665,355              | 2,519,426              | 10,553,520          |
|   | <b>Liabilities</b>      |                       |                          |                      |                        |                     |
| <b>Current liabilities</b>                      | 10,466,767              | 21,623,217            | 3,043,349                | 10,134,314           | 13,510,116             | 31,757,531          |
| <b>Long-term liabilities</b>                    | 379,836,053             | 214,639,400           | 61,161,219               | 42,257,882           | 440,997,272            | 256,897,282         |
| <b>Total liabilities</b>                        | 390,302,820             | 236,262,617           | 64,204,568               | 52,392,196           | 454,507,388            | 288,654,813         |
| <b>Deferred Inflows of Resources - Pensions</b> | 32,460,407              | 9,678,647             | 421,690                  | -                    | 32,882,097             | 9,678,647           |
|   | <b>Net Position</b>     |                       |                          |                      |                        |                     |
| <b>Net investment in capital assets</b>         | 161,080,487             | 162,177,058           | 121,798,436              | 114,753,173          | 282,878,923            | 276,930,231         |
| <b>Restricted</b>                               | 12,088,053              | 10,206,336            | 6,603,043                | 3,199,183            | 18,691,096             | 13,405,519          |
| <b>Unrestricted (deficit) assets</b>            | (392,303,008)           | (198,862,023)         | (13,099,985)             | 6,544,390            | (405,402,993)          | (192,317,633)       |
| <b>Total net position</b>                       | <b>\$(219,134,468)</b>  | <b>\$(26,478,629)</b> | <b>\$115,301,494</b>     | <b>\$124,496,746</b> | <b>\$(103,832,974)</b> | <b>\$98,018,117</b> |

The City's combined net position totaled a deficit of approximately \$(103.8) million, a significant decrease from the prior year. Total net position related to the City's governmental activities at the end of the year was a deficit of approximately \$(219) million, a \$193 million decrease from the prior year's deficit of approximately \$(26) million in net position. The net decrease is mainly due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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.

**City of Taylor, Michigan**

**Management's Discussion and Analysis (Continued)**

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

|   | Changes of the net position during the current year and prior year |                       |                          |                      |                        |                     |
|---|--|-----------------------|--------------------------|----------------------|------------------------|---------------------|
|   | Governmental Activities  |                       | Business-type Activities |                      | Total                  |                     |
|   | 2018   | 2017                  | 2018                     | 2017                 | 2018                   | 2017                |
| <b>Revenue</b>  |  |                       |                          |                      |                        |                     |
| <b>Program revenue:</b>   |  |                       |                          |                      |                        |                     |
| Charges for services  | \$16,432,519   | \$13,263,968          | \$25,270,536             | \$22,819,726         | \$41,703,055           | \$36,083,694        |
| Operating grants and contributions                              | 11,106,842   | 9,117,097             | -                        | -                    | 11,106,842             | 9,117,097           |
| Capital grants and contributions                                | 2,817,333  | 3,957,498             | 698,543                  | 2,001,830            | 3,515,876              | 5,959,328           |
| <b>General revenue:</b>   |  |                       |                          |                      |                        |                     |
| Property taxes  | 25,882,655   | 25,194,247            | 4,301,363                | 4,895,663            | 30,184,018             | 30,089,910          |
| State-shared revenue  | 8,814,339  | 8,393,713             | -                        | -                    | 8,814,339              | 8,393,713           |
| Unrestricted investment earnings                                | 87,816   | 46,207                | 150,918                  | 73,661               | 238,734                | 119,868             |
| Miscellaneous revenue   | 8,315,611  | 8,484,033             | 1,723,006                | 1,831,906            | 10,038,617             | 10,315,939          |
| <b>Total revenue</b>  | <b>73,457,115</b>  | <b>68,456,763</b>     | <b>32,144,366</b>        | <b>31,622,786</b>    | <b>105,601,481</b>     | <b>100,079,549</b>  |
| <b>Program Expenses</b>   |  |                       |                          |                      |                        |                     |
| General government  | 11,363,170   | 13,640,756            | -                        | -                    | 11,363,170             | 13,640,756          |
| Public safety   | 19,200,990   | 44,614,112            | -                        | -                    | 19,200,990             | 44,614,112          |
| Public works  | 21,545,362   | 20,520,512            | -                        | -                    | 21,545,362             | 20,520,512          |
| Community development   | 247,528  | -                     | -                        | -                    | 247,528                | -                   |
| Community and economic development                              | 1,916,893  | 2,445,640             | -                        | -                    | 1,916,893              | 2,445,640           |
| Recreation and culture  | 5,148,270  | 5,299,247             | -                        | -                    | 5,148,270              | 5,299,247           |
| Interest on long-term debt                                      | 387,017  | 466,719               | -                        | -                    | 387,017                | 466,719             |
| Water   | -  | -                     | 10,892,809               | 11,118,425           | 10,892,809             | 11,118,425          |
| Sewer   | -  | -                     | 10,088,409               | 9,878,218            | 10,088,409             | 9,878,218           |
| Golf Courses  | -  | -                     | 3,163,687                | 3,732,209            | 3,163,687              | 3,732,209           |
| Ecorse Creek  | -  | -                     | 230,974                  | 307,976              | 230,974                | 307,976             |
| <b>Total program expenses</b>                                   | <b>59,809,230</b>  | <b>86,986,986</b>     | <b>24,375,879</b>        | <b>25,036,828</b>    | <b>84,185,109</b>      | <b>112,023,814</b>  |
| Transfers   | (379,098)  | -                     | 400,000                  | -                    | 20,902                 | -                   |
| <b>Change in Net Position</b>                                   | <b>13,268,787</b>  | <b>(18,530,223)</b>   | <b>8,168,487</b>         | <b>6,585,958</b>     | <b>21,437,274</b>      | <b>(11,944,265)</b> |
| <b>Net Position - Beginning of year, as previously reported</b> | <b>(26,478,629)</b>  | <b>(7,948,406)</b>    | <b>124,496,746</b>       | <b>117,910,788</b>   | <b>98,018,117</b>      | <b>109,962,382</b>  |
| <b>Impact of GASB Statement No. 75*</b>                         | <b>(205,924,626)</b>   | <b>-</b>              | <b>(17,363,739)</b>      | <b>-</b>             | <b>(223,288,365)</b>   | <b>-</b>            |
| <b>Net Position - Beginning of year</b>                         | <b>(232,403,255)</b>   | <b>(7,948,406)</b>    | <b>107,133,007</b>       | <b>117,910,788</b>   | <b>(125,270,248)</b>   | <b>109,962,382</b>  |
| <b>Net Position - End of year</b>                               | <b>\$(219,134,468)</b>   | <b>\$(26,478,629)</b> | <b>\$115,301,494</b>     | <b>\$124,496,746</b> | <b>\$(103,832,974)</b> | <b>\$98,018,117</b> |

\*The City implemented GASB Statement No. 75 in fiscal year 2018. Fiscal year 2017 amounts shown have not been modified to reflect the retroactive application of the change; however, the ending net position for that year was adjusted to properly state the fiscal year 2018 beginning net position.

**Governmental Activities**

The City's total governmental revenue increased from approximately \$68.5 million to approximately \$73.5 million. The City's total governmental expenses decreased by approximately \$27 million, a 31.2 percent decrease from 2017. The decrease is mainly due to the decrease in the 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 (in September 2018, the county sold the sewage treatment plant to the Downriver Utility Waste Authority, which is governed by the 13 Downriver communities). 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, Michigan 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, Michigan. For all business-type activities in 2018, total revenue increased by approximately \$522,000, and total expenses decreased by approximately \$660,000. Approximately \$2,450,000 of the increase in revenue is related to charges for water and sewer services and golf course nonoperating revenue. This increase was offset by a decrease in contributions, which was related to the debt forgiveness between the golf course and General Fund and was recorded in fiscal year 2017.

### **The City of Taylor, Michigan's Funds**

Our analysis of the City's major funds begins on page 14, 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 2018 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 \$15.8 million, and public works, which incurred expenses of approximately \$4.3 million in 2018. Employee benefit expenses accounted for approximately another \$5.9 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 \$5.0 million. Approximately \$1.5 million of the increase was due to increase in court fines and forfeitures. Approximately \$1.3 million of the increase was due to land sales and unanticipated refunds for insurances and reimbursements from other funds. Approximately \$1.1 of the increase was related to an increase in grants received from other governments.

The City's expenditure budget was increased by approximately \$3.8 million during the fiscal year. The major budget adjustment was related to park improvements, which increased by approximately \$830,000 during the year. Vehicle expenditures increased by approximately \$856,000 during the year. Compensated absences, for both police and fire, were significantly higher than originally anticipated.

### **Capital Assets and Debt Administration**

At the end of 2018, the City, including its component units, had approximately \$327 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 \$276.9 million to approximately \$282.9 million. The component units' investment in capital assets, net of related debt, decreased from \$15.68 million to \$15.66 million. The City's (including component units) total debt, including the recorded OPEB liability, net pension liability, compensated absences, and nonexchange financial guarantees, was approximately \$465.6 million, including approximately \$21.5 million of component unit debt. Expected fiscal year 2019 debt service payments on all interest-bearing long-term obligations inclusive of interest are approximately \$12.3 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.

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## **City of Taylor, Michigan**

### **Management's Discussion and Analysis (Continued)**

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

Like most other communities in Michigan, particularly southeast Michigan, the City continues to provide 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 2019. 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 \$250,000 from the General Fund in fiscal year 2018 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 \$160,000 to \$250,000 annually.

Municipal revenue opportunities are systematically limited by state law and 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, 2018 with revenue exceeding expenditures in the General Fund by \$3,432,038 and a positive unassigned fund balance that totaled \$7,814,229.

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.

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City of Taylor, Michigan

## Basic Financial Statements

### Government-wide Financial Statements

#### Statement of Net Position

June 30, 2018

| Item   | Primary Government      |                          | Total        | Component Units |
|--|-------------------------|--------------------------|--------------|-----------------|
|  | Governmental Activities | Business-type Activities |              |                 |
| <b>Assets</b>  |                         |                          |              |                 |
| Cash and investments (Note 3)                          | \$18,474,422            | \$19,238,752             | \$37,713,174 | \$14,390,865    |
| <b>Receivables:</b>                                    |                         |                          |              |                 |
| Property taxes   | 2,050,671               | 369,674                  | 2,420,345    | -               |
| Special assessments receivable                         | 209,857                 | -                        | 209,857      | -               |
| <b>Customers</b>                                       | -                       | 5,775,586                | 5,775,586    | -               |
| Other  | 3,004,341               | 150,851                  | 3,155,192    | 809,792         |
| Due from other governmental units                      | 3,294,668               | 126,362                  | 3,421,030    | -               |
| Due from component units                               | 4,614,465               | 1,789,809                | 6,404,274    | -               |
| Due from primary government                            | -                       | -                        | -            | 475,413         |
| Internal balances (Note 6)                             | (121,218)               | 121,218                  | -            | -               |
| Inventory  | -                       | 290,269                  | 290,269      | -               |
| Prepaid expenses and other assets                      | 258,884                 | -                        | 258,884      | 12,210          |
| Current portion of restricted assets                   | -                       | 3,590,513                | 3,590,513    | -               |
| Due from other governmental units                      | -                       | -                        | -            | 1,608,878       |
| Restricted assets (Note 8)                             | -                       | 6,045,675                | 6,045,675    | -               |
| Other receivables                                      | 32,657                  | -                        | 32,657       | -               |
| Properties held for sale                               | 187,827                 | -                        | 187,827      | -               |
| <b>Capital assets: (Note 5)</b>                        |                         |                          |              |                 |
| Assets not subject to depreciation                     | 30,226,378              | 3,877,839                | 34,104,217   | 14,916,220      |
| Assets subject to depreciation - Net                   | 138,876,381             | 138,551,204              | 277,427,585  | 744,483         |
| <b>Total assets</b>                                    | 201,109,333             | 179,927,752              | 381,037,085  | 32,957,861      |
| <b>Deferred Outflows of Resources (Notes 4 and 13)</b> |                         |                          |              |                 |
| Other deferred outflows                                | -                       | -                        | -            | 16,212          |
| Pension deferred outflows                              | 2,519,426               | -                        | 2,519,426    | -               |
| <b>Total deferred outflows of resources</b>            | 2,519,426               | -                        | 2,519,426    | 16,212          |
| <b>Liabilities</b>                                     |                         |                          |              |                 |
| Accounts payable                                       | 1,741,667               | 2,061,009                | 3,802,676    | 1,056,032       |
| Due to other governmental units                        | 598,808                 | 181,568                  | 780,376      | 17,712          |
| Due to component units                                 | 248,389                 | 227,024                  | 475,413      | -               |
| Due to primary government                              | -                       | -                        | -            | 6,404,274       |
| Accrued liabilities and other                          | 4,768,239               | 565,650                  | 5,333,889    | 353,184         |

| Item  | Primary Government      |                          | Total              | Component Units   |
|---|-------------------------|--------------------------|--------------------|-------------------|
|   | Governmental Activities | Business-type Activities |                    |                   |
| Unearned revenue  | 6,630                   | 8,098                    | 14,728             | 743,673           |
| Tenant security deposits                                | -                       | -                        | -                  | 28,622            |
| <b>Noncurrent liabilities:</b>                          |                         |                          |                    |                   |
| <b>Due within one year: (Note 7)</b>                    |                         |                          |                    |                   |
| Current portion of compensated absences (Note 7)        | 916,429                 | 84,551                   | 1,000,980          | -                 |
| Liabilities payable from restricted assets              | -                       | 3,590,513                | 3,590,513          | -                 |
| Nonexchange financial guarantee                         | 281,269                 | 228,730                  | 509,999            | -                 |
| Current portion of bonds and contracts payable (Note 7) | 1,905,436               | 1,161,563                | 3,066,999          | 3,502,357         |
| <b>Due in more than one year:</b>                       |                         |                          |                    |                   |
| Compensated absences (Note 7)                           | 1,962,178               | 109,337                  | 2,071,515          | -                 |
| Workers' compensation (Notes 7 and 9)                   | 412,723                 | -                        | 412,723            | -                 |
| Net pension liability (Note 13)                         | 96,983,205              | 12,207,272               | 109,190,477        | 30,665            |
| Net OPEB liability (Note 10)                            | 272,049,280             | 21,713,247               | 293,762,527        | -                 |
| Long-term debt - Net of current portion (Note 7)        | 6,116,836               | 19,469,045               | 25,585,881         | 17,979,658        |
| Nonexchange financial guarantee                         | 2,311,731               | 2,596,961                | 4,908,692          | -                 |
| <b>Total liabilities</b>                                | <b>390,302,820</b>      | <b>64,204,568</b>        | <b>454,507,388</b> | <b>30,116,177</b> |
| <b>Deferred Inflows of Resources</b>                    |                         |                          |                    |                   |
| Deferred inflows related to pension (Notes 4 and 13)    | 30,510,545              | 266,064                  | 30,776,609         | -                 |
| Deferred inflows related to OPEB (Note 10)              | 1,949,862               | 155,626                  | 2,105,488          | -                 |
| <b>Total deferred inflows of resources</b>              | <b>32,460,407</b>       | <b>421,690</b>           | <b>32,882,097</b>  | <b>-</b>          |

See notes to financial statements.

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**Additional content from previous item: Statement of Net Position (Continued)**

**City of Taylor, Michigan**

**Statement of Net Position (Continued)**

**June 30, 2018**

**Net Position**

| Category                         | Primary Government      |                          | Total                  | Component Units    |
|----------------------------------|-------------------------|--------------------------|------------------------|--------------------|
|                                  | Governmental Activities | Business-type Activities |                        |                    |
| Net investment in capital assets | \$161,080,487           | \$121,798,436            | \$282,878,923          | \$15,660,703       |
| <b>Restricted:</b>               |                         |                          |                        |                    |
| Debt service                     | 38,647                  | 6,045,675                | 6,084,322              | -                  |
| Roads                            | 2,487,545               | -                        | 2,487,545              | -                  |
| Drug forfeiture                  | 1,091,389               | -                        | 1,091,389              | -                  |
| Sewer                            | -                       | 557,368                  | 557,368                | -                  |
| Library                          | 1,078,459               | -                        | 1,078,459              | -                  |
| Special millage                  | 5,012,171               | -                        | 5,012,171              | -                  |
| HAP restricted                   | -                       | -                        | -                      | 1,520,181          |
| Grants                           | 899,067                 | -                        | 899,067                | -                  |
| Building                         | 1,480,775               | -                        | 1,480,775              | -                  |
| Unrestricted                     | (392,303,008)           | (13,099,985)             | (405,402,993)          | (14,322,988)       |
| <b>Total net position</b>        | <b>\$(219,134,468)</b>  | <b>\$115,301,494</b>     | <b>\$(103,832,974)</b> | <b>\$2,857,896</b> |

See notes to financial statements.

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Page 15 is complex and may be difficult to understand. This page is a dense financial statement with small text and a large table, and the supplied images show the general revenue labels without their corresponding visible numeric amounts. I converted the visible financial data into a structured HTML table and separated the remaining visible labels into accessible text, but the partial visibility of the lower section increases the risk of incomplete interpretation for screen reader users. If you need help understanding this page, please use the live assistance options in the sidebar.

## Statement of Activities

| Functions/Programs                    | Expenses            | Program Revenue      |                                    | Capital Grants and Contributions |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
|                                       |                     | Charges for Services | Operating Grants and Contributions |                                  |
| <b>Primary government:</b>            |                     |                      |                                    |                                  |
| <b>Governmental activities:</b>       |                     |                      |                                    |                                  |
| General government                    | \$11,363,170        | \$9,352,060          | 189,957                            | \$8,392                          |
| District court                        | -                   | -                    | 210,301                            | 550                              |
| Public safety                         | 19,200,990          | 3,159,347            | 2,457,143                          | -                                |
| Public works                          | 21,545,362          | 1,845,709            | 6,248,515                          | 2,054,743                        |
| Health and welfare                    | 247,528             | -                    | 126,268                            | -                                |
| Community and economic development    | 1,916,893           | -                    | 1,646,885                          | -                                |
| Recreation and culture                | 5,148,270           | 2,075,403            | 227,773                            | 753,648                          |
| Interest on long-term debt            | 387,017             | -                    | -                                  | -                                |
| <b>Total governmental activities</b>  | <b>59,809,230</b>   | <b>16,432,519</b>    | <b>11,106,842</b>                  | <b>2,817,333</b>                 |
| <b>Business-type activities:</b>      |                     |                      |                                    |                                  |
| Water                                 | 10,892,809          | 10,235,544           | -                                  | 69,255                           |
| Sewer                                 | 10,088,409          | 10,969,689           | -                                  | 69,255                           |
| Golf Courses                          | 3,122,045           | 3,640,665            | -                                  | 560,033                          |
| Nonmajor Enterprise                   | 230,974             | 424,638              | -                                  | -                                |
| <b>Total business-type activities</b> | <b>24,334,237</b>   | <b>25,270,536</b>    | <b>-</b>                           | <b>698,543</b>                   |
| <b>Total primary government</b>       | <b>\$84,143,467</b> | <b>\$41,703,055</b>  | <b>11,106,842</b>                  | <b>\$3,515,876</b>               |
| <b>Component units</b>                | <b>\$12,805,559</b> | <b>\$795,740</b>     | <b>6,825,795</b>                   | <b>\$-</b>                       |

### General revenue:

- Taxes - Property taxes
- Unrestricted state-shared revenue
- Unrestricted investment income
- Cable franchise fees
- Loss on sale of capital assets
- Income from joint venture (not directly allocated)
- Other miscellaneous income

Total general revenue

### Transfers

### Change in Net Position

**Net Position** - Beginning of year, as restated (Note 1)

**Net Position** - End of year

See notes to financial statements.

Page 16 is complex and may be difficult to understand. This page is a continuation of a financial statement where the row labels appear on the previous page, so a screen reader user could lose the relationship between the visible numbers and their corresponding activities. I preserved the exact visible column headers and added a continuation note and table caption to reduce ambiguity. If you need help understanding this page, please use the live assistance options in the sidebar.

Statement of Activities

Year Ended June 30, 2018

**Additional content from previous item:** Continuation of the Statement of Activities table. The row descriptions for these amounts appear on the previous page and are not repeated here.

Net (Expense) Revenue and Changes in Net Position

**Net (Expense) Revenue and Changes in Net Position**

**Primary Government**

| <b>Governmental Activities</b> | <b>Business-type Activities</b> | <b>Total</b>           | <b>Component Units</b> |
|--------------------------------|---------------------------------|------------------------|------------------------|
| \$(1,812,761)                  | \$-                             | \$(1,812,761)          | \$-                    |
| 210,851                        | -                               | 210,851                | -                      |
| (13,584,500)                   | -                               | (13,584,500)           | -                      |
| (11,396,395)                   | -                               | (11,396,395)           | -                      |
| (121,260)                      | -                               | (121,260)              | -                      |
| (270,008)                      | -                               | (270,008)              | -                      |
| (2,091,446)                    | -                               | (2,091,446)            | -                      |
| (387,017)                      | -                               | (387,017)              | -                      |
| (29,452,536)                   | -                               | (29,452,536)           | -                      |
| -                              | (588,010)                       | (588,010)              | -                      |
| -                              | 950,535                         | 950,535                | -                      |
| -                              | 1,078,653                       | 1,078,653              | -                      |
| -                              | 193,664                         | 193,664                | -                      |
| -                              | 1,634,842                       | 1,634,842              | -                      |
| (29,452,536)                   | 1,634,842                       | (27,817,694)           | -                      |
| -                              | -                               | -                      | (5,184,024)            |
| 25,882,655                     | 4,301,363                       | 30,184,018             | 7,717,441              |
| 8,814,339                      | -                               | 8,814,339              | -                      |
| 87,816                         | 150,918                         | 238,734                | 112,203                |
| 205,516                        | -                               | 205,516                | -                      |
| -                              | (41,642)                        | (41,642)               | -                      |
| -                              | -                               | -                      | 236,508                |
| 8,110,095                      | 1,723,006                       | 9,833,101              | 1,787                  |
| 43,100,421                     | 6,133,645                       | 49,234,066             | 8,067,939              |
| (379,098)                      | 400,000                         | 20,902                 | -                      |
| 13,268,787                     | 8,168,487                       | 21,437,274             | 2,883,915              |
| (232,403,255)                  | 107,133,007                     | (125,270,248)          | (26,019)               |
| <b>\$(219,134,468)</b>         | <b>\$115,301,494</b>            | <b>\$(103,832,974)</b> | <b>\$2,857,896</b>     |

Note: Horizontal rules in the original layout separate subtotal and total lines.

**City of Taylor, Michigan**

**Fund Financial Statements**

**Governmental Funds Balance Sheet**

**June 30, 2018**

| <b>Item</b>                              | <b>General Fund</b>       | <b>Act 179 Rubbish Fund</b> | <b>Police and Fire Retirement Fund</b> | <b>Nonmajor Funds</b> | <b>Total</b>      |
|--|---------------------------|-----------------------------|--|-----------------------|-------------------|
|  | <b>Assets</b>             |                             |  |                       |                   |
| <b>Cash and investments (Note 3)</b>     | 11,638,985                | 68,501                      | 1,150,287                              | 5,616,649             | 18,474,422        |
|  | <b>Receivables - Net:</b> |                             |  |                       |                   |
| <b>Property taxes</b>                    | 875,896                   | 304,127                     | 611,220                                | 259,428               | 2,050,671         |
| <b>Special assessments receivable</b>    | 209,857                   | -                           | -                                      | -                     | 209,857           |
| <b>Other</b>                             | 2,881,430                 | 122,911                     | -                                      | -                     | 3,004,341         |
| <b>Due from other governmental units</b> | 1,940,424                 | -                           | -                                      | 1,354,244             | 3,294,668         |
| <b>Due from component units (Note 6)</b> | 2,250,142                 | 614,396                     | 1,204,456                              | 545,471               | 4,614,465         |
| <b>Due from other funds (Note 6)</b>     | 1,532,292                 | 278,349                     | 298,441                                | 2,025,071             | 4,134,153         |
| <b>Prepaid expenses and other assets</b> | 252,524                   | -                           | -                                      | 6,360                 | 258,884           |
| <b>Other receivables</b>                 | 32,657                    | -                           | -                                      | -                     | 32,657            |
| <b>Properties held for sale</b>          | -                         | -                           | -                                      | 187,827               | 187,827           |
| <b>Total assets</b>                      | <b>21,614,207</b>         | <b>1,388,284</b>            | <b>3,264,404</b>                       | <b>9,995,050</b>      | <b>36,261,945</b> |
|  | <b>Liabilities</b>        |                             |  |                       |                   |

| Item   | General Fund      | Act 179 Rubbish Fund | Police and Fire Retirement Fund | Nonmajor Funds   | Total             |
|--|-------------------|----------------------|---------------------------------|------------------|-------------------|
| Accounts payable   | 920,478           | 98,520               | -                               | 722,669          | 1,741,667         |
| Due to other governmental units  | 203,287           | 101,903              | 204,315                         | 89,303           | 598,808           |
| Due to component units (Note 6)  | 236,671           | -                    | -                               | 11,718           | 248,389           |
| Due to other funds (Note 6)  | 2,351,453         | 178                  | -                               | 1,903,740        | 4,255,371         |
| Accrued liabilities and other  | 4,536,210         | 53,273               | 32,977                          | 82,438           | 4,704,898         |
| Unearned revenue   | -                 | -                    | -                               | 6,630            | 6,630             |
| <b>Total liabilities</b>   | <b>8,248,099</b>  | <b>253,874</b>       | <b>237,292</b>                  | <b>2,816,498</b> | <b>11,555,763</b> |
| Deferred Inflows of Resources - Unavailable revenue                        | 1,523,445         | 61,350               | -                               | 175,826          | 1,760,621         |
|  |                   | <b>Fund Balances</b> |                                 |                  |                   |
| Nonspendable - Prepaid expenses  | 202,524           | -                    | -                               | 6,360            | 208,884           |
|  |                   | <b>Restricted:</b>   |                                 |                  |                   |
| Roads  | -                 | -                    | -                               | 2,487,545        | 2,487,545         |
| Drug forfeiture  | -                 | -                    | -                               | 1,091,389        | 1,091,389         |
| Debt service   | -                 | -                    | -                               | 38,647           | 38,647            |
| Grants   | 461,690           | -                    | -                               | 151,088          | 612,778           |
| Special millage  | -                 | 1,073,060            | 3,027,112                       | 850,649          | 4,950,821         |
| Building   | -                 | -                    | -                               | 1,474,415        | 1,474,415         |
| Library  | -                 | -                    | -                               | 970,209          | 970,209           |
| Assigned for capital projects  | 3,364,220         | -                    | -                               | -                | 3,364,220         |
| Unassigned   | 7,814,229         | -                    | -                               | (67,576)         | 7,746,653         |
| <b>Total fund balances</b>   | <b>11,842,663</b> | <b>1,073,060</b>     | <b>3,027,112</b>                | <b>7,002,726</b> | <b>22,945,561</b> |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>21,614,207</b> | <b>1,388,284</b>     | <b>3,264,404</b>                | <b>9,995,050</b> | <b>36,261,945</b> |

See notes to financial statements.

## Reconciliation of the Balance Sheet to the Statement of Net Position

City of Taylor, Michigan

Governmental Funds

### Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds

\$ 22,945,561

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

169,102,759

Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds

1,760,621

Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds

(8,022,272)

Accrued interest is not due and payable in the current period and is not reported in the funds

(63,341)

Nonexchange financial guarantee

(2,593,000)

Some employee fringe benefits 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:

- Employee compensated absences (2,878,607)
- Pension benefits (124,974,324)
- Retiree healthcare benefits (273,999,142)

Workers' compensation claims (412,723)

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Net Position of Governmental Activities \$ (219,134,468)

See notes to financial statements.

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City of Taylor, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

| Description  | General Fund      | Act 179 Rubbish Fund | Police and Fire Retirement Fund | Nonmajor Funds    | Total Governmental Funds |
|--|-------------------|----------------------|---------------------------------|-------------------|--------------------------|
| <b>Revenue</b>                                     |                   |                      |                                 |                   |                          |
| Property taxes                                     | \$10,645,300      | \$4,209,154          | \$8,437,972                     | \$4,284,742       | \$27,577,168             |
| Licenses and permits                               | 1,373,329         | -                    | -                               | 1,989,971         | 3,363,300                |
| <b>Intergovernmental:</b>                          |                   |                      |                                 |                   |                          |
| Federal grants                                     | 2,306,048         | -                    | 327,047                         | 623,610           | 3,256,705                |
| State-shared revenue and grants                    | 8,281,230         | 338,103              | 257,062                         | 6,824,796         | 15,701,191               |
| Charges for services                               | 3,669,655         | 681,978              | -                               | -                 | 4,351,633                |
| Fines and forfeitures                              | 7,087,713         | -                    | -                               | 33,186            | 7,120,899                |
| Interest income                                    | 6,331             | 11,052               | 41,185                          | 30,519            | 89,087                   |
| Rental income                                      | 1,070,781         | -                    | -                               | -                 | 1,070,781                |
| DMA/911 and other revenue                          | 8,888,899         | -                    | -                               | 192,327           | 9,081,226                |
| <b>Total revenue</b>                               | <b>43,329,286</b> | <b>5,240,287</b>     | <b>9,063,266</b>                | <b>13,979,151</b> | <b>71,611,990</b>        |
| <b>Expenditures</b>                                |                   |                      |                                 |                   |                          |
| <b>Current services:</b>                           |                   |                      |                                 |                   |                          |
| General government                                 | 8,227,609         | -                    | -                               | -                 | 8,227,609                |
| Public safety                                      | 15,781,894        | -                    | -                               | -                 | 15,781,894               |
| Public works and capital projects                  | 4,251,676         | 5,228,277            | -                               | 7,948,274         | 17,428,227               |
| Employee benefits                                  | 5,930,076         | -                    | 8,845,683                       | -                 | 14,775,759               |
| Community development                              | 904,582           | -                    | -                               | 540,436           | 1,445,018                |
| Recreation and culture                             | 3,140,732         | -                    | -                               | 1,031,329         | 4,172,061                |
| Capital outlay                                     | 498,407           | -                    | -                               | 1,335,357         | 1,833,764                |
| <b>Debt service:</b>                               |                   |                      |                                 |                   |                          |
| Principal  | 358,692           | 397,000              | -                               | 1,160,000         | 1,915,692                |
| Interest and fiscal charges                        | 32,479            | 40,734               | -                               | 333,658           | 406,871                  |
| <b>Total expenditures</b>                          | <b>39,126,147</b> | <b>5,666,011</b>     | <b>8,845,683</b>                | <b>12,349,054</b> | <b>65,986,895</b>        |
| <b>Excess of Revenue Over (Under) Expenditures</b> | <b>4,203,139</b>  | <b>(425,724)</b>     | <b>217,583</b>                  | <b>1,630,097</b>  | <b>5,625,095</b>         |
| <b>Other Financing Sources (Uses)</b>              |                   |                      |                                 |                   |                          |
| Transfers in (Note 6)                              | -                 | 369,719              | -                               | 3,737,973         | 4,107,692                |
| Transfers out (Note 6)                             | (984,754)         | -                    | -                               | (3,522,938)       | (4,507,692)              |
| Face value of debt issue                           | 213,653           | -                    | -                               | -                 | 213,653                  |
| Insurance recoveries                               | -                 | -                    | -                               | 2,087             | 2,087                    |
| <b>Total other financing (uses) sources</b>        | <b>(771,101)</b>  | <b>369,719</b>       | <b>-</b>                        | <b>217,122</b>    | <b>(184,260)</b>         |
| <b>Net Change in Fund Balances</b>                 | <b>3,432,038</b>  | <b>(56,005)</b>      | <b>217,583</b>                  | <b>1,847,219</b>  | <b>5,440,835</b>         |

| Description                       | General Fund | Act 179 Rubbish Fund | Police and Fire Retirement Fund | Nonmajor Funds | Total Governmental Funds |
|-----------------------------------|--------------|----------------------|---------------------------------|----------------|--------------------------|
| Fund Balances - Beginning of year | 8,410,625    | 1,129,065            | 2,809,529                       | 5,155,507      | 17,504,726               |
| Fund Balances - End of year       | \$11,842,663 | \$1,073,060          | \$3,027,112                     | \$7,002,726    | \$22,945,561             |

See notes to financial statements.

## Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances Reported in Governmental Funds \$ 5,440,835

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 allocated over their estimated useful lives as depreciation:

|  |             |
|--|-------------|
| Capital outlay   | 6,640,933   |
| Depreciation expense   | (9,396,312) |
| Net book value of assets disposed of   | (135,359)   |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available   | 97,704      |
| Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position  | (213,651)   |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)  | 1,918,325   |
| Interest expense is recognized in the government-wide statements as it accrues   | 18,638      |
| Amortization of bond premium liabilities and deferred cost of financing are reported as expense in the governmental funds when issued  | 89,493      |
| Changes 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 | (41,551)    |
| Increase in estimated workers' compensation liability is recorded in the statement of activities   | (34,855)    |
| Changes in the net OPEB liability and the deferred inflows related to OPEB are not included in governmental funds  | (4,183,360) |
| 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   | 12,522,947  |
| Decrease in nonexchange financial guarantee  | 545,000     |

Change in Net Position of Governmental Activities \$ 13,268,787

See notes to financial statements. 17

## City of Taylor, Michigan

### Proprietary Funds Statement of Net Position

June 30, 2018

| Description                   | Enterprise Funds |              |              | Nonmajor - Ecorse Creek | Total        |
|-------------------------------|------------------|--------------|--------------|-------------------------|--------------|
|                               | Water            | Sewer        | Golf Courses |                         |              |
| <b>Assets</b>                 |                  |              |              |                         |              |
| <b>Current assets:</b>        |                  |              |              |                         |              |
| Cash and investments (Note 3) | \$3,595,172      | \$12,853,466 | \$392,614    | \$2,397,500             | \$19,238,752 |

| Description   | Water               | Sewer               | Golf Courses       | Nonmajor - Ecorse Creek | Total                |
|---|---------------------|---------------------|--------------------|-------------------------|----------------------|
| <b>Receivables - Net:</b>                               |                     |                     |                    |                         |                      |
| Property taxes  | -                   | 369,674             | -                  | -                       | 369,674              |
| Customers   | 3,014,501           | 2,569,044           | -                  | 192,041                 | 5,775,586            |
| Other   | 3,011               | -                   | 147,840            | -                       | 150,851              |
| Due from other governmental units                       | -                   | 126,362             | -                  | -                       | 126,362              |
| Due from component units                                | 925,242             | 864,567             | -                  | -                       | 1,789,809            |
| Due from other funds (Note 6)                           | 251,177             | 535,185             | -                  | 27,038                  | 813,400              |
| Inventory   | 157,730             | 6,322               | 126,217            | -                       | 290,269              |
| Current portion of restricted assets (Note 8)           | -                   | 3,590,513           | -                  | -                       | 3,590,513            |
| <b>Total current assets</b>                             | <b>7,946,833</b>    | <b>20,915,133</b>   | <b>666,671</b>     | <b>2,616,579</b>        | <b>32,145,216</b>    |
| <b>Noncurrent assets:</b>                               |                     |                     |                    |                         |                      |
| Restricted assets (Note 8)                              | -                   | 6,045,675           | -                  | -                       | 6,045,675            |
| <b>Capital assets: (Note 5)</b>                         |                     |                     |                    |                         |                      |
| Assets not subject to depreciation                      | 38,000              | 495,235             | 3,344,604          | -                       | 3,877,839            |
| Assets subject to depreciation - Net                    | 30,983,520          | 95,973,804          | 9,013,750          | 2,580,130               | 138,551,204          |
| <b>Total noncurrent assets</b>                          | <b>31,021,520</b>   | <b>102,514,714</b>  | <b>12,358,354</b>  | <b>2,580,130</b>        | <b>148,474,718</b>   |
| <b>Total assets</b>                                     | <b>38,968,353</b>   | <b>123,429,847</b>  | <b>13,025,025</b>  | <b>5,196,709</b>        | <b>180,619,934</b>   |
| <b>Liabilities</b>                                      |                     |                     |                    |                         |                      |
| <b>Current liabilities:</b>                             |                     |                     |                    |                         |                      |
| Accounts payable  | 927,834             | 903,571             | 229,604            | -                       | 2,061,009            |
| Due to other governmental units                         | 52,403              | 109,690             | 19,475             | -                       | 181,568              |
| Due to component units                                  | -                   | 227,024             | -                  | -                       | 227,024              |
| Due to other funds (Note 6)                             | 562,505             | 4,351               | 125,326            | -                       | 692,182              |
| Accrued liabilities and other                           | 109,896             | 162,519             | 283,732            | 9,503                   | 565,650              |
| Unearned revenue  | -                   | -                   | 8,098              | -                       | 8,098                |
| Current portion of compensated absences (Note 7)        | 62,108              | 21,903              | 540                | -                       | 84,551               |
| Nonexchange financial guarantee                         | 114,365             | 114,365             | -                  | -                       | 228,730              |
| Liabilities payable from restricted assets              | -                   | 3,590,513           | -                  | -                       | 3,590,513            |
| Current portion of bonds and contracts payable (Note 7) | 182,874             | 714,169             | 89,850             | 174,670                 | 1,161,563            |
| <b>Total current liabilities</b>                        | <b>2,011,985</b>    | <b>5,848,105</b>    | <b>756,625</b>     | <b>184,173</b>          | <b>8,800,888</b>     |
| <b>Noncurrent liabilities:</b>                          |                     |                     |                    |                         |                      |
| Compensated absences (Note 7)                           | 60,876              | 24,917              | 23,544             | -                       | 109,337              |
| Net pension liability (Note 13)                         | 8,545,085           | 3,662,187           | -                  | -                       | 12,207,272           |
| Net OPEB liability (Note 10)                            | 12,767,103          | 5,602,877           | 3,343,267          | -                       | 21,713,247           |
| Long-term debt - Net of current portion (Note 7)        | 94,946              | 18,180,315          | -                  | 1,193,784               | 19,469,045           |
| Nonexchange financial guarantee                         | 1,298,480           | 1,298,481           | -                  | -                       | 2,596,961            |
| <b>Total noncurrent liabilities</b>                     | <b>22,766,490</b>   | <b>28,768,777</b>   | <b>3,366,811</b>   | <b>1,193,784</b>        | <b>56,095,862</b>    |
| <b>Total liabilities</b>                                | <b>24,778,475</b>   | <b>34,616,882</b>   | <b>4,123,436</b>   | <b>1,377,957</b>        | <b>64,896,750</b>    |
| <b>Deferred Inflows of Resources</b>                    |                     |                     |                    |                         |                      |
| Deferred inflows related to pension                     | 186,244             | 79,820              | -                  | -                       | 266,064              |
| Deferred inflows related to OPEB                        | 91,506              | 40,158              | 23,962             | -                       | 155,626              |
| <b>Total deferred inflows of resources</b>              | <b>277,750</b>      | <b>119,978</b>      | <b>23,962</b>      | <b>-</b>                | <b>421,690</b>       |
| <b>Net Position</b>                                     |                     |                     |                    |                         |                      |
| Net investment in capital assets                        | 30,743,700          | 77,574,555          | 12,268,504         | 1,211,677               | 121,798,436          |
| <b>Restricted:</b>                                      |                     |                     |                    |                         |                      |
| Debt service  | -                   | 6,045,675           | -                  | -                       | 6,045,675            |
| Sewer grant expenditures                                | -                   | 557,368             | -                  | -                       | 557,368              |
| Unrestricted  | (16,831,572)        | 4,515,389           | (3,390,877)        | 2,607,075               | (13,099,985)         |
| <b>Total net position</b>                               | <b>\$13,912,128</b> | <b>\$88,692,987</b> | <b>\$8,877,627</b> | <b>\$3,818,752</b>      | <b>\$115,301,494</b> |

See notes to financial statements.

**Year Ended June 30, 2018**

| Description   | Enterprise Funds    |                     |                    |                         | Total                |
|---|---------------------|---------------------|--------------------|-------------------------|----------------------|
|   | Water               | Sewer               | Golf Courses       | Nonmajor - Ecorse Creek |                      |
| <b>Operating Revenue</b>                                      |                     |                     |                    |                         |                      |
| Water sales   | \$8,813,263         | \$-                 | \$-                | \$-                     | \$8,813,263          |
| Sewage disposal charges                                       | -                   | 6,579,228           | -                  | -                       | 6,579,228            |
| Charges for services  | 1,421,057           | 883,774             | 1,752,079          | 424,638                 | 4,481,548            |
| Sale of merchandise   | -                   | -                   | 1,244,908          | -                       | 1,244,908            |
| Other   | 1,224               | 3,506,687           | -                  | -                       | 3,507,911            |
| <b>Total operating revenue</b>                                | <b>10,235,544</b>   | <b>10,969,689</b>   | <b>2,996,987</b>   | <b>424,638</b>          | <b>24,626,858</b>    |
| <b>Operating Expenses</b>                                     |                     |                     |                    |                         |                      |
| Cost of water operations                                      | 8,341,744           | -                   | -                  | -                       | 8,341,744            |
| Cost of sewage treatment                                      | -                   | 5,730,128           | -                  | -                       | 5,730,128            |
| Ecorse Creek user charge system                               | -                   | -                   | -                  | 132,537                 | 132,537              |
| Cost of sales   | -                   | -                   | 616,435            | -                       | 616,435              |
| Cost of operating and maintenance                             | -                   | -                   | 1,903,990          | -                       | 1,903,990            |
| General and administrative                                    | 1,398,278           | 208,467             | 57,749             | -                       | 1,664,494            |
| Other expenses  | -                   | 1,511,871           | -                  | -                       | 1,511,871            |
| Depreciation and amortization                                 | 1,137,706           | 1,748,918           | 539,715            | 57,655                  | 3,483,994            |
| <b>Total operating expenses</b>                               | <b>10,877,728</b>   | <b>9,199,384</b>    | <b>3,117,889</b>   | <b>190,192</b>          | <b>23,385,193</b>    |
| <b>Operating (Loss) Income</b>                                | <b>(642,184)</b>    | <b>1,770,305</b>    | <b>(120,902)</b>   | <b>234,446</b>          | <b>1,241,665</b>     |
| <b>Nonoperating Revenue (Expenses)</b>                        |                     |                     |                    |                         |                      |
| Property tax revenue  | -                   | 4,301,363           | -                  | -                       | 4,301,363            |
| Investment income   | 19,345              | 112,612             | 3,394              | 15,567                  | 150,918              |
| Interest expense  | (15,081)            | (662,000)           | (4,156)            | (40,782)                | (722,019)            |
| Brownfield debt guarantee                                     | -                   | (227,025)           | -                  | -                       | (227,025)            |
| Gain (loss) on sale of assets                                 | 455                 | 332                 | (42,429)           | -                       | (41,642)             |
| Other nonoperating revenue                                    | -                   | -                   | 643,678            | -                       | 643,678              |
| State grant   | -                   | 1,723,006           | -                  | -                       | 1,723,006            |
| <b>Total nonoperating revenue (expenses)</b>                  | <b>4,719</b>        | <b>5,248,288</b>    | <b>600,487</b>     | <b>(25,215)</b>         | <b>5,828,279</b>     |
| <b>(Loss) Income</b>  | <b>(637,465)</b>    | <b>7,018,593</b>    | <b>479,585</b>     | <b>209,231</b>          | <b>7,069,944</b>     |
| Donated Assets  | 69,255              | 69,255              | 560,033            | -                       | 698,543              |
| Transfers In  | -                   | -                   | 400,000            | -                       | 400,000              |
| <b>Change in Net Position</b>                                 | <b>(568,210)</b>    | <b>7,087,848</b>    | <b>1,439,618</b>   | <b>209,231</b>          | <b>8,168,487</b>     |
| <b>Net Position - Beginning of year, as restated (Note 1)</b> | <b>14,480,338</b>   | <b>81,605,139</b>   | <b>7,438,009</b>   | <b>3,609,521</b>        | <b>107,133,007</b>   |
| <b>Net Position - End of year</b>                             | <b>\$13,912,128</b> | <b>\$88,692,987</b> | <b>\$8,877,627</b> | <b>\$3,818,752</b>      | <b>\$115,301,494</b> |

See notes to financial statements.

**City of Taylor, Michigan**

**Proprietary Funds Statement of Cash Flows**

**Year Ended June 30, 2018**

| Description   | Enterprise Funds |                |                    |                         | Total           |
|---|------------------|----------------|--------------------|-------------------------|-----------------|
|   | Water            | Sewer          | Golf Courses       | Nonmajor - Ecorse Creek |                 |
| <b>Cash Flows from Operating Activities</b>                                     |                  |                |                    |                         |                 |
| Receipts from customers   | 10,051,140       | 7,642,082      | 2,917,364          | 463,678                 | 21,074,264      |
| Interfund activity - Payments to other funds                                    | (760,260)        | (34,356)       | (223,661)          | (11,899)                | (1,030,176)     |
| Payments to suppliers   | (6,477,084)      | (6,191,230)    | (2,568,807)        | (188,897)               | (15,426,018)    |
| Payments to employees   | (2,582,060)      | (950,531)      | (1,128,531)        | -                       | (4,661,122)     |
| Other payments  | -                | (46,542)       | -                  | -                       | (46,542)        |
| <b>Net cash and cash equivalents provided by (used in) operating activities</b> | <b>231,736</b>   | <b>419,423</b> | <b>(1,003,635)</b> | <b>262,882</b>          | <b>(89,594)</b> |
| <b>Cash Flows from Noncapital Financing Activities</b>                          |                  |                |                    |                         |                 |
| Transfers from other funds  | -                | -              | 400,000            | -                       | 400,000         |

| Description  | Water              | Sewer               | Golf Courses     | Nonmajor - Ecorse Creek | Total               |
|--|--------------------|---------------------|------------------|-------------------------|---------------------|
| Brownfield debt guarantee  | -                  | (227,025)           | -                | -                       | (227,025)           |
| Net cash and cash equivalents (used in) provided by noncapital financing activities          | -                  | (227,025)           | 400,000          | -                       | 172,975             |
| <b>Cash Flows from Capital and Related Financing Activities</b>                              |                    |                     |                  |                         |                     |
| Receipt of grants  | -                  | 1,792,261           | -                | -                       | 1,792,261           |
| Change in capital related financing  | -                  | (1,623,582)         | -                | -                       | (1,623,582)         |
| Proceeds from sale of capital assets   | 455                | 332                 | -                | -                       | 787                 |
| Property taxes   | -                  | 4,053,815           | -                | -                       | 4,053,815           |
| Purchase of capital assets   | (3,153,924)        | (1,869,138)         | (234,865)        | -                       | (5,257,927)         |
| Principal and interest paid on capital debt  | (192,365)          | (4,271,060)         | (120,759)        | (212,288)               | (4,796,472)         |
| Change in investment in joint venture  | -                  | 3,506,687           | -                | -                       | 3,506,687           |
| Net cash and cash equivalents (used in) provided by capital and related financing activities | (3,345,834)        | 1,589,315           | (355,624)        | (212,288)               | (2,324,431)         |
| <b>Cash Flows from Investing Activities</b>  |                    |                     |                  |                         |                     |
| Interest received on investments   | 19,345             | 112,612             | 3,394            | 15,567                  | 150,918             |
| Insurance proceeds   | -                  | -                   | 643,678          | -                       | 643,678             |
| Net cash and cash equivalents provided by investing activities                               | 19,345             | 112,612             | 647,072          | 15,567                  | 794,596             |
| Net (Decrease) Increase in Cash and Cash Equivalents   | (3,094,753)        | 1,894,325           | (312,187)        | 66,161                  | (1,446,454)         |
| Cash and Cash Equivalents - Beginning of year  | 6,689,925          | 20,595,329          | 704,801          | 2,331,339               | 30,321,394          |
| Cash and Cash Equivalents - End of year  | <b>\$3,595,172</b> | <b>\$22,489,654</b> | <b>\$392,614</b> | <b>\$2,397,500</b>      | <b>\$28,874,940</b> |
| <b>Classification of Cash and Cash Equivalents</b>   |                    |                     |                  |                         |                     |
| Cash and investments   | \$3,595,172        | \$12,853,466        | \$392,614        | \$2,397,500             | \$19,238,752        |
| Current portion of restricted assets   | -                  | 3,590,513           | -                | -                       | 3,590,513           |
| Restricted assets  | -                  | 6,045,675           | -                | -                       | 6,045,675           |
| Total cash and cash equivalents  | <b>\$3,595,172</b> | <b>\$22,489,654</b> | <b>\$392,614</b> | <b>\$2,397,500</b>      | <b>\$28,874,940</b> |

See notes to financial statements.

Additional content from previous item: Proprietary Funds Statement of Cash Flows (Continued).

City of Taylor, Michigan

Proprietary Funds  
Statement of Cash Flows (Continued)

Year Ended June 30, 2018

Reconciliation of Operating Income to Net Cash from Operating Activities

|   | Enterprise Funds |                    |                      |                         | Total              |
|---|------------------|--------------------|----------------------|-------------------------|--------------------|
|   | Water            | Sewer              | Golf Courses         | Nonmajor - Ecorse Creek |                    |
| Operating (loss) income   | \$(642,184)      | \$1,770,305        | \$(120,902)          | \$234,446               | \$1,241,665        |
| Adjustments to reconcile operating (loss) income to net cash from operating activities: |                  |                    |                      |                         |                    |
| Depreciation and amortization   | 1,137,706        | 1,748,918          | 539,715              | 57,655                  | 3,483,994          |
| Changes in assets and liabilities:  |                  |                    |                      |                         |                    |
| Receivables   | (184,404)        | 132,538            | (76,945)             | 39,040                  | (89,771)           |
| Due to and from other funds   | (760,260)        | (34,356)           | (223,661)            | (11,899)                | (1,030,176)        |
| Inventories   | 78,316           | (1,289)            | (2,706)              | -                       | 74,321             |
| Other accrued liabilities   | -                | (5,129)            | 20,592               | -                       | 15,463             |
| Accounts payable  | (1,029,061)      | 79,445             | (29,279)             | (56,360)                | (1,035,255)        |
| Net pension or OPEB liability and deferrals   | 1,631,623        | 235,678            | (1,110,449)          | -                       | 756,852            |
| Nonexchange contribution in joint venture   | -                | (3,506,687)        | -                    | -                       | (3,506,687)        |
| Total adjustments   | <b>873,920</b>   | <b>(1,350,882)</b> | <b>(882,733)</b>     | <b>28,436</b>           | <b>(1,331,259)</b> |
| Net cash and cash equivalents provided by (used in) operating activities                | <b>\$231,736</b> | <b>\$419,423</b>   | <b>\$(1,003,635)</b> | <b>\$262,882</b>        | <b>\$(89,594)</b>  |

Significant Noncash Transactions -

| Water | Sewer | Golf Courses | Nonmajor - Ecorse Creek | Total |
|-------|-------|--------------|-------------------------|-------|
|-------|-------|--------------|-------------------------|-------|

|  | Water | Sewer       | Golf Courses | Nonmajor - Ecorse Creek | Total       |
|--|-------|-------------|--------------|-------------------------|-------------|
| Downriver Sewage debt payments paid with assets held at the County | \$-   | \$4,918,264 | \$-          | \$-                     | \$4,918,264 |

See notes to financial statements.

## City of Taylor, Michigan

### Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2018

|   | Pension and Other Employee Benefit Plans* | Agency Funds       |
|---|---|--------------------|
| <b>Assets</b>   |   |                    |
| Cash and cash equivalents   | \$6,848,698                               | \$5,613,721        |
| <b>Investments:</b>   |   |                    |
| U.S. government securities  | 6,048,029                                 | -                  |
| Agency securities   | 669,864                                   | -                  |
| Common and preferred stocks   | 64,765,554                                | -                  |
| Corporate bonds   | 6,596,498                                 | -                  |
| Mutual funds  | 43,232,842                                | -                  |
| Partnerships  | 42,302,259                                | -                  |
| Receivables   | 320,540                                   | 21,026             |
| <b>Total assets</b>   | <b>170,784,284</b>                        | <b>\$5,634,747</b> |
| <b>Liabilities</b>  |   |                    |
| Due to other governmental units   | -   | \$3,690,154        |
| Other current liabilities   | -   | 1,944,593          |
| <b>Total liabilities</b>  | <b>-</b>                                  | <b>\$5,634,747</b> |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits</b> | <b>\$170,784,284</b>                      |                    |

\* Balances are as of December 31, 2017 for the General Employees' Pension Plan and as of June 30, 2018 for the Police and Fire Retirement System.

See notes to financial statements.

### Fiduciary Funds Statement of Changes in Fiduciary Net Position

#### Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

|   | Pension and Other Employee Benefit Plans* |
|---|---|
| <b>Additions</b>                          |   |
| Investment income:                        |   |
| Interest and dividends                    | \$2,892,910                               |
| Net increase in fair value of investments | 17,832,238                                |
| Investment-related expenses               | (528,612)                                 |
| <i>Total investment income</i>            | 20,196,536                                |
| Contributions:                            |   |
| Employer contributions                    | 8,708,298                                 |
| Employee contributions                    | 894,963                                   |
| <i>Total contributions</i>                | 9,603,261                                 |
| <i>Total additions</i>                    | 29,799,797                                |

**Deductions**

|                         |            |
|-------------------------|------------|
| Benefit payments        | 20,091,739 |
| Administrative expenses | 102,907    |
| <i>Total deductions</i> | 20,194,646 |

**Net Increase in Net Position Held in Trust** **9,605,151**

**Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year** **161,179,133**

**Net Position Held in Trust for Pension and Other Employee Benefits - End of year** **\$ 170,784,284**

\* Balances are as of December 31, 2017 for the General Employees' Pension Plan and as of June 30, 2018 for the Police and Fire Retirement System.

See notes to financial statements. 23

**City of Taylor, Michigan****Component Units Statement of Net Position**

**June 30, 2018**

|  | <b>Local Development<br/>Financing Authority</b> | <b>Tax Increment<br/>Financing<br/>Authority</b> | <b>Brownfield<br/>Redevelopment<br/>Authority</b> | <b>Downtown<br/>Development<br/>Authority</b> | <b>Housing<br/>Commission*</b> | <b>Total</b> |
|--|--|--|---|---|--------------------------------|--------------|
| <b>Assets</b>  |  |  |   |   |                                |              |
| <b>Cash and<br/>investments (Note<br/>3)</b>                     | \$720,610  | \$9,443,150                                      | \$1,246,771                                       | \$15,105                                      | \$2,965,229                    | \$14,390,865 |
| <b>Accounts receivable -<br/>Due from primary<br/>government</b> | -  | -  | 743,673   | -   | 66,119                         | 809,792      |
| <b>Due from other<br/>funds</b>                                  | 691  | 4,222  | -   | 3,686   | -                              | 8,599        |
| <b>Prepaid expenses<br/>and other assets</b>                     | -  | -  | -   | -   | 12,210                         | 12,210       |
| <b>Due from other<br/>governmental units</b>                     | -  | 1,608,878  | -   | -   | -                              | 1,608,878    |
| <b>Capital assets: (Note 5)</b>                                  |  |  |   |   |                                |              |
| <b>Assets not subject<br/>to depreciation</b>                    | 17,745   | 13,191,914                                       | 77,187  | 869,375                                       | 759,999                        | 14,916,220   |
| <b>Assets subject to<br/>depreciation - Net</b>                  | -  | -  | -   | -   | 744,483                        | 744,483      |
| <b>Total assets</b>  | 739,046  | 24,258,256                                       | 2,531,326   | 889,792                                       | 4,548,040                      | 32,966,460   |
| <b>Deferred Outflows<br/>of Resources</b>                        | -  | -  | -   | -   | 16,212                         | 16,212       |
| <b>Liabilities</b>   |  |  |   |   |                                |              |
| <b>Accounts payable</b>  | -  | 977,003  | 357   | 51  | 78,621                         | 1,056,032    |
| <b>Due to other<br/>governmental units</b>                       | 17,712   | -  | -   | -   | -                              | 17,712       |
| <b>Due to primary<br/>government</b>                             | 68,600   | 6,330,637  | 880   | 4,157   | -                              | 6,404,274    |
| <b>Due to other funds</b>  | -  | -  | 8,599   | -   | -                              | 8,599        |
| <b>Accrued liabilities<br/>and other</b>                         | -  | 50,296   | 256,774   | -   | 46,114                         | 353,184      |
| <b>Unearned revenue</b>  | -  | -  | 743,673   | -   | -                              | 743,673      |
| <b>Tenant security<br/>deposits</b>                              | -  | -  | -   | -   | 28,622                         | 28,622       |
| <b>Noncurrent liabilities:</b>                                   |  |  |   |   |                                |              |
| <b>Due within one year<br/>(Note 7)</b>                          | -  | 2,786,835  | 715,522   | -   | -                              | 3,502,357    |

|   | Local Development<br>Financing Authority | Tax Increment<br>Financing<br>Authority | Brownfield<br>Redevelopment<br>Authority | Downtown<br>Development<br>Authority | Housing<br>Commission* | Total              |
|---|--|---|--|--------------------------------------|------------------------|--------------------|
| <b>Due in more than<br/>one year (Note 7)</b> | -  | 5,813,669                               | 12,165,989                               | -                                    | 30,665                 | 18,010,323         |
| <b>Total liabilities</b>                      | 86,312                                   | 15,958,440                              | 13,891,794                               | 4,208                                | 184,022                | 30,124,776         |
| <b>Net Position</b>                           |  |   |  |                                      |                        |                    |
| <b>Net investment in<br/>capital assets</b>   | 17,745                                   | 13,191,914                              | 77,187                                   | 869,375                              | 1,504,482              | 15,660,703         |
| <b>Restricted - HAP<br/>payment</b>           | -  | -                                       | -  | -                                    | 1,520,181              | 1,520,181          |
| <b>Unrestricted</b>                           | 634,989                                  | (4,892,098)                             | (11,437,655)                             | 16,209                               | 1,355,567              | (14,322,988)       |
| <b>Total net position</b>                     | <b>\$652,734</b>                         | <b>\$8,299,816</b>                      | <b>\$(11,360,468)</b>                    | <b>\$885,584</b>                     | <b>\$4,380,230</b>     | <b>\$2,857,896</b> |

\*Balances are as of March 31, 2018 for the Housing Commission.

See notes to financial statements.

## Component Units Statement of Activities

Program revenue and expenses for component units

| Functions/Programs                       | Expenses            | Charges for<br>Services | Operating Grants and<br>Contributions | Capital Grants and<br>Contributions |
|--|---------------------|-------------------------|---------------------------------------|-------------------------------------|
| Local Development Financing<br>Authority | \$-                 | \$-                     | \$-                                   | \$-                                 |
| Tax Increment Financing<br>Authority     | \$4,922,175         | -                       | -                                     | -                                   |
| Brownfield Redevelopment<br>Authority    | \$537,028           | -                       | \$227,025                             | -                                   |
| Downtown Development<br>Authority        | \$66,883            | -                       | -                                     | -                                   |
| Housing Commission                       | \$7,279,473         | \$795,740               | \$6,598,770                           | -                                   |
| <b>Total component units</b>             | <b>\$12,805,559</b> | <b>\$795,740</b>        | <b>\$6,825,795</b>                    | <b>\$-</b>                          |

### General revenue:

- Taxes - Property taxes
- Unrestricted investment income
- Contribution from general fund
- Other miscellaneous income

### Total general revenue

### Transfers

### Change in Net Position

**Net Position** - Beginning of year

**Net Position** - End of year

See notes to financial statements. 25

## Component Units Statement of Activities

Year Ended June 30, 2018

### Net (Expense) Revenue and Changes in Net Position

Columns represent component units: Local Development Financing Authority; Tax Increment Financing Authority; Brownfield Redevelopment Authority; Downtown Development Authority; Housing Commission; and Total.

| <b>Local Development Financing Authority</b> | <b>Tax Increment Financing Authority</b> | <b>Brownfield Redevelopment Authority</b> | <b>Downtown Development Authority</b> | <b>Housing Commission</b> | <b>Total</b>       |
|--|--|---|---------------------------------------|---------------------------|--------------------|
| \$   | -  | \$  | -                                     | \$                        | -                  |
| -  | (4,922,175)                              | -   | -                                     | -                         | (4,922,175)        |
| -  | -  | (310,003)                                 | -                                     | -                         | (310,003)          |
| -  | -  | -   | (66,883)                              | -                         | (66,883)           |
| -  | -  | -   | -                                     | 115,037                   | 115,037            |
| -  | (4,922,175)                              | (310,003)                                 | (66,883)                              | 115,037                   | (5,184,024)        |
| 24,194                                       | 6,915,172                                | 332,737                                   | 445,338                               | -                         | 7,717,441          |
| 4,369  | 92,057                                   | 8,875                                     | 1,633                                 | 5,269                     | 112,203            |
| -  | -  | 236,508                                   | -                                     | -                         | 236,508            |
| -  | 1,787                                    | -   | -                                     | -                         | 1,787              |
| 28,563                                       | 7,009,016                                | 578,120                                   | 446,971                               | 5,269                     | 8,067,939          |
| -  | (44,340)                                 | 475,981                                   | (431,641)                             | -                         | -                  |
| 28,563                                       | 2,042,501                                | 744,098                                   | (51,553)                              | 120,306                   | 2,883,915          |
| 624,171                                      | 6,257,315                                | (12,104,566)                              | 937,137                               | 4,259,924                 | (26,019)           |
| <b>\$652,734</b>                             | <b>\$8,299,816</b>                       | <b>\$(11,360,468)</b>                     | <b>\$885,584</b>                      | <b>\$4,380,230</b>        | <b>\$2,857,896</b> |

\*Balances are as of March 31, 2018 for the Housing Commission.

## Notes to Financial Statements

### Note 1 - 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 City Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are 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.

#### Downtown Development Authority

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within 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.

#### Local Development Financing Authority and Tax Increment Financing Authority

The Local Development Financing Authority and the Tax Increment Financing Authority (collectively, 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.

### **Brownfield Redevelopment Authority**

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.

## **City of Taylor, Michigan**

### **Notes to Financial Statements**

**June 30, 2018**

#### **Note 1 - Significant Accounting Policies (Continued)**

##### **Housing Commission**

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 Government 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, as applicable. 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, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. 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, if any, are reported as separate columns in the fund financial statements.

#### **Note 1 - Significant Accounting Policies (Continued)**

##### **Fund Accounting**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

##### **Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent 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 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**

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). 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.

### **Fiduciary Funds**

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, 2017. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2017. 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.

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## **Note 1 - Significant Accounting Policies (Continued)**

### *Interfund Activity*

During the course of operations, the City 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 the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) 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 the 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.

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, special assessments and federal grant reimbursements will be collected after the period of availability; 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 and Cash Equivalents*

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

### *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.

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**City of Taylor, Michigan**

**Notes to Financial Statements**

**June 30, 2018**

### **Note 1 - Significant Accounting Policies (Continued)**

#### **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 the County of Wayne, Michigan being held for the construction or debt service of the City of Taylor, Michigan water and sewer lines.

#### **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 estimated acquisition value at the date of donation.

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

Depreciable life in years (useful lives)

| <b>Asset</b>                      | <b>Years</b> |
|-----------------------------------|--------------|
| Roads and sidewalks               | 10-65        |
| Buildings                         | 15-50        |
| Sanitary sewer system             | 15-50        |
| Water mains and meters            | 15-67        |
| Improvements other than buildings | 20           |
| Vehicles                          | 4-10         |
| Machinery and equipment           | 2-20         |
| 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. The General, Water, and Sewer funds will generally be used to liquidate the OPEB plan liabilities.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of

resources (expense/expenditure) until then. The City 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.

**Note 1 - Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of net position 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 will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows related to pensions and other postemployment benefits 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***

The City will sometimes 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 Assumptions***

The City will sometimes 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.

***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 has, by resolution, authorized the finance director to assign fund balance. The City Council may also 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.

**Note 1 - Significant Accounting Policies (Continued)**

**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 2017 tax is levied and collectible on July 1, 2017 and is recognized as revenue in the year ended June 30, 2018, when the proceeds of the levy are budgeted and available for financing of operations.

The 2017 taxable valuation of the City totaled \$1,283,564,203 (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 4.1996 for EPA debt. This resulted in approximately \$8,642,000 for operating purposes, \$910,000 for library services, \$8,429,000 for public safety pension, \$1,472,000 for disposal authority, \$2,732,000 for garbage and rubbish services, \$38,000 for publicity services, \$3,367,000 for the building authority, and \$4,307,000 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**

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 net pension obligation has generally been liquidated from the funds that the individual employees' salaries are paid, which are primarily the General, Water, and Sewer funds.

#### **Other Postemployment Benefit Costs**

The City offers retiree healthcare benefits to retirees. The City records a net OPEB liability calculated by the actuary. For the purpose of measuring the net OPEB liability, deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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

#### **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.

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### **Note 1 - Significant Accounting Policies (Continued)**

#### ***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 are charges to customers for sales and services. The Water and Sewer funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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.

#### ***Upcoming Accounting Pronouncements***

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2020.

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 year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. 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, 2019.

## ***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including December 17, 2018, which is the date the financial statements were available to be issued. The following significant transactions occurred subsequent to June 30, 2018 and prior to the issuance of these financial statements.

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### **Note 1 - Significant Accounting Policies (Continued)**

#### ***Downriver Sewage Disposal System***

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System (the "System"). The City's share of capital assets and related debt is recorded in the Water and Sewer funds. At June 30, 2018, the City's reported investment in the System of \$4,305,687 is recorded as an asset on the statement of net position. During the year, the City paid \$1,901,907 for operations of the System and \$5,873,494 for debt service.

On September 27, 2018, the System transferred from the County of Wayne, Michigan (the "County") to the Downriver Utility Wastewater Authority (DUWA). DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the System. The transfer price was \$54 million, which was paid at closing with \$55 million in revenue bonds (Senior Lien bond proceeds) issued by DUWA, plus an obligation for an additional payment of \$3.5 million to be paid in September 2023.

Existing county debt related to the System was handled as follows:

- Judgment levy debt of \$23.2 million remains as an obligation of the County and will continue to be paid directly from the communities to the County.
- 2007D series bonds were refunded and reissued as part of the \$55 million Senior Lien bond issuance.
- The outstanding State Revolving Fund (SRF) debt of \$62 million was exchanged into DUWA's name and has now become a liability of DUWA.

In addition to transferring the treatment plant, distribution system and other capital assets with a net book value of approximately \$190 million, the County also transferred approximately \$40 million of cash. In exchange for these assets, DUWA is obligated for the exchanged SRF debt in the principal amount of approximately \$62 million, the new 2018 Senior Lien debt issuance with a face amount of \$55 million and the \$3.5 million remaining transfer obligation. All DUWA debt is revenue bond debt that will be paid by the communities through rates and charges. The City of Taylor, Michigan is evaluating the impact of the transfer on its Water and Sewer funds; any such impact will be reflected in its fiscal year 2019 financial statements.

### **Note 2 - Stewardship, Compliance, and Accountability**

#### ***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law 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.

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.

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

The amount of encumbrances outstanding at June 30, 2018 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, 2018. 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 funds also have an unrestricted net deficit as of June 30, 2018.

### 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.

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 \$43,068,686 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$10,410,531 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.

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City of Taylor, Michigan

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Notes to Financial Statements

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June 30, 2018

### Note 3 - Deposits and Investments (Continued)

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

| Investment                 | General Employees' Pension Plan |                    |                    |                  |                    |
|----------------------------|---------------------------------|--------------------|--------------------|------------------|--------------------|
|                            | Fair Value                      | Less than 1 Year   | 1-5 Years          | 6-10 Years       | More than 10 Years |
| Corporate bonds            | \$3,377,052                     | \$878,369          | \$2,458,683        | -                | -                  |
| U.S. government securities | \$3,589,686                     | \$651,450          | \$2,695,987        | \$242,250        | -                  |
| Agency securities          | \$249,345                       | \$249,345          | -                  | -                | -                  |
| <b>Total</b>               | <b>\$7,216,083</b>              | <b>\$1,779,164</b> | <b>\$5,154,670</b> | <b>\$242,250</b> | <b>-</b>           |

  

| Investment                 | Police and Fire Retirement System |                  |                    |                    |                    |
|----------------------------|-----------------------------------|------------------|--------------------|--------------------|--------------------|
|                            | Fair Value                        | Less than 1 Year | 1-5 Years          | 6-10 Years         | More than 10 Years |
| Corporate bonds            | \$3,219,447                       | \$200,777        | \$1,930,419        | \$1,063,115        | \$25,136           |
| U.S. government securities | \$2,458,343                       | -                | \$1,750,682        | \$707,661          | -                  |
| Agency securities          | \$420,519                         | -                | -                  | \$31,959           | \$388,560          |
| <b>Total</b>               | <b>\$6,098,309</b>                | <b>\$200,777</b> | <b>\$3,681,101</b> | <b>\$1,802,735</b> | <b>\$413,696</b>   |

#### 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:

Credit quality ratings of debt securities (other than the U.S. government)

| <b>Investment</b>                        | <b>Fair Value</b>  | <b>Rating</b>    | <b>Rating Organization</b> |
|--|--------------------|------------------|----------------------------|
| <b>General Employees' Pension Plan</b>   |                    |                  |                            |
| Corporate bonds                          | \$333,489          | A1               | Moody's                    |
| Corporate bonds                          | \$404,772          | A2               | Moody's                    |
| Corporate bonds                          | \$515,208          | A3               | Moody's                    |
| Corporate bonds                          | \$355,614          | Aa1              | Moody's                    |
| Corporate bonds                          | \$347,225          | Aa2              | Moody's                    |
| Corporate bonds                          | \$265,250          | Ba2              | Moody's                    |
| Corporate bonds                          | \$710,675          | Baa1             | Moody's                    |
| Corporate bonds                          | \$355,541          | Baa2             | Moody's                    |
| Corporate bonds                          | \$89,280           | Baa3             | Moody's                    |
| Agency securities                        | \$249,345          | AAA              | Moody's                    |
| <b>U.S. government securities</b>        | <b>\$3,589,686</b> | <b>AAA</b>       | <b>Moody's</b>             |
| <b>Police and Fire Retirement System</b> |                    |                  |                            |
| -  |                    |                  |                            |
| Corporate bonds                          | \$239,387          | A1               |                            |
| Corporate bonds                          | \$113,206          | A2               |                            |
| Corporate bonds                          | \$472,633          | A3               |                            |
| Corporate bonds                          | \$156,292          | Aa2              |                            |
| Corporate bonds                          | \$74,440           | Aa3              |                            |
| Corporate bonds                          | \$127,971          | AAA              |                            |
| Corporate bonds                          | \$24,563           | B1               |                            |
| Corporate bonds                          | \$188,701          | Ba1              |                            |
| Corporate bonds                          | \$44,238           | Ba2              |                            |
| Corporate bonds                          | \$64,116           | Ba3              |                            |
| Corporate bonds                          | \$734,455          | Baa1             |                            |
| Corporate bonds                          | \$473,488          | Baa2             |                            |
| Corporate bonds                          | \$505,957          | Baa3             |                            |
| Agency securities                        | \$31,959           | AAA              |                            |
| Agency securities                        | \$388,560          | Not rated        |                            |
| <b>U.S. government securities</b>        | <b>\$2,239,674</b> | <b>AAA</b>       |                            |
| <b>U.S. government securities</b>        | <b>\$218,669</b>   | <b>Not rated</b> |                            |

### 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 28 percent of the Police and Fire Retirement System assets and 13 percent of the General Employees' 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 outflows of resources are as follows:

| <b>Description</b> | <b>Governmental Activities</b> |
|--------------------|--------------------------------|
| Pension deferrals  | \$ 2,519,426                   |

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

| Description                       | Governmental Funds  | Business-type Activities | Governmental Activities |
|-----------------------------------|---------------------|--------------------------|-------------------------|
| Special assessments - Unavailable | \$ 182,887          | \$ -                     | \$ -                    |
| Grant revenue - Unavailable       | \$ 288,589          | \$ -                     | \$ -                    |
| Other unavailable revenue         | \$ 1,289,146        | \$ -                     | \$ -                    |
| Pension deferrals                 | \$ -                | \$ 266,064               | \$ 30,510,545           |
| OPEB deferrals                    | \$ -                | \$ 155,626               | \$ 1,949,862            |
| <b>Total deferred inflows</b>     | <b>\$ 1,760,622</b> | <b>\$ 421,690</b>        | <b>\$ 32,460,407</b>    |

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## Note 5 - Capital Assets

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

### Governmental Activities

Capital asset balances and changes for governmental activities (amounts shown in dollars).

|   | Balance<br>July 1, 2017 | Reclassifications  | Additions            | Disposals          | Balance<br>June 30, 2018 |
|---|-------------------------|--------------------|----------------------|--------------------|--------------------------|
| Capital assets not being depreciated:       |                         |                    |                      |                    |                          |
| Land  | \$29,370,255            | \$-                | \$-                  | \$(7,802)          | \$29,362,453             |
| Construction in progress                    | 1,728,743               | (1,610,207)        | 745,389              | -                  | 863,925                  |
| <b>Subtotal</b>                             | <b>31,098,998</b>       | <b>(1,610,207)</b> | <b>745,389</b>       | <b>(7,802)</b>     | <b>30,226,378</b>        |
| Capital assets being depreciated:           |                         |                    |                      |                    |                          |
| Buildings and improvements                  | 83,476,695              | 85,633             | 984,397              | (44,424)           | 84,502,301               |
| Machinery and equipment                     | 38,597,420              | -                  | 2,334,363            | (1,541,285)        | 39,390,498               |
| Other improvements                          | 19,911,641              | 11,628             | 711,701              | -                  | 20,634,970               |
| Roads and sidewalks                         | 263,881,565             | 1,512,946          | 1,865,083            | -                  | 267,259,594              |
| <b>Subtotal</b>                             | <b>405,867,321</b>      | <b>1,610,207</b>   | <b>5,895,544</b>     | <b>(1,585,709)</b> | <b>411,787,363</b>       |
| Accumulated depreciation:                   |                         |                    |                      |                    |                          |
| Buildings and improvements                  | 36,222,759              | -                  | 1,781,117            | (14,956)           | 37,988,920               |
| Machinery and equipment                     | 31,125,652              | -                  | 1,580,168            | (1,443,196)        | 31,262,624               |
| Other improvements                          | 16,975,395              | -                  | 416,794              | -                  | 17,392,189               |
| Roads and sidewalks                         | 180,649,016             | -                  | 5,618,233            | -                  | 186,267,249              |
| <b>Subtotal</b>                             | <b>264,972,822</b>      | <b>-</b>           | <b>9,396,312</b>     | <b>(1,458,152)</b> | <b>272,910,982</b>       |
| <b>Net capital assets being depreciated</b> | <b>140,894,499</b>      | <b>1,610,207</b>   | <b>(3,500,768)</b>   | <b>(127,557)</b>   | <b>138,876,381</b>       |
| <b>Net capital assets</b>                   | <b>\$171,993,497</b>    | <b>\$-</b>         | <b>\$(2,755,379)</b> | <b>\$(135,359)</b> | <b>\$169,102,759</b>     |

Note: All numeric values are transcribed as displayed on the supplied PDF page image. Parentheses indicate negative amounts or disposals.

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## City of Taylor, Michigan

Notes to Financial Statements

June 30, 2018

### Note 5 - Capital Assets (Continued)

#### Business-type Activities

| Description                           | Balance July 1, 2017 | Reclassifications | Additions | Disposals | Balance June 30, 2018 |
|---------------------------------------|----------------------|-------------------|-----------|-----------|-----------------------|
| Capital assets not being depreciated: |                      |                   |           |           |                       |
| Land                                  | 3,358,372            | -                 | -         | -         | 3,358,372             |
| Construction in progress              | 1,016,460            | (5,094,598)       | 4,597,605 | -         | 519,467               |

| Description                              | Balance July 1, 2017 | Reclassifications | Additions   | Disposals  | Balance June 30, 2018 |
|--|----------------------|-------------------|-------------|------------|-----------------------|
| <b>Subtotal</b>                          | 4,374,832            | (5,094,598)       | 4,597,605   | -          | 3,877,839             |
| <b>Capital assets being depreciated:</b> |                      |                   |             |            |                       |
| Water mains and meters                   | 45,155,631           | 3,152,268         | 66,030      | (127,995)  | 48,245,934            |
| Sanitary sewer system                    | 127,292,518          | 1,320,330         | 1,802,309   | -          | 130,415,157           |
| Buildings and improvements               | 10,399,391           | 621,950           | 360,502     | (38,799)   | 11,343,044            |
| Machinery and equipment                  | 3,213,262            | -                 | 277,312     | (81,949)   | 3,408,625             |
| Vehicles                                 | 648,303              | -                 | 69,200      | -          | 717,503               |
| Furniture and fixtures                   | 1,292,267            | -                 | -           | (70,068)   | 1,222,199             |
| Land improvements                        | 10,192,488           | -                 | 274,350     | -          | 10,466,838            |
| Intangible ECPAD improvement             | 2,882,728            | -                 | -           | -          | 2,882,728             |
| <b>Subtotal</b>                          | 201,076,588          | 5,094,548         | 2,849,703   | (318,811)  | 208,702,028           |
| <b>Accumulated depreciation:</b>         |                      |                   |             |            |                       |
| Water and sewer lines                    | 17,040,270           | -                 | 1,055,945   | (122,275)  | 17,973,940            |
| Sanitary sewer system                    | 32,923,787           | -                 | 1,717,828   | -          | 34,641,615            |
| Buildings and improvements               | 4,325,923            | -                 | 230,983     | (26,186)   | 4,530,720             |
| Machinery and equipment                  | 2,512,408            | -                 | 177,806     | (66,147)   | 2,624,067             |
| Vehicles                                 | 382,052              | -                 | 42,850      | -          | 424,902               |
| Furniture and equipment                  | 1,146,790            | -                 | 22,878      | (56,058)   | 1,113,610             |
| Land improvements                        | 8,361,323            | -                 | 178,050     | -          | 8,539,373             |
| Intangible ECPAD improvement             | 244,943              | -                 | 57,654      | -          | 302,597               |
| <b>Subtotal</b>                          | 66,937,496           | -                 | 3,483,994   | (270,666)  | 70,150,824            |
| Net capital assets being depreciated     | 134,139,092          | 5,094,548         | (634,291)   | (48,145)   | 138,551,204           |
| Net capital assets                       | \$138,513,924        | \$(50)            | \$3,963,314 | \$(48,145) | \$142,429,043         |

**Component Unit**

| Description   | Balance July 1, 2017 | Additions  | Disposals | Balance June 30, 2018 |
|---|----------------------|------------|-----------|-----------------------|
| <b>Capital assets not being depreciated</b>         | \$14,916,220         | -          | -         | \$14,916,220          |
| <b>Capital assets being depreciated:</b>            |                      |            |           |                       |
| Buildings and improvements                          | 2,777,621            | -          | -         | 2,777,621             |
| Furniture, equipment and machinery                  | 255,079              | 34,971     | -         | 290,050               |
| Furniture, equipment and machinery - Administration | 292,307              | -          | -         | 292,307               |
| Improvements  | 2,375,534            | -          | -         | 2,375,534             |
| Infrastructure                                      | -                    | 66,298     | -         | 66,298                |
| <b>Subtotal</b>                                     | 5,700,541            | 101,269    | -         | 5,801,810             |
| Accumulated depreciation                            | 4,940,359            | 116,968    | -         | 5,057,327             |
| Net capital assets being depreciated                | 760,182              | (15,699)   | -         | 744,483               |
| Net capital assets                                  | \$15,676,402         | \$(15,699) | \$-       | \$15,660,703          |

City of Taylor, Michigan

Notes to Financial Statements

June 30, 2018

**Note 5 - Capital Assets (Continued)**

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

**Governmental activities:**

| Program                              | Amount             |
|--------------------------------------|--------------------|
| General government                   | \$631,967          |
| Public safety                        | 973,654            |
| Public works                         | 6,257,581          |
| Economic development                 | 197,972            |
| Recreation and culture               | 1,335,138          |
| <b>Total governmental activities</b> | <b>\$9,396,312</b> |

**Business-type activities:**

| <b>Program</b>                        | <b>Amount</b>      |
|---------------------------------------|--------------------|
| Water                                 | \$1,137,706        |
| Sewer                                 | 1,748,918          |
| Ecorse Creek                          | 57,655             |
| Golf                                  | 539,715            |
| <b>Total business-type activities</b> | <b>\$3,483,994</b> |

### Construction Commitments

The City has active construction projects 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 commitments with vendors by reporting unit are as follows:

| <b>Reporting unit</b>   | <b>Spent to Date</b> | <b>Remaining Commitment</b> |
|-------------------------|----------------------|-----------------------------|
| Governmental activities | \$583,507            | \$816,745                   |
| Business-type           | 495,235              | 614,435                     |
| Component units         | 156,048              | 468,145                     |
| <b>Total</b>            | <b>\$1,234,790</b>   | <b>\$1,899,325</b>          |

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### City of Taylor, Michigan

Notes to Financial Statements  
June 30, 2018

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

*Due to/from other funds*

| Detailed interfund receivable and payable balances |  |                     |
|--|--|---------------------|
| <b>Receivable Fund</b>                             | <b>Payable Fund</b>                            | <b>Amount</b>       |
| General Fund                                       | Golf Course Fund                               | \$ 125,326          |
|  | Sewer Fund                                     | 4,351               |
|  | Other nonmajor governmental funds              | 1,402,615           |
|  | <b>Total General Fund</b>                      | <b>1,532,292</b>    |
| Other nonmajor governmental funds                  | General Fund                                   | 1,523,486           |
|  | Water Fund                                     | 282                 |
|  | Act 179 Rubbish Fund                           | 178                 |
|  | Other nonmajor governmental funds              | 501,125             |
|  | <b>Total other nonmajor governmental funds</b> | <b>2,025,071</b>    |
| Sewer Fund   | Water Fund                                     | 535,185             |
| Ecorse Creek Fund                                  | Water Fund                                     | 27,038              |
| Police and Fire Retirement Fund                    | General Fund                                   | 298,441             |
| Act 179 Rubbish Fund                               | General Fund                                   | 278,349             |
| Water Fund   | General fund                                   | 251,177             |
|  | <b>Total</b>                                   | <b>\$ 4,947,553</b> |

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

#### Due to/from Primary Government and Component Units

| <b>Receivable</b> | <b>Payable</b>                        | <b>Amount</b> |
|-------------------|---------------------------------------|---------------|
| General Fund      | Tax Increment Financing Authority     | \$2,221,607   |
|                   | Downtown Development Authority        | 4,157         |
|                   | Local Development Financing Authority | 24,378        |

| Receivable                         | Payable                                  | Amount      |
|------------------------------------|--|-------------|
|                                    | Total General Fund                       | 2,250,142   |
| Act 179 Rubbish Fund               | Tax Increment Financing Authority        | 602,601     |
|                                    | Local Development Financing Authority    | 11,795      |
|                                    | Total Act 179 Rubbish Fund               | 614,396     |
| Police and Fire Retirement Fund    | Tax Increment Financing Authority        | 1,180,808   |
|                                    | Local Development Financing Authority    | 23,648      |
|                                    | Total Police and Fire Retirement Fund    | 1,204,456   |
| Tax Increment Financing Authority  | Library                                  | 10,092      |
| Brownfield Redevelopment Authority | General Fund                             | 236,671     |
|                                    | Sewer Fund                               | 227,024     |
|                                    | Total Brownfield Redevelopment Authority | 463,695     |
| Downtown Development Authority     | Library                                  | 1,626       |
| Other nonmajor governmental funds  | Tax Increment Financing Authority        | 542,717     |
|                                    | Brownfield Redevelopment Authority       | 880         |
|                                    | Local Development Financing Authority    | 1,874       |
|                                    | Total other nonmajor governmental funds  | 545,471     |
| Sewer Fund                         | Tax Increment Financing Authority        | 857,662     |
|                                    | Local Development Financing Authority    | 6,905       |
|                                    | Total Sewer Fund                         | 864,567     |
| Water Fund                         | Tax Increment Financing Authority        | 925,242     |
|                                    | Total                                    | \$6,879,687 |

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

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

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

Paying Fund (Transfer Out) — Receiving Fund (Transfer In) — Amount

| Paying Fund (Transfer Out) | Receiving Fund (Transfer In)       | Amount              |
|----------------------------|------------------------------------|---------------------|
| General Fund               | Major Streets Fund                 | \$ 215,035          |
|                            | Act 179 Rubbish                    | \$ 369,719          |
|                            | Golf Course Fund                   | \$ 400,000          |
|                            | <b>Total General Fund</b>          | <b>\$ 984,754</b>   |
| Major Streets Fund         | Local Streets Fund                 | \$ 2,100,000        |
|                            | 2008 Transportation Bond Debt Fund | \$ 360,413          |
|                            | <b>Total Major Streets Fund</b>    | <b>\$ 2,460,413</b> |
| Building and Grounds       | Building Authority Debt Fund       | \$ 1,062,525        |
|                            | <b>Total</b>                       | <b>\$ 4,507,692</b> |

Transfers from the Major Streets Fund to the 2008 Transportation Bond Debt Fund are to cover debt payments on road debt. Transfers from the Major Streets Fund to the Local Streets Fund are to cover local road work in accordance with Act 51. The transfer from Building and Grounds Fund to the Building Authority Debt Fund is for Building Authority lease payments. Transfers from the General Fund to the Major Streets Fund and Act 179 Rubbish Fund are for operations in accordance with the adopted budget.

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City of Taylor, Michigan

Notes to Financial Statements

June 30, 2018

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.

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

**Governmental Activities**

| Description   | Interest Rate Ranges | Beginning Balance   | Additions          | Reductions           | Ending Balance      | Due within One Year |
|---|----------------------|---------------------|--------------------|----------------------|---------------------|---------------------|
| <b>Bonds and contractual obligations:</b>                                       |                      |                     |                    |                      |                     |                     |
| 2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000 | 2.00%                | 575,000             | -                  | (70,000)             | 505,000             | 75,000              |
| General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000    | 3.00%-4.40%          | 130,000             | -                  | (65,000)             | 65,000              | 65,000              |
| 2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000         | 3.25%-5.25%          | 665,000             | -                  | (325,000)            | 340,000             | 340,000             |
| 2011 Installment purchase contract trash totes - Amount of issue - \$1,880,000  | 3.83%                | 837,000             | -                  | (198,000)            | 639,000             | 205,000             |
| 2011 Installment purchase contract trash trucks - Amount of issue - \$1,232,000 | 4.36%                | 199,000             | -                  | (199,000)            | -                   | -                   |
| VDI Desktop Storage Replacement - Amount of issue - \$380,977                   | 3.24%                | 158,520             | -                  | (77,981)             | 80,539              | 80,539              |
| 2015 Building Authority Refunding Bonds - \$6,965,000                           | 2.00%-5.00%          | 5,645,000           | -                  | (700,000)            | 4,945,000           | 735,000             |
| PNC Equipment Note - Amount of issue - \$1,236,481                              | 2.34%                | 980,704             | -                  | (241,921)            | 738,783             | 247,643             |
| Dell Capital Lease - Amount of issue - \$49,506                                 | 6.83%                | 31,904              | -                  | (15,425)             | 16,479              | 16,479              |
| Caterpillar Excavator Equipment Lease Purchase - Amount of issue - \$84,942     | 2.39%                | 68,596              | -                  | (14,706)             | 53,890              | 15,058              |
| Wells Fargo Copier Capital Lease - Amount of Issue - \$163,830                  | 6.09%                | -                   | 163,830            | (8,659)              | 155,171             | 29,652              |
| Wells Fargo Copier Capital Lease - Amount of Issue - \$49,821                   | 6.09%                | -                   | 49,821             | (2,633)              | 47,188              | 9,017               |
| Unamortized bond premiums   |                      | 525,715             | -                  | (89,493)             | 436,222             | 87,048              |
| <b>Total bonds payable</b>  |                      | <b>9,816,439</b>    | <b>213,651</b>     | <b>(2,007,818)</b>   | <b>8,022,272</b>    | <b>1,905,436</b>    |
| <b>Other long-term obligations:</b>   |                      |                     |                    |                      |                     |                     |
| Workers' compensation claims  |                      | 377,868             | 252,346            | (217,491)            | 412,723             | -                   |
| Nonexchange financial guarantee   |                      | 3,138,000           | -                  | (545,000)            | 2,593,000           | 281,269             |
| Compensated absences  |                      | 2,837,056           | 938,636            | (897,085)            | 2,878,607           | 916,429             |
| <b>Total governmental activities long-term debt</b>                             |                      | <b>\$16,169,363</b> | <b>\$1,404,633</b> | <b>\$(3,667,394)</b> | <b>\$13,906,602</b> | <b>\$3,103,134</b>  |

**City of Taylor, Michigan**

Notes to Financial Statements

June 30, 2018

**Note 7 - Long-term Debt (Continued)**

**Business-type Activities**

| Description  | Interest Rate Ranges | Beginning Balance | Additions   | Reductions    | Ending Balance | Due within One Year |
|--|----------------------|-------------------|-------------|---------------|----------------|---------------------|
| <b>General obligation bonds:</b>   |                      |                   |             |               |                |                     |
| Series 2004 - Water and Sewer - Amount of issue - \$1,655,000                | 3.00% - 4.40%        | \$305,000         | -           | \$(150,000)   | \$155,000      | \$155,000           |
| 1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$87,367,763 | Various              | \$26,032,981      | \$1,623,582 | \$(5,191,567) | \$22,464,996   | \$4,284,682         |
| Series 2009A - ECPAD 1 CWRWF - Amount of issue - \$3,717,000                 | 2.50%                | \$1,007,710       | -           | \$(103,308)   | \$904,402      | \$104,650           |
| Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$236,021 | 3.10%                | \$106,313         | -           | \$(60,047)    | \$46,266       | \$46,266            |

| Description  | Interest Rate Ranges | Beginning Balance   | Additions          | Reductions           | Ending Balance      | Due within One Year |
|--|----------------------|---------------------|--------------------|----------------------|---------------------|---------------------|
| Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$222,299 | 3.10%                | \$100,137           | -                  | \$(56,557)           | \$43,580            | \$43,580            |
| Lease purchase agreement - Two Ranger Xarts split 50/50 TMGC/LTGC            | 5.75%                | \$531,332           | -                  | \$(67,275)           | \$464,057           | \$70,020            |
| ECPAD 1 Taylor/Pelham Basin Series 2014 - Amount of issue - \$722,172        | 2.34%                | \$189,587           | -                  | \$(46,767)           | \$142,820           | \$47,878            |
| <b>Total bonds payable</b>   |                      | <b>\$28,273,060</b> | <b>\$1,623,582</b> | <b>\$(5,675,521)</b> | <b>\$24,221,121</b> | <b>\$4,752,076</b>  |
| <b>Other long-term obligations:</b>  |                      |                     |                    |                      |                     |                     |
| Nonexchange financial guarantee  |                      | \$2,964,201         | -                  | \$(138,510)          | \$2,825,691         | \$228,730           |
| Compensated absences   |                      | \$212,493           | \$66,563           | \$(85,168)           | \$193,888           | \$84,551            |
| <b>Total business-type activities long-term debt</b>                         |                      | <b>\$31,449,754</b> | <b>\$1,690,145</b> | <b>\$(5,899,199)</b> | <b>\$27,240,700</b> | <b>\$5,065,357</b>  |

*Component Unit*

| Description  | Interest Rate Ranges | Beginning Balance   | Additions | Reductions           | Ending Balance      | Due within One Year |
|--|----------------------|---------------------|-----------|----------------------|---------------------|---------------------|
| <b>TIFA:</b>   |                      |                     |           |                      |                     |                     |
| 2013 Refunding - Series A - Amount of issue - \$15,995,000 | 2.00%-3.25%          | \$6,290,000         | -         | \$(2,555,000)        | \$3,735,000         | \$2,725,000         |
| 2013 Refunding - Series B - Amount of issue - \$4,680,000  | 4.00%                | \$4,680,000         | -         | -                    | \$4,680,000         | -                   |
| Bond premium   |                      | \$247,339           | -         | \$(61,835)           | \$185,504           | \$61,835            |
| <b>Total TIFA</b>  |                      | <b>\$11,217,339</b> | <b>-</b>  | <b>\$(2,616,835)</b> | <b>\$8,600,504</b>  | <b>\$2,786,835</b>  |
| <b>Brownfield:</b>   |                      |                     |           |                      |                     |                     |
| 2017 Refunding - Series A - Amount of issue - \$1,915,000  | 2.10%-4.45%          | \$1,915,000         | -         | \$(255,000)          | \$1,660,000         | \$270,000           |
| 2017 Refunding - Series B - Amount of issue - \$2,045,000  | 2.10%-4.05%          | \$2,045,000         | -         | \$(180,000)          | \$1,865,000         | \$185,000           |
| Brownfield Redevelopment Tax Increment Bonds, Series 2015  | 2.00%-5.00%          | \$9,260,000         | -         | \$(225,000)          | \$9,035,000         | \$240,000           |
| Bond premium   |                      | \$342,034           | -         | \$(20,523)           | \$321,511           | \$20,522            |
| <b>Total Brownfield</b>                                    |                      | <b>\$13,562,034</b> | <b>-</b>  | <b>\$(680,523)</b>   | <b>\$12,881,511</b> | <b>\$715,522</b>    |
| <b>Total component units long-term debt</b>                |                      | <b>\$24,779,373</b> | <b>-</b>  | <b>\$(3,297,358)</b> | <b>\$21,482,015</b> | <b>\$3,502,357</b>  |

City of Taylor, Michigan

Notes to Financial Statements

June 30, 2018

**Note 7 - Long-term Debt (Continued)**

*Debt Service Requirements to Maturity*

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

| Years Ending June 30 | Debt Service Requirements to Maturity |                    |                    |                          |                    |                     |                           |                    |                     |
|----------------------|---------------------------------------|--------------------|--------------------|--------------------------|--------------------|---------------------|---------------------------|--------------------|---------------------|
|                      | Governmental Activities               |                    |                    | Business-type Activities |                    |                     | Component Unit Activities |                    |                     |
|                      | Principal*                            | Interest           | Total              | Principal                | Interest           | Total               | Principal*                | Interest           | Total               |
| 2019                 | \$1,818,388                           | \$336,901          | \$2,155,289        | \$4,752,075              | \$625,383          | \$5,377,458         | \$3,420,000               | \$820,057          | \$4,240,057         |
| 2020                 | \$1,391,423                           | \$264,196          | \$1,655,619        | \$3,584,590              | \$512,679          | \$4,097,269         | \$3,295,001               | \$717,833          | \$4,012,834         |
| 2021                 | \$1,382,304                           | \$204,490          | \$1,586,794        | \$3,528,562              | \$423,089          | \$3,951,651         | \$3,845,000               | \$600,235          | \$4,445,235         |
| 2022                 | \$971,399                             | \$146,583          | \$1,117,982        | \$1,204,153              | \$359,261          | \$1,563,414         | \$684,999                 | \$451,517          | \$1,136,516         |
| 2023                 | \$1,002,536                           | \$97,647           | \$1,100,183        | \$1,242,476              | \$321,375          | \$1,563,851         | \$4,090,000               | \$425,366          | \$4,515,366         |
| 2024-2028            | \$1,020,000                           | \$48,506           | \$1,068,506        | \$6,109,067              | \$1,006,866        | \$7,115,933         | \$3,995,000               | \$1,642,208        | \$5,637,208         |
| Thereafter           | -                                     | -                  | -                  | \$3,800,198              | \$311,361          | \$4,111,559         | \$1,645,000               | \$872,735          | \$2,517,735         |
| <b>Total</b>         | <b>\$7,586,050</b>                    | <b>\$1,098,323</b> | <b>\$8,684,373</b> | <b>\$24,221,121</b>      | <b>\$3,560,014</b> | <b>\$27,781,135</b> | <b>\$20,975,000</b>       | <b>\$5,529,951</b> | <b>\$26,504,951</b> |

\* Balances exclude bond premium

### ***Bond Refunding***

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, 2018, approximately \$18.3 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 \$5,418,691 and has been recognized by the City as a liability of \$2,593,000, \$1,412,845, and \$1,412,846 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.

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### **Note 8 - Restricted Assets**

At June 30, 2018, restricted assets are composed of the following:

| <b>Description</b>   | <b>Business-type<br/>Activities</b> |
|--|-------------------------------------|
| Assets held at Wayne County, Michigan for future debt payments | \$5,330,485                         |
| Assets held at Wayne County, Michigan for sewer operations     | 4,305,703                           |
| <b>Total</b>   | <b>\$9,636,188</b>                  |

The above assets held at Wayne County, Michigan 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 \$11,432,682 of the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, to fund \$11,032,314 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 totals \$27,760,259. During the current year, net revenue of the system was \$3,678,500 compared to the annual debt requirements of \$954,617. Annual tax collections related to the debt were \$4,301,363 compared to the annual debt requirements of \$4,918,264.

### **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:

|   | <b>2018</b>      | <b>2017</b>      |
|---|------------------|------------------|
| Unpaid claims - Beginning of year   | \$377,868        | \$365,357        |
| Incurring claims, including adjustments to claims incurred but not reported | 239,291          | 356,413          |
| Claim payments (net of insurance refunds)                                   | (204,436)        | (343,902)        |
| <b>Unpaid claims - End of year</b>  | <b>\$412,723</b> | <b>\$377,868</b> |

**Note 10 - Other Postemployment Benefit Plan**

**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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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**City of Taylor, Michigan**

Notes to Financial Statements

**June 30, 2018**

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Benefits Provided**

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). The costs of administering the plan are borne by the City's general fund.

**Members Covered by Benefit Terms**

The following members were covered by the benefit terms:

| <b>Date of member count</b>  | June 30, 2018 |
|--|---------------|
| <b>Inactive plan members or beneficiaries currently receiving benefits</b> | 436           |
| <b>Inactive plan members entitled to but not yet receiving benefits</b>    | 25            |
| <b>Active plan members</b>   | 186           |
| <b>Total plan members</b>  | 647           |

**Contributions**

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the City made payments for postemployment health benefit premiums of \$8,278,643.

**Total OPEB Liability**

The City's total OPEB liability of \$293,762,527 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability during the measurement year were as follows:

| <b>Changes in Net OPEB Liability</b>                      | <b>Total OPEB Liability</b> |
|---|-----------------------------|
| <b>Balance at July 1, 2017</b>                            | \$292,444,267               |
| <b>Changes for the year:</b>                              |                             |
| <b>Service cost</b>                                       | 4,136,989                   |
| <b>Interest</b>   | 10,324,168                  |
| <b>Differences between expected and actual experience</b> | (1,361,775)                 |
| <b>Changes in assumptions</b>                             | (2,765,110)                 |
| <b>Benefit payments</b>                                   | (9,016,012)                 |
| <b>Net changes</b>  | 1,318,260                   |
| <b>Balance at June 30, 2018</b>                           | <b>\$293,762,527</b>        |

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,423,749.

City of Taylor, Michigan

Notes to Financial Statements

June 30, 2018

### Note 10 - Other Postemployment Benefit Plan (Continued)

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Difference between expected and actual experience | \$-                            | \$(694,761)                   |
| Changes in assumptions                            | -                              | (1,410,727)                   |
| <b>Total</b>                                      | <b>\$-</b>                     | <b>\$(2,105,488)</b>          |

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

| Years Ending June 30 | Amount               |
|----------------------|----------------------|
| 2019                 | \$(2,021,397)        |
| 2020                 | (84,091)             |
| <b>Total</b>         | <b>\$(2,105,488)</b> |

#### Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 2.75 percent; assumed salary increases (including inflation) of 1 percent for general members, 2.50 percent to 15.50 percent for court members, and 3.50 percent to 6.50 percent for police/fire members; a healthcare cost trend rate of 9.00 percent for 2019, decreasing to an ultimate rate of 3.50 percent for 2028 and later years; and using the RP-2014 mortality tables with the MP-2017 improvement scale; also included is an excise tax for Cadillac plans and participation rates. These assumptions were applied to all periods included in the measurement.

#### Discount Rate

The discount rate used to measure the total OPEB liability was 3.62 percent. The discount rate was based on the Fidelity 20-Year Municipal GO AA index.

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.62 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|                             | 1 Percent Decrease (2.62%) | Current Discount Rate (3.62%) | 1 Percent Increase (4.62%) |
|-----------------------------|----------------------------|-------------------------------|----------------------------|
| <b>Total OPEB liability</b> | <b>\$349,638,943</b>       | <b>\$293,762,527</b>          | <b>\$255,637,871</b>       |

### Note 10 - Other Postemployment Benefit Plan (Continued)

#### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|                             | 1 Percent Decrease (8.00%) | Current Healthcare Cost Trend Rate (9.00%) | 1 Percent Increase (10.00%) |
|-----------------------------|----------------------------|--|-----------------------------|
| <b>Total OPEB liability</b> | <b>\$254,958,976</b>       | <b>\$293,762,527</b>                       | <b>\$350,216,296</b>        |

### Note 11 - Other Postemployment Benefits - MERS Healthcare Plan

#### Plan Description

The City provides funding of retiree healthcare benefits to eligible employees and their spouses through the Municipal Employees' Retirement System healthcare plan. 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, 2018, the City made contributions of \$38,331 and the plan members contributed \$57,239 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 \$20,753,066. The current year contribution was calculated based on covered payroll of \$4,228,881, resulting in an employer contribution of \$161,460 and employee contributions of \$169,155.

#### **Note 13 - Pension Plans**

##### *Plan Description*

##### *General Employees' Retirement System*

The City of Taylor General Employees' Retirement System board of trustees administers the City of Taylor General 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 Plans (Continued)**

##### **Police and Fire Retirement System**

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.

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.

##### **Municipal Employees' Retirement System of Michigan**

The court participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS), which 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](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

##### **Benefits Provided**

##### **General Employees' Retirement System**

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.

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### **Note 13 - Pension Plans (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.

#### *Police and Fire Retirement System*

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.

#### *Municipal Employees' Retirement System of Michigan*

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.

**Note 13 - Pension Plans (Continued)**

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.

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**

The following members were covered by the benefit terms:

City of Taylor - members covered by benefit terms (dates shown below)

| <b>Plan / Date of member count</b>   | <b>City of Taylor General Employees' Retirement System<br/>December 31, 2017</b> | <b>Police and Fire Retirement System<br/>June 30, 2018</b> | <b>Municipal Employees' Retirement System<br/>December 31, 2017</b> |
|--|--|--|---|
| <b>Inactive plan members or beneficiaries currently receiving benefits</b> | 261  | 221  | 9   |
| <b>Inactive plan members entitled to but not yet receiving benefits</b>    | 24   | 10   | 3   |
| <b>Active plan members</b>   | 53   | 109  | 7   |
| <b>Total employees covered by the plan</b>                                 | 338  | 340  | 19  |

**Contributions**

**General Employees' Retirement System**

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, 2017, the average active member contribution rate was 6.0 percent of annual pay and the City's average contribution rate was 140.63 percent of annual payroll.

**Police and Fire Retirement System**

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, 2018, the average active member contribution rate was 8 percent of annual pay, and the City's average contribution rate was 56.06 percent of annual payroll.

**Note 13 - Pension Plans (Continued)**

*Municipal Employees' Retirement System of Michigan*

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 17.83 percent of annual payroll for the district court.

**Net Pension Liability**

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

Measurement date used for the City NPL and date based on a comprehensive actuarial valuation as of

|   | <b>City of Taylor General Employees'<br/>Retirement System</b> | <b>Police and Fire<br/>Retirement System</b> | <b>Municipal Employees'<br/>Retirement System</b> |
|---|--|--|---|
| <b>Measurement date used for the City NPL</b>             | December 31, 2017  | June 30, 2018                                | December 31, 2017                                 |
| <b>Based on a comprehensive actuarial valuation as of</b> | December 31, 2017  | June 30, 2018                                | December 31, 2017                                 |

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

**General Employees' Retirement System**

| Changes in Net Pension Liability, increase (decrease)     |                                |                          |                              |
|---|--------------------------------|--------------------------|------------------------------|
| <b>Changes in Net Pension Liability</b>                   | <b>Total Pension Liability</b> | <b>Plan Net Position</b> | <b>Net Pension Liability</b> |
| <b>Balance at December 31, 2016</b>                       | \$83,051,749                   | \$38,698,098             | \$44,353,651                 |
| <b>Changes for the year:</b>                              |                                |                          |                              |
| <b>Service cost</b>                                       | 239,266                        | -                        | 239,266                      |
| <b>Interest</b>   | 5,991,735                      | -                        | 5,991,735                    |
| <b>Differences between expected and actual experience</b> | (216,865)                      | -                        | (216,865)                    |
| <b>Changes in assumptions</b>                             | 27,101                         | -                        | 27,101                       |
| <b>Contributions - Employer</b>                           | -                              | 3,720,318                | (3,720,318)                  |
| <b>Contributions - Employee</b>                           | -                              | 179,943                  | (179,943)                    |
| <b>Net investment income (loss)</b>                       | -                              | 5,925,408                | (5,925,408)                  |
| <b>Benefit payments, including refunds</b>                | (6,563,201)                    | (6,563,201)              | -                            |
| <b>Administrative expenses</b>                            | -                              | (121,699)                | 121,699                      |
| <b>Net changes</b>  | (521,964)                      | 3,140,769                | (3,662,733)                  |
| <b>Balance at December 31, 2017</b>                       | \$82,529,785                   | \$41,838,867             | \$40,690,918                 |

The plan's fiduciary net position represents 50.7 percent of the total pension liability.

**City of Taylor, Michigan**

Notes to Financial Statements

**June 30, 2018**

**Note 13 - Pension Plans (Continued)**

**Police and Fire Retirement System**

| Police and Fire Retirement System                         |                                |                          |                              |
|---|--------------------------------|--------------------------|------------------------------|
| <b>Changes in Net Pension Liability</b>                   | <b>Increase (Decrease)</b>     |                          |                              |
|   | <b>Total Pension Liability</b> | <b>Plan Net Position</b> | <b>Net Pension Liability</b> |
| <b>Balance at July 1, 2017</b>                            | \$226,318,288                  | \$122,481,034            | \$103,837,254                |
| <b>Changes for the year:</b>                              |                                |                          |                              |
| <b>Service cost</b>                                       | 3,255,908                      | -                        | 3,255,908                    |
| <b>Interest</b>   | 11,833,236                     | -                        | 11,833,236                   |
| <b>Differences between expected and actual experience</b> | 4,074,015                      | -                        | 4,074,015                    |

| Changes in Net Pension Liability    | Increase (Decrease)     |                   |                       |
|-------------------------------------|-------------------------|-------------------|-----------------------|
|                                     | Total Pension Liability | Plan Net Position | Net Pension Liability |
| Changes in assumptions              | (35,517,503)            | -                 | (35,517,503)          |
| Contributions - Employer            | -                       | 4,987,980         | (4,987,980)           |
| Contributions - Employee            | -                       | 715,020           | (715,020)             |
| Net investment income (loss)        | -                       | 14,355,591        | (14,355,591)          |
| Benefit payments, including refunds | (13,528,538)            | (13,528,538)      | -                     |
| Administrative expenses             | -                       | (65,886)          | 65,886                |
| Miscellaneous other charges         | -                       | 216               | (216)                 |
| Net changes                         | (29,882,882)            | 6,464,383         | (36,347,265)          |
| Balance at June 30, 2018            | \$196,435,406           | \$128,945,417     | \$67,489,989          |

The plan's fiduciary net position represents 74.8 percent of the total pension liability.

*Municipal Employees' Retirement System of Michigan*

| Municipal Employees' Retirement System of Michigan |                         |                   |                       |
|--|-------------------------|-------------------|-----------------------|
| Changes in Net Pension Liability                   | Increase (Decrease)     |                   |                       |
|  | Total Pension Liability | Plan Net Position | Net Pension Liability |
| Balance at December 31, 2016                       | \$3,841,638             | \$2,793,807       | \$1,047,831           |
| Changes for the year                               |                         |                   |                       |
| Service costs                                      | 33,767                  | -                 | 33,767                |
| Interest   | 299,716                 | -                 | 299,716               |
| Differences between expected and actual experience | 54,099                  | -                 | 54,099                |
| Contributions - Employer                           | -                       | 49,750            | (49,750)              |
| Contributions - Employee                           | -                       | 19,552            | (19,552)              |
| Net investment income (loss)                       | -                       | 362,289           | (362,289)             |
| Benefit payments                                   | (224,155)               | (224,155)         | -                     |
| Administrative expenses                            | -                       | (5,748)           | 5,748                 |
| Net changes  | 163,427                 | 201,688           | (38,261)              |
| Balance at December 31, 2017                       | \$4,005,065             | \$2,995,495       | \$1,009,570           |

The plan's fiduciary net position represents 74.8 percent of the total pension liability.

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

For the year ended June 30, 2018, the City recognized pension expense of \$(5,892,296) from the Police and Fire Retirement System, \$3,503,528 from the General Employees' plan, and \$235,919 from the MERS plan.

**City of Taylor, Michigan**

Notes to Financial Statements

June 30, 2018

**Note 13 - Pension Plans (Continued)**

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Difference between expected and actual experience                                | \$ 2,493,859                   | \$ (345,688)                  |
| Changes in assumptions   | -                              | (25,086,163)                  |
| Net difference between projected and actual earnings on pension plan investments | -                              | (5,344,758)                   |
| Employer contributions to the plan subsequent to the measurement date            | 25,567                         | -                             |
| Total  | \$ 2,519,426                   | \$ (30,776,609)               |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

| Years Ending June 30 | Amount                 |
|----------------------|------------------------|
| 2019                 | \$ (15,694,275)        |
| 2020                 | (7,870,766)            |
| 2021                 | (2,988,541)            |
| 2022                 | (1,729,168)            |
| <b>Total</b>         | <b>\$ (28,282,750)</b> |

#### Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

|   | General Employees' Retirement System                        | Police and Fire Retirement System                           | Municipal Employees' Retirement System   |
|---|---|---|--|
| <b>Inflation</b>  | 2.50%   | 3   | 2.50%                                    |
| <b>Salary increases (including inflation)</b>                 | 1.00%   | 0.00% - 6.50%   | 3.75%                                    |
| <b>Investment rate of return (net of investment expenses)</b> | 7.50%   | 7.25%   | 7.75%                                    |
| <b>Mortality rates</b>  | RP-2014 Health Annuitant Mortality Table with Scale MP-2017 | RP-2014 Health Annuitant Mortality Table with Scale MP-2017 | RP-2014 Health Annuitant Mortality Table |

#### Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

#### Note 13 - Pension Plans (Continued)

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.

| General Employees' Retirement System  | Police and Fire Retirement System | Municipal Employees' Retirement System |
|---|-----------------------------------|--|
| Assumed investment rate of return   | 7.50%                             | 7.25 8.00%                             |
| Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits? | Yes                               | No Yes                                 |
| Discount rate used to measure TPL   | 7.50%                             | 7.22 8.00%                             |

The Police and Fire Retirement System's fiduciary net position was not projected to be available to make projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate of 2.92 percent. The source of that bond rate is the Standard & Poor's Municipal Bond 20-year high grade index as of June 29, 2018. The resulting single discount rate is 7.22 percent.

#### Investment Rate of Return

Best estimates of arithmetic real rates of return as of the measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following tables:

##### General Employees' Retirement System

| Asset Class          | Target Allocation | Long-term expected real rate of return |
|----------------------|-------------------|--|
| Domestic equity      | 45.00 %           | 6.90 %                                 |
| International equity | 15.00             | 10.04                                  |
| Fixed income         | 25.00             | 5.15                                   |
| Real estate          | 5.00              | 7.37                                   |
| Other                | 10.00             | 4.73                                   |

##### Police and Fire Retirement System

| <b>Asset Class</b>   | <b>Target Allocation</b> | <b>Long-term expected real rate of return</b> |
|----------------------|--------------------------|---|
| Domestic equity      | 59.00 %                  | 6.90 %  |
| Fixed income         | 14.00                    | 4.73  |
| Other assets         | 2.00                     | -   |
| International equity | 13.00                    | 10.04   |
| Real estate          | 10.00                    | 7.37  |
| Other                | 2.00                     | 4.73  |

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**Note 13 - Pension Plans (Continued)**

***Municipal Employees' Retirement System***

| <b>Asset Class</b>      | <b>Target Allocation</b> | <b>Long-term Expected Real Rate of Return</b> |
|-------------------------|--------------------------|---|
| Global equity           | 55.50 %                  | 6.65 %  |
| Global fixed income     | 18.50                    | 1.76  |
| Real assets             | 13.50                    | 7.72  |
| Diversifying strategies | 12.50                    | 5.50  |

**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 current discount rate, 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 or 1 percentage point higher than the current rate:

**Net Pension Liability**

|   | <b>1 Percent Decrease</b> | <b>Current Discount Rate</b> | <b>1 Percent Increase</b> |
|---|---------------------------|------------------------------|---------------------------|
| <b>General Employees' Retirement System - Current rate 7.50 percent</b>   | \$48,368,165              | \$40,690,918                 | \$34,116,853              |
| <b>Police and Fire Retirement System - Current rate 7.22 percent</b>      | 89,547,479                | 67,489,989                   | 49,143,020                |
| <b>Municipal Employees' Retirement System - Current rate 8.00 percent</b> | 1,438,179                 | 1,009,570                    | 644,008                   |

**Assumption Changes**

The discount rate used to measure the total pension liability for the Police and Fire Retirement System was changed from 5.35 percent to 7.22 percent.

**Investment Policy**

The pension plans' 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.

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments for the General Employees' Pension Plan and the Police and Fire Retirement System, net of pension plan investment expense, were 17.91 percent and 12.34 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**Note 14 - Pension Plan Reserves**

**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 employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, the balances are transferred into the retiree reserve.

There are no employer reserves as of December 31, 2017.

The balances of the reserve accounts at December 31, 2017 are as follows:

|                           | <b>Required Reserve</b> | <b>Amount Funded</b> |
|---------------------------|-------------------------|----------------------|
| Retiree reserve           | \$ 66,803,517           | \$ 35,661,882        |
| Employee reserve          | 2,513,419               | 2,513,419            |
| Terminated vested reserve | 3,663,566               | 3,663,566            |

**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 employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, their balances are transferred into the retiree reserve.

There are no employer reserves as of June 30, 2018.

The balances of the reserve accounts at June 30, 2018 are as follows:

|                  | <b>Required Reserve</b> | <b>Amount Funded</b> |
|------------------|-------------------------|----------------------|
| Employee reserve | \$ 11,442,341           | \$ 11,442,340        |
| Retiree reserve  | 135,345,780             | 117,503,077          |

**Note 15 - Fair Value Measurements**

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 assets. 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 net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

**Note 15 - Fair Value Measurements (Continued)**

In instances whereby inputs used to measure fair value fall into different levels in the 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.

The City has the following recurring fair value measurements as of June 30, 2018:

Investments by fair value level:

|                         | Assets Measured at Fair Value on a Recurring Basis at June 30, 2018 |  |  |                             |
|-------------------------|---|--|--|-----------------------------|
|                         | Quoted Prices in Active Markets for<br>Identical Assets (Level 1)   | Significant Other<br>Observable Inputs (Level 2) | Significant Unobservable<br>Inputs (Level 3) | Balance at June<br>30, 2018 |
| Agency bonds            | \$-   | \$669,864  | \$-  | \$669,864                   |
| Asset-backed securities | -   | 1,035,910  | -  | 1,035,910                   |
| Common - Not traded     | -   | 5,583,171  | -  | 5,583,171                   |
| Corporate - Not traded  | -   | 2,687,913  | -  | 2,687,913                   |

|                                  | Quoted Prices in Active Markets for<br>Identical Assets (Level 1) | Significant Other<br>Observable Inputs (Level 2) | Significant Unobservable<br>Inputs (Level 3) | Balance at June<br>30, 2018 |
|----------------------------------|---|--|--|-----------------------------|
| Corporate bonds                  | -   | 6,596,498  | -  | 6,596,498                   |
| ETF - Equity                     | 13,455,974  | -  | -  | 13,455,974                  |
| ETF - Fixed income               | 141,920   | -  | -  | 141,920                     |
| Mutual funds -<br>Equity         | 15,411,310  | -  | -  | 15,411,310                  |
| Other assets                     | -   | -  | 2,464,203                                    | 2,464,203                   |
| Other equity                     | -   | 14,869   | -  | 14,869                      |
| Other fixed-income<br>assets     | -   | 23,905   | -  | 23,905                      |
| Other alternative<br>investments | -   | -  | 35,475,417                                   | 35,475,417                  |
| Private equity                   | -   | -  | 1,674,728                                    | 1,674,728                   |
| Stocks                           | 72,331,337  | -  | -  | 72,331,337                  |
| Treasury bonds                   | 2,458,343   | 3,589,686  | -  | 6,048,029                   |
| <b>Total assets</b>              | <b>\$103,798,884</b>  | <b>\$20,201,816</b>                              | <b>\$39,614,348</b>                          | <b>\$163,615,048</b>        |

Debt and equity securities and certain Treasury bonds 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, and Treasury bonds at June 30, 2018 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, 2018 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 16 - 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, 2018.

#### City of Taylor, Michigan

#### Notes to Financial Statements

June 30, 2018

#### Note 17 - 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 a 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 \$81,580 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.

#### Note 18 - Adoption of New Accounting Pronouncements

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces GASB Statement No. 45. As a result, the government-wide statements and proprietary funds now include a liability for the City's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure (see Note 10) for further details. This change does not impact the modified accrual funds.

The effect of this new standard was a decrease in net position to record the net OPEB liability at June 30, 2017. Additionally, the net OPEB obligation previously recorded in the government-wide statements and proprietary funds in accordance with GASB Statement No. 45 has been

eliminated and the overall result was a decrease in net position as of the beginning of the current fiscal year.

The effect of the adoption on governmental activities is as follows:

Primary Government

|  | Governmental Activities | Business-type Activities | Total            |
|--|-------------------------|--------------------------|------------------|
| Net position - Beginning of year, as previously reported | \$ (26,478,629)         | \$ 124,496,746           | \$ 98,018,117    |
| Effect of change   | \$ (205,924,626)        | \$ (17,363,739)          | \$ (223,288,365) |
| Net position - Beginning of year, as restated            | \$ (232,403,255)        | \$ 107,133,007           | \$ (125,270,248) |

The effect of the adoption on the proprietary funds is as follows:

Enterprise Funds

|  | Water          | Sewer          | Golf Courses   | Total           |
|--|----------------|----------------|----------------|-----------------|
| Net position - Beginning of year, as previously reported | \$ 24,430,248  | \$ 85,973,561  | \$ 10,483,416  | \$ 120,887,225  |
| Effect of change   | \$ (9,949,910) | \$ (4,368,422) | \$ (3,045,407) | \$ (17,363,739) |
| Net position - Beginning of year, as restated            | \$ 14,480,338  | \$ 81,605,139  | \$ 7,438,009   | \$ 103,523,486  |

## Required Supplemental Information

### Required Supplemental Information

City of Taylor, Michigan

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

|  | Original Budget   | Amended Budget    | Actual            | Variance with Amended Budget |
|--|-------------------|-------------------|-------------------|------------------------------|
| <b>Revenue</b>                             |                   |                   |                   |                              |
| Property taxes                             | 10,650,000        | 10,590,650        | 10,645,300        | 54,650                       |
| Charges for services                       | 2,903,650         | 3,686,565         | 3,669,655         | (16,910)                     |
| Intergovernmental                          | 9,211,103         | 10,270,114        | 10,587,278        | 317,164                      |
| Licenses and permits                       | 1,403,500         | 1,403,500         | 1,373,329         | (30,171)                     |
| Fines and forfeitures                      | 5,152,000         | 6,635,000         | 7,087,713         | 452,713                      |
| Rental income                              | 868,250           | 873,050           | 934,081           | 61,031                       |
| Interest income                            | 1,500             | 1,500             | 6,331             | 4,831                        |
| DMA/911 and other revenue                  | 7,201,583         | 8,941,962         | 8,888,899         | (53,063)                     |
| <b>Total revenue</b>                       | <b>37,391,586</b> | <b>42,402,341</b> | <b>43,192,586</b> | <b>790,245</b>               |
| <b>Expenditures</b>                        |                   |                   |                   |                              |
| <b>Current services:</b>                   |                   |                   |                   |                              |
| General government                         | 8,039,895         | 8,405,249         | 8,227,609         | 177,640                      |
| Employee benefits                          | 6,513,790         | 6,321,190         | 5,930,076         | 391,114                      |
| Public safety                              | 14,669,150        | 16,235,059        | 15,781,894        | 453,165                      |
| Public works                               | 4,210,000         | 4,620,464         | 4,251,676         | 368,788                      |
| Community development                      | 833,700           | 909,700           | 904,582           | 5,118                        |
| Recreation and culture                     | 2,597,860         | 3,809,331         | 3,140,732         | 668,599                      |
| Capital outlay                             | 46,700            | 403,258           | 498,407           | (95,149)                     |
| Debt service                               | 378,945           | 391,176           | 391,171           | 5                            |
| <b>Total expenditures</b>                  | <b>37,290,040</b> | <b>41,095,427</b> | <b>39,126,147</b> | <b>1,969,280</b>             |
| <b>Excess of Revenue Over Expenditures</b> | <b>101,546</b>    | <b>1,306,914</b>  | <b>4,066,439</b>  | <b>2,759,525</b>             |

|                                       | Original Budget    | Amended Budget     | Actual              | Variance with Amended Budget |
|---------------------------------------|--------------------|--------------------|---------------------|------------------------------|
| <b>Other Financing (Uses) Sources</b> |                    |                    |                     |                              |
| Transfers out                         | -                  | (1,011,719)        | (984,754)           | 26,965                       |
| Face value of debt issue              | -                  | 214,000            | 213,653             | (347)                        |
| Total other financing uses            | -                  | (797,719)          | (771,101)           | 26,618                       |
| Net Change in Fund Balance            | 101,546            | 509,195            | 3,295,338           | 2,786,143                    |
| Fund Balance - Beginning of year      | 8,410,625          | 8,410,625          | 8,410,625           | -                            |
| Fund Balance - End of year            | <b>\$8,512,171</b> | <b>\$8,919,820</b> | <b>\$11,705,963</b> | <b>\$2,786,143</b>           |

See notes to required supplemental information.

City of Taylor, Michigan

Required Supplemental Information

### Budgetary Comparison Schedule - Major Special Revenue Funds

Act 179 Rubbish Fund

Year Ended June 30, 2018

| Description                         | Original Budget  | Amended Budget   | Actual             | Variance with Amended Budget |
|-------------------------------------|------------------|------------------|--------------------|------------------------------|
| <b>Revenue</b>                      |                  |                  |                    |                              |
| Property taxes                      | \$4,150,000      | \$4,150,000      | \$4,209,154        | \$59,154                     |
| Charges for services                | 506,000          | 586,000          | 681,978            | 95,978                       |
| Intergovernmental                   | 70,000           | 340,226          | 338,103            | (2,123)                      |
| Interest income                     | 8,300            | 8,300            | 11,052             | 2,752                        |
| Total revenue                       | 4,734,300        | 5,084,526        | 5,240,287          | 155,761                      |
| <b>Expenditures</b>                 |                  |                  |                    |                              |
| Current services - Public works     | 4,924,700        | 5,331,250        | 5,228,277          | 102,973                      |
| Debt service                        | 437,734          | 437,734          | 437,734            | -                            |
| Total expenditures                  | 5,362,434        | 5,768,984        | 5,666,011          | 102,973                      |
| Excess of Expenditures Over Revenue | (628,134)        | (684,458)        | (425,724)          | 258,734                      |
| Other Financing Sources             | -                | 369,719          | 369,719            | -                            |
| Net Change in Fund Balance          | (628,134)        | (314,739)        | (56,005)           | 258,734                      |
| Fund Balance - Beginning of year    | 1,129,065        | 1,129,065        | 1,129,065          | -                            |
| Fund Balance - End of year          | <b>\$500,931</b> | <b>\$814,326</b> | <b>\$1,073,060</b> | <b>\$258,734</b>             |

See notes to required supplemental information.

City of Taylor, Michigan

Required Supplemental Information

### Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)

Police and Fire Retirement Fund

Year Ended June 30, 2018

| Description   | Original Budget    | Amended Budget     | Actual             | Variance with Amended Budget |
|---|--------------------|--------------------|--------------------|------------------------------|
| <b>Revenue</b>                                      |                    |                    |                    |                              |
| Property taxes                                      | \$8,308,200        | \$8,308,200        | \$8,437,972        | \$129,772                    |
| Intergovernmental                                   | 350,000            | 558,600            | 584,109            | 25,509                       |
| Interest income                                     | 11,000             | 11,000             | 41,185             | 30,185                       |
| Total revenue                                       | 8,669,200          | 8,877,800          | 9,063,266          | 185,466                      |
| Expenditures - Current services - Employee benefits | 9,403,770          | 9,266,090          | 8,845,683          | 420,407                      |
| Net Change in Fund Balance                          | (734,570)          | (388,290)          | 217,583            | 605,873                      |
| Fund Balance - Beginning of year                    | 2,809,529          | 2,809,529          | 2,809,529          | -                            |
| Fund Balance - End of year                          | <b>\$2,074,959</b> | <b>\$2,421,239</b> | <b>\$3,027,112</b> | <b>\$605,873</b>             |

See notes to required supplemental information.

City of Taylor, Michigan

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios - General Employees' Retirement System

General Employees' Retirement System

| Item   | Year Ended June 30  |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 2018                | 2017                | 2016                | 2015                |
| <b>Total Pension Liability</b>   |                     |                     |                     |                     |
| Service cost   | \$239,266           | \$278,102           | \$306,468           | \$295,423           |
| Interest   | 5,991,735           | 5,933,218           | 5,610,828           | 5,970,109           |
| Differences between expected and actual experience                       | (216,865)           | 914,633             | 1,318,385           | -                   |
| Changes in assumptions   | 27,101              | -                   | 3,166,569           | -                   |
| Benefit payments, including refunds                                      | (6,563,201)         | (6,089,417)         | (6,089,658)         | (6,083,112)         |
| Net Change in Total Pension Liability                                    | (521,964)           | 1,036,536           | 4,312,592           | 182,420             |
| Total Pension Liability - Beginning of year                              | 83,051,749          | 82,015,213          | 77,702,621          | 77,520,201          |
| Total Pension Liability - End of year                                    | <b>\$82,529,785</b> | <b>\$83,051,749</b> | <b>\$82,015,213</b> | <b>\$77,702,621</b> |
| <b>Plan Fiduciary Net Position</b>                                       |                     |                     |                     |                     |
| Contributions - Employer   | \$3,720,318         | \$3,530,436         | \$3,259,165         | \$2,725,322         |
| Contributions - Member   | 179,943             | 164,004             | 172,866             | 192,334             |
| Net investment income (loss)   | 5,925,408           | 2,764,949           | (115,718)           | 1,909,582           |
| Administrative expenses  | (121,699)           | (65,781)            | (206,733)           | (127,101)           |
| Benefit payments, including refunds                                      | (6,563,201)         | (6,089,417)         | (6,089,658)         | (6,083,112)         |
| Other  | -                   | -                   | -                   | (179,016)           |
| Net Change in Plan Fiduciary Net Position                                | 3,140,769           | 304,191             | (2,980,078)         | (1,561,991)         |
| Plan Fiduciary Net Position - Beginning of year                          | 38,698,098          | 38,393,907          | 41,373,985          | 42,935,976          |
| Plan Fiduciary Net Position - End of year                                | <b>\$41,838,867</b> | <b>\$38,698,098</b> | <b>\$38,393,907</b> | <b>\$41,373,985</b> |
| City's Net Pension Liability - Ending                                    | <b>\$40,690,918</b> | <b>\$44,353,651</b> | <b>\$43,621,306</b> | <b>\$36,328,636</b> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability   | 50.70 %             | 46.60 %             | 46.81 %             | 53.25 %             |
| Covered Employee Payroll   | \$2,645,503         | \$3,092,088         | \$3,405,502         | \$3,171,020         |
| City's Net Pension Liability as a Percentage of Covered Employee Payroll | 1,538.12 %          | 1,434.42 %          | 1,280.91 %          | 1,145.65 %          |

Note: Governmental Accounting Standards Board Statement No. 68 was implemented beginning with fiscal year 2015. Therefore, 10-year trend information is not yet available.

See notes to required supplemental information.

City of Taylor, Michigan

Required Supplemental Information

Schedule of City Contributions - General Employees' Retirement System

| Description  | Last Ten Fiscal Years<br>Years Ended June 30 |             |             |             |             |             |             |             |             |             |
|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2018   | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        |
| Actuarially determined contribution                                  | \$3,720,318                                  | \$3,530,436 | \$3,259,165 | \$2,725,322 | \$2,380,000 | \$3,079,000 | \$2,658,000 | \$2,424,000 | \$2,515,000 | \$2,328,000 |
| Contributions in relation to the actuarially determined contribution | \$3,720,318                                  | \$3,530,436 | \$3,259,165 | \$2,725,322 | \$2,380,000 | \$3,079,000 | \$2,658,000 | \$2,424,000 | \$2,515,000 | \$2,328,000 |

| Description  | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Contribution Deficiency</b>                                   | \$-         | \$-         | \$-         | \$-         | \$-         | \$-         | \$-         | \$-         | \$-         | \$-         |
| <b>Covered Employee Payroll</b>                                  | \$3,501,365 | \$3,092,088 | \$3,405,502 | \$3,171,020 | \$3,800,000 | \$4,900,000 | \$5,600,000 | \$7,100,000 | \$7,100,000 | \$8,100,000 |
| <b>Contributions as a Percentage of Covered Employee Payroll</b> | 106.25 %    | 114.18 %    | 95.70 %     | 85.94 %     | 62.63 %     | 62.84 %     | 47.46 %     | 34.14 %     | 35.42 %     | 28.74 %     |

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

##### Valuation date

Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

##### Actuarial cost method

Aggregate

##### Amortization method

Level dollar, closed

##### Remaining amortization period

24 years from the December 31, 2015 valuation

##### Asset valuation method

Five-year smoothed market

##### Inflation

2.5 percent

##### Salary increase

1.0 percent

##### Investment rate of return

7.5 percent

##### Retirement age

Experience-based table of rates that are specific to the type of eligibility condition.

##### Mortality

RP-2014 Healthy Annuitant Mortality Table for males and females

See notes to required supplemental information.

#### City of Taylor, Michigan

#### Required Supplemental Information

### Schedule of Pension Investment Returns - General Employees' Retirement System

#### Last Four Fiscal Years

#### Years Ended June 30

2018 2017 2016 2015

**Annual money-weighted rate of return, net of investment expense** 17.91 % 4.60 % 0.40 % 3.90 %

Note: Governmental Accounting Standards Board Statement No. 68 was implemented beginning with fiscal year 2015. Therefore, 10-year trend information is not yet available.

See notes to required supplemental information.

#### City of Taylor, Michigan

#### Required Supplemental Information

### Schedule of Changes in the Net Pension Liability and Related Ratios - Police and Fire Retirement System

Police and Fire Retirement System

Year Ended June 30

| Description   | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total Pension Liability</b>  |                      |                      |                      |                      |                      |
| Service cost  | \$3,255,908          | \$4,313,576          | \$2,270,877          | \$3,241,963          | \$1,396,417          |
| Interest  | 11,833,236           | 11,363,200           | 11,979,040           | 11,718,402           | 11,854,409           |
| Differences between expected and actual experience                              | 4,074,015            | (1,734,435)          | 474,915              | (2,254,916)          | 651,910              |
| Changes in assumptions  | (35,517,503)         | (13,993,367)         | 27,114,985           | 14,501,830           | -                    |
| Benefit payments, including refunds   | (13,528,538)         | (12,501,524)         | (11,811,553)         | (11,500,428)         | (11,524,629)         |
| <b>Net Change in Total Pension Liability</b>                                    | <b>(29,882,882)</b>  | <b>(12,552,550)</b>  | <b>30,028,264</b>    | <b>15,706,851</b>    | <b>2,378,107</b>     |
| <b>Total Pension Liability - Beginning of year</b>                              | <b>226,318,288</b>   | <b>238,870,839</b>   | <b>208,842,575</b>   | <b>193,135,724</b>   | <b>161,043,175</b>   |
| <b>Total Pension Liability* - End of year</b>                                   | <b>\$196,435,406</b> | <b>\$226,318,289</b> | <b>\$238,870,839</b> | <b>\$208,842,575</b> | <b>\$163,421,282</b> |
| <b>Plan Fiduciary Net Position</b>  |                      |                      |                      |                      |                      |
| Contributions - Employer  | \$4,987,980          | \$5,190,370          | \$5,588,834          | \$5,409,465          | \$5,145,379          |
| Contributions - Member  | 715,020              | 784,187              | 728,821              | 802,920              | 788,448              |
| Net investment income   | 14,355,591           | 14,698,347           | 652,396              | 7,010,053            | 18,971,058           |
| Administrative expenses   | (65,886)             | (72,618)             | (108,612)            | (104,875)            | (96,516)             |
| Benefit payments, including refunds   | (13,528,538)         | (12,501,524)         | (11,811,553)         | (11,500,428)         | (11,524,629)         |
| Other   | 216                  | 52                   | 104                  | -                    | 18,460               |
| <b>Net Change in Plan Fiduciary Net Position</b>                                | <b>6,464,383</b>     | <b>8,098,814</b>     | <b>(4,950,010)</b>   | <b>1,617,135</b>     | <b>13,302,200</b>    |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                          | <b>122,481,034</b>   | <b>114,382,209</b>   | <b>119,332,219</b>   | <b>117,715,084</b>   | <b>104,412,884</b>   |
| <b>Plan Fiduciary Net Position - End of year</b>                                | <b>\$128,945,417</b> | <b>\$122,481,023</b> | <b>\$114,382,209</b> | <b>\$119,332,219</b> | <b>\$117,715,084</b> |
| <b>City's Net Pension Liability - Ending</b>                                    | <b>\$67,489,989</b>  | <b>\$103,837,266</b> | <b>\$124,488,630</b> | <b>\$89,510,356</b>  | <b>\$45,706,198</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>   | <b>65.64 %</b>       | <b>54.12 %</b>       | <b>47.88 %</b>       | <b>57.14 %</b>       | <b>72.03 %</b>       |
| <b>Covered Employee Payroll</b>   | <b>\$8,898,318</b>   | <b>\$8,050,037</b>   | <b>\$9,360,386</b>   | <b>\$9,148,649</b>   | <b>\$9,328,103</b>   |
| <b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b> | <b>758.46 %</b>      | <b>1,289.90 %</b>    | <b>1,329.95 %</b>    | <b>978.40 %</b>      | <b>489.98 %</b>      |

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

Note: Governmental Accounting Standards Board Statement No. 68 was implemented beginning with fiscal year 2015. Therefore, 10-year trend information is not yet available.

See notes to required supplemental information.

City of Taylor, Michigan

Required Supplemental Information

Schedule of City Contributions - Police and Fire Retirement System

| Description  | Last Ten Fiscal Years<br>Year Ended June 30 |             |             |             |             |             |              |              |              |              |
|--|---|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
|  | 2018  | 2017        | 2016        | 2015        | 2014        | 2013        | 2012         | 2011         | 2010         | 2009         |
| Actuarially determined contribution                                  | \$4,987,980                                 | \$5,190,370 | \$5,588,834 | \$5,409,465 | \$5,145,379 | \$6,070,834 | \$6,059,600  | \$5,917,992  | \$5,613,904  | \$5,483,018  |
| Contributions in relation to the actuarially determined contribution | \$4,987,980                                 | \$5,190,370 | \$5,588,834 | \$5,409,465 | \$5,145,379 | \$6,070,834 | \$6,059,600  | \$5,917,992  | \$5,613,904  | \$5,483,018  |
| Contribution Deficiency  | \$-   | \$-         | \$-         | \$-         | \$-         | \$-         | \$-          | \$-          | \$-          | \$-          |
| Covered Employee Payroll   | \$7,931,705                                 | \$8,050,037 | \$9,360,386 | \$9,148,649 | \$9,328,103 | \$7,846,245 | \$12,007,248 | \$12,813,161 | \$13,889,065 | \$13,999,934 |
| Contributions as a Percentage of                                     | 62.89 %                                     | 64.48 %     | 59.71 %     | 59.13 %     | 55.16 %     | 77.37 %     | 50.47 %      | 46.19 %      | 40.42 %      | 39.16 %      |

| Description              | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--------------------------|------|------|------|------|------|------|------|------|------|------|
| Covered Employee Payroll |      |      |      |      |      |      |      |      |      |      |

### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

**Valuation date** Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

|                                      |  |
|--------------------------------------|--|
| <b>Actuarial cost method</b>         | Entry age  |
| <b>Amortization method</b>           | Level percentage of payroll  |
| <b>Remaining amortization period</b> | 25 years   |
| <b>Asset valuation method</b>        | Five-year smoothed market  |
| <b>Inflation</b>                     | 3.5 percent  |
| <b>Salary increase</b>               | 3.5 percent - 6.5 percent, including inflation   |
| <b>Investment rate of return</b>     | 7.6 percent net of pension investment expense, including inflation                     |
| <b>Retirement age</b>                | Experience-based table of rates that are specific to the type of eligibility condition |
| <b>Mortality</b>                     | RP 2000 Combined Healthy Mortality Table   |

See notes to required supplemental information.

### City of Taylor, Michigan

#### Required Supplemental Information

### Schedule of Pension Investment Returns - Police and Fire Retirement System

|  | Last Five Fiscal Years |         |        |        |         |
|--|------------------------|---------|--------|--------|---------|
|  | Year Ended June 30     |         |        |        |         |
|  | 2018                   | 2017    | 2016   | 2015   | 2014    |
| <b>Annual money-weighted rate of return, net of investment expense</b> | 12.34 %                | 13.50 % | 0.60 % | 6.40 % | 19.40 % |

Note: Governmental Accounting Standards Board Statement No. 68 was implemented beginning with fiscal year 2015. Therefore, 10-year trend information is not yet available.

See notes to required supplemental information.

### City of Taylor, Michigan

#### Required Supplemental Information

### Schedule of Changes in the Net Pension Liability and Related Ratios - Municipal Employees' Retirement System

#### Municipal Employees' Retirement System

|   | Year Ended June 30 |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2018               | 2017               | 2016               | 2015               |
| <b>Total Pension Liability</b>                            |                    |                    |                    |                    |
| <b>Service cost</b>                                       | \$33,767           | \$40,596           | \$38,483           | \$44,150           |
| <b>Interest</b>   | 299,716            | 287,968            | 263,413            | 251,106            |
| <b>Differences between expected and actual experience</b> | 54,099             | 30,322             | 95,801             | -                  |
| <b>Changes in assumptions</b>                             | -                  | -                  | 172,366            | -                  |
| <b>Benefit payments, including refunds</b>                | (224,155)          | (193,111)          | (135,684)          | (150,800)          |
| <b>Net Change in Total Pension Liability</b>              | <b>163,427</b>     | <b>165,775</b>     | <b>434,379</b>     | <b>144,456</b>     |
| <b>Total Pension Liability - Beginning of year</b>        | 3,841,638          | 3,675,863          | 3,241,484          | 3,097,028          |
| <b>Total Pension Liability - End of year</b>              | <b>\$4,005,065</b> | <b>\$3,841,638</b> | <b>\$3,675,863</b> | <b>\$3,241,484</b> |

|  | Year Ended June 30 |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2018               | 2017               | 2016               | 2015               |
| <b>Plan Fiduciary Net Position</b>                                       |                    |                    |                    |                    |
| Contributions - Employer   | \$49,750           | \$42,463           | \$46,082           | \$40,320           |
| Contributions - Member   | 19,552             | 20,845             | 24,797             | 23,779             |
| Net investment income (loss)   | 362,289            | 294,707            | (40,969)           | 167,698            |
| Administrative expenses  | (5,748)            | (5,821)            | (5,997)            | (6,143)            |
| Benefit payments, including refunds                                      | (224,155)          | (193,111)          | (135,684)          | (150,800)          |
| Net Change in Plan Fiduciary Net Position                                | 201,688            | 159,083            | (111,771)          | 74,854             |
| Plan Fiduciary Net Position - Beginning of year                          | 2,793,808          | 2,634,725          | 2,746,496          | 2,671,642          |
| Plan Fiduciary Net Position - End of year                                | <b>\$2,995,496</b> | <b>\$2,793,808</b> | <b>\$2,634,725</b> | <b>\$2,746,496</b> |
| City's Net Pension Liability - Ending                                    | <b>\$1,009,569</b> | <b>\$1,047,830</b> | <b>\$1,041,138</b> | <b>\$494,988</b>   |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability   | 74.79 %            | 72.72 %            | 71.68 %            | 84.73 %            |
| Covered Employee Payroll   | \$348,110          | \$419,817          | \$403,805          | \$463,273          |
| City's Net Pension Liability as a Percentage of Covered Employee Payroll | 290.01 %           | 249.59 %           | 257.83 %           | 106.85 %           |

Note: Governmental Accounting Standards Board Statement No. 68 was implemented beginning with fiscal year 2015. Therefore, 10-year trend information is not yet available.

See notes to required supplemental information.

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**City of Taylor, Michigan**

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**Required Supplemental Information**

**Schedule of City Contributions - Municipal Employees' Retirement System**

| Description  | Last Ten Fiscal Years |           |           |           |           |           |           |           |           |           |
|--|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 2018                  | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      |
| Actuarially determined contribution                                  | \$49,750              | \$42,463  | \$46,082  | \$40,320  | \$36,964  | \$28,587  | \$28,740  | \$31,345  | \$33,004  | \$47,711  |
| Contributions in relation to the actuarially determined contribution | 49,750                | 42,463    | 46,082    | 40,320    | 36,964    | 28,587    | 28,740    | 31,345    | 33,004    | 47,711    |
| Contribution Deficiency  | \$-                   | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       |
| Covered Employee Payroll   | \$348,110             | \$419,817 | \$403,805 | \$463,273 | \$499,320 | \$488,544 | \$502,451 | \$540,148 | \$690,803 | \$734,516 |
| Contributions as a Percentage of Covered Employee Payroll            | 14.29 %               | 10.11 %   | 11.41 %   | 8.70 %    | 7.40 %    | 5.85 %    | 5.72 %    | 5.80 %    | 4.78 %    | 6.50 %    |

**Notes to Schedule of Contributions**

Actuarial valuation information relative to the determination of contributions:

**Valuation date** Actuarially determined contribution rates are calculated as of December 31, 18 months prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

|                                      |  |
|--------------------------------------|--|
| <b>Actuarial cost method</b>         | Entry age  |
| <b>Amortization method</b>           | Level percentage of payroll, closed  |
| <b>Remaining amortization period</b> | 25 years   |
| <b>Asset valuation method</b>        | Five-year smoothed   |
| <b>Inflation</b>                     | 2.5 percent  |
| <b>Salary increase</b>               | 3.8 percent  |
| <b>Investment rate of return</b>     | 8.0 percent  |
| <b>Retirement age</b>                | Various  |
| <b>Mortality</b>                     | 50 percent female/50 percent male RP-2014 Health Annuitant Mortality Table, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; RP-2014 Juvenile Mortality Tables |

See notes to required supplemental information.

## Schedule of Changes in the Total OPEB Liability and Related Ratios

### City of Taylor, Michigan

| Required Supplemental Information<br>Schedule of Changes in the Total OPEB Liability and Related Ratios | Last Fiscal Year<br>2018 |
|---|--------------------------|
| Total OPEB Liability  |                          |
| Service cost  | \$4,136,989              |
| Interest  | 10,324,168               |
| Differences between expected and actual experience  | (1,361,775)              |
| Changes in assumptions  | (2,765,110)              |
| Benefit payments, including refunds   | (9,016,012)              |
| Net Change in Total OPEB Liability  | 1,318,260                |
| Total OPEB Liability - Beginning of year  | 292,444,267              |
| <b>Total OPEB Liability - End of year</b>   | <b>\$293,762,527</b>     |
| Covered Payroll   | \$10,465,328             |
| Total OPEB Liability as a Percentage of Covered Payroll   | 2,807.01 %               |

Note: Governmental Accounting Standards Board Statement No. 75 was implemented beginning with fiscal year 2018. Therefore, 10-year trend information is not yet available.

See notes to required supplemental information. 75

### City of Taylor, Michigan

|   | Required Supplemental Information           |                |                |               |               |               |               |               |               |               |
|---|---|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Schedule of OPEB Contributions              |                |                |               |               |               |               |               |               |               |
|   | Last Ten Fiscal Years. Years Ended June 30. |                |                |               |               |               |               |               |               |               |
|   | 2018  | 2017           | 2016           | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          |
| <b>Actuarially determined contribution</b>                                  | \$-   | \$17,992,359   | \$17,751,739   | \$14,397,330  | \$13,900,300  | \$13,674,671  | \$13,692,138  | \$13,465,246  | \$13,221,333  | \$12,759,379  |
| <b>Contributions in relation to the actuarially determined contribution</b> | -   | 7,892,660      | 7,652,506      | 7,467,152     | 6,940,607     | 6,520,812     | 7,645,398     | 6,870,726     | 6,076,430     | 5,493,593     |
| <b>Contribution Deficiency</b>  | \$-   | \$(10,099,699) | \$(10,099,233) | \$(6,930,178) | \$(6,959,693) | \$(7,153,859) | \$(6,046,740) | \$(6,594,520) | \$(7,144,903) | \$(7,265,786) |
| <b>Covered Employee Payroll</b>   | \$-   | \$11,720,401   | \$11,720,401   | \$11,720,401  | \$12,057,769  | \$12,057,769  | \$12,239,209  | \$12,239,209  | \$11,656,389  | \$11,656,389  |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>            | - %   | 67.34 %        | 65.29 %        | 63.71 %       | 57.56 %       | 54.08 %       | 62.47 %       | 56.14 %       | - %           | - %           |

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date  
N/A

Methods and assumptions used to determine contribution rates:

Actuarial cost method  
N/A  
Amortization method  
N/A  
Remaining amortization period  
N/A  
Asset valuation method  
N/A  
Inflation  
N/A  
Healthcare cost trend rates  
N/A  
Salary increase  
N/A  
Retirement age  
N/A  
Mortality  
N/A

See notes to required supplemental information.

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## Notes to Required Supplemental Information

### June 30, 2018

A reconciliation of the budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balance is as follows:

|                                 | <b>Total Revenue</b> | <b>Total Expenditures</b> | <b>Fund Balance</b> |
|---------------------------------|----------------------|---------------------------|---------------------|
| Amounts per operating statement | \$ 43,329,286        | \$ 39,126,147             | \$ 11,842,663       |
| Tree Replacement Fund revenue   | (136,700)            | -                         | (136,700)           |
| Amounts per budget statement    | \$ 43,192,586        | \$ 39,126,147             | \$ 11,705,963       |

During the year, the City of Taylor, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

|                | <b>Budget</b> | <b>Actual</b> | <b>Variance</b> |
|----------------|---------------|---------------|-----------------|
| Capital outlay | \$ 395,103    | \$ 498,407    | \$ (103,304)    |

Capital outlay expenditures over budget were a result of unforeseen expenses.

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## Other Supplemental Information

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### City of Taylor, Michigan

#### Combining Balance Sheet - Nonmajor Governmental Funds

|                             | Special Revenue Funds |               |                   |                     |                    |                                   |
|-----------------------------|-----------------------|---------------|-------------------|---------------------|--------------------|-----------------------------------|
|                             | Major Streets         | Local Streets | Police Forfeiture | Treasury Forfeiture | Justice Forfeiture | Community Development Block Grant |
|                             | <b>Assets</b>         |               |                   |                     |                    |                                   |
| <b>Cash and investments</b> | \$785,881             | \$864,942     | \$680,216         | \$193,971           | \$213,434          | \$839,037                         |

|  | Special Revenue Funds |                    |                   |                     |                    |          | Community Development Block Grant |
|--|-----------------------|--------------------|-------------------|---------------------|--------------------|----------|-----------------------------------|
|  | Major Streets         | Local Streets      | Police Forfeiture | Treasury Forfeiture | Justice Forfeiture |          |                                   |
| <b>Receivables:</b>  |                       |                    |                   |                     |                    |          |                                   |
| Property taxes   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Due from other governmental units  | 726,757               | 261,129            | -                 | -                   | -                  | -        | 205,501                           |
| Due from component units   | 20,902                | -                  | -                 | -                   | -                  | -        | -                                 |
| Due from other funds   | 461,195               | 500,000            | 178               | 15,440              | -                  | -        | -                                 |
| Prepaid expenses and other assets  | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Properties held for resale   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| <b>Total assets</b>  | <b>\$1,994,735</b>    | <b>\$1,626,071</b> | <b>\$680,394</b>  | <b>\$209,411</b>    | <b>\$213,434</b>   |          | <b>\$1,044,538</b>                |
| <b>Liabilities</b>   |                       |                    |                   |                     |                    |          |                                   |
| Accounts payable   | \$319,601             | \$71,628           | \$9,659           | \$1,879             | -                  | -        | \$51,996                          |
| Due to other governmental units  | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Due to component units   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Due to other funds   | 500,000               | 242,447            | 312               | -                   | -                  | -        | 992,542                           |
| Accrued liabilities and other  | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Unearned revenue   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| <b>Total liabilities</b>   | <b>819,601</b>        | <b>314,075</b>     | <b>9,971</b>      | <b>1,879</b>        | <b>-</b>           | <b>-</b> | <b>1,044,538</b>                  |
| <b>Deferred Inflows of Resources</b>   |                       |                    |                   |                     |                    |          |                                   |
| Unavailable revenue  | -                     | -                  | -                 | -                   | -                  | -        | 67,576                            |
| <b>Fund Balances</b>   |                       |                    |                   |                     |                    |          |                                   |
| Nonspendable   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| <b>Restricted:</b>   |                       |                    |                   |                     |                    |          |                                   |
| Roads  | 1,175,134             | 1,311,996          | -                 | -                   | -                  | -        | -                                 |
| Drug forfeiture  | -                     | -                  | 670,423           | 207,532             | 213,434            | -        | -                                 |
| Debt service   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Grants   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Special millages   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Building   | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Library  | -                     | -                  | -                 | -                   | -                  | -        | -                                 |
| Unassigned   | -                     | -                  | -                 | -                   | -                  | -        | (67,576)                          |
| <b>Total fund balances (deficit)</b>   | <b>1,175,134</b>      | <b>1,311,996</b>   | <b>670,423</b>    | <b>207,532</b>      | <b>213,434</b>     | <b>-</b> | <b>(67,576)</b>                   |
| <b>Total liabilities, deferred inflows of resources, and fund balances (deficit)</b> | <b>\$1,994,735</b>    | <b>\$1,626,071</b> | <b>\$680,394</b>  | <b>\$209,411</b>    | <b>\$213,434</b>   | <b>-</b> | <b>\$1,044,538</b>                |

Page 83 is complex and may be difficult to understand. This page contains a dense multi-column financial table in very small type, and the row labels are not repeated on the page because the table continues from a prior page. To improve accessibility, the HTML preserves grouped column headers, separates the visible numeric sections, and explicitly notes that row descriptions are continued elsewhere, but standalone screen-reader interpretation still carries high risk. If you need help understanding this page, please use the live assistance options in the sidebar.

**Additional content from previous item:** Continuation of the combining balance sheet table. The row descriptions are not repeated on this page, so the HTML preserves the visible column headings and numeric values exactly as shown.

#### Other Supplemental Information

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2018

| 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  |                                   |
| \$1,383,573           | \$6,954        | \$16,352                           | \$587,325            | \$-                | \$415                            | \$-                            | \$44,549         | \$5,616,649                       |
| -                     | -              | -                                  | 191,684              | 67,321             | -                                | -                              | 423              | 259,428                           |
| -                     | -              | -                                  | 8,754                | 152,103            | -                                | -                              | -                | 1,354,244                         |
| <b>\$1,505,846</b>    | <b>\$6,954</b> | <b>\$205,304</b>                   | <b>\$1,190,234</b>   | <b>\$1,161,129</b> | <b>\$415</b>                     | <b>\$-</b>                     | <b>\$156,585</b> | <b>\$9,995,050</b>                |

| Building Department | Special Revenue Funds |                                    |                      |                    | Debt Service Funds               |                                |                  | Total Nonmajor Governmental Funds |
|---------------------|-----------------------|------------------------------------|----------------------|--------------------|----------------------------------|--------------------------------|------------------|-----------------------------------|
|                     | DARE / GREAT          | Neighborhood Stabilization Program | Building and Grounds | Library            | 2008 MI Transportation Bond Debt | Taylor Building Authority Debt | 1996 Voted Levy  |                                   |
| -                   | -                     | -                                  | 378,024              | 34,932             | -                                | -                              | 111,613          | 545,471                           |
| 122,273             | -                     | 1,125                              | 18,087               | 906,773            | -                                | -                              | -                | 2,025,071                         |
| -                   | -                     | -                                  | 6,360                | -                  | -                                | -                              | -                | 6,360                             |
| -                   | -                     | 187,827                            | -                    | -                  | -                                | -                              | -                | 187,827                           |
| <b>\$1,505,846</b>  | <b>\$6,954</b>        | <b>\$205,304</b>                   | <b>\$1,190,234</b>   | <b>\$1,161,129</b> | <b>\$415</b>                     | <b>\$-</b>                     | <b>\$156,585</b> | <b>\$9,995,050</b>                |
| \$15,135            | \$324                 | \$684                              | \$226,940            | \$24,823           | \$-                              | \$-                            | \$-              | \$722,669                         |
| -                   | -                     | -                                  | 67,235               | 22,068             | -                                | -                              | -                | 89,303                            |
| -                   | -                     | -                                  | -                    | 11,718             | -                                | -                              | -                | 11,718                            |
| -                   | -                     | 53,532                             | -                    | -                  | -                                | -                              | 114,907          | 1,903,740                         |
| 16,296              | -                     | -                                  | 39,050               | 24,061             | -                                | -                              | 3,031            | 82,438                            |
| -                   | 6,630                 | -                                  | -                    | -                  | -                                | -                              | -                | 6,630                             |
| 31,431              | 6,954                 | 54,216                             | 333,225              | 82,670             | -                                | -                              | 117,938          | 2,816,498                         |
| -                   | -                     | -                                  | -                    | 108,250            | -                                | -                              | -                | 175,826                           |
| -                   | -                     | -                                  | 6,360                | -                  | -                                | -                              | -                | 6,360                             |
| -                   | -                     | -                                  | -                    | -                  | 415                              | -                              | -                | 2,487,545                         |
| -                   | -                     | -                                  | -                    | -                  | -                                | -                              | -                | 1,091,389                         |
| -                   | -                     | -                                  | -                    | -                  | -                                | -                              | 38,647           | 38,647                            |
| -                   | -                     | 151,088                            | -                    | -                  | -                                | -                              | -                | 151,088                           |
| -                   | -                     | -                                  | 850,649              | -                  | -                                | -                              | -                | 850,649                           |
| 1,474,415           | -                     | -                                  | -                    | -                  | -                                | -                              | -                | 1,474,415                         |
| -                   | -                     | -                                  | -                    | 970,209            | -                                | -                              | -                | 970,209                           |
| -                   | -                     | -                                  | -                    | -                  | -                                | -                              | -                | (67,576)                          |
| 1,474,415           | -                     | 151,088                            | 857,009              | 970,209            | 415                              | -                              | 38,647           | 7,002,726                         |
| <b>\$1,505,846</b>  | <b>\$6,954</b>        | <b>\$205,304</b>                   | <b>\$1,190,234</b>   | <b>\$1,161,129</b> | <b>\$415</b>                     | <b>\$-</b>                     | <b>\$156,585</b> | <b>\$9,995,050</b>                |

Note: This page is a continuation of a wider financial statement, and the row labels are not present in the supplied page image.

### City of Taylor, Michigan

**Additional content from previous table:** continuation of the nonmajor governmental funds statement for the Special Revenue Funds columns shown on this page.

| Description                     | Special Revenue Funds |                  |                   |                     |                    |                                   |
|---------------------------------|-----------------------|------------------|-------------------|---------------------|--------------------|-----------------------------------|
|                                 | Major Streets         | Local Streets    | Police Forfeiture | Treasury Forfeiture | Justice Forfeiture | Community Development Block Grant |
| <b>Revenue</b>                  |                       |                  |                   |                     |                    |                                   |
| Property taxes                  | -                     | -                | -                 | -                   | -                  | -                                 |
| <b>Intergovernmental:</b>       |                       |                  |                   |                     |                    |                                   |
| Federal grants                  | 38,819                | -                | -                 | 17,271              | 42,387             | 482,352                           |
| State-shared revenue and grants | 4,258,301             | 1,948,904        | 172,192           | -                   | -                  | -                                 |
| Licenses and permits            | -                     | -                | -                 | -                   | -                  | -                                 |
| Fines and forfeitures           | -                     | -                | -                 | -                   | -                  | -                                 |
| Interest income                 | 1,603                 | 1,271            | 4,650             | 1,165               | 1,220              | -                                 |
| DMA/911 and other revenue       | 20,902                | -                | 7,885             | 75,195              | -                  | -                                 |
| <b>Total revenue</b>            | <b>4,319,625</b>      | <b>1,950,175</b> | <b>184,727</b>    | <b>93,631</b>       | <b>43,607</b>      | <b>482,352</b>                    |
| <b>Expenditures</b>             |                       |                  |                   |                     |                    |                                   |
| <b>Current services:</b>        |                       |                  |                   |                     |                    |                                   |
| Public works                    | 1,702,319             | 3,361,178        | -                 | -                   | -                  | -                                 |
| Community development           | -                     | -                | -                 | -                   | -                  | 510,798                           |
| Recreation and culture          | -                     | -                | -                 | -                   | -                  | -                                 |
| Capital outlay                  | -                     | -                | 243,792           | 122,190             | 1,560              | -                                 |
| Debt service                    | -                     | 70,720           | -                 | -                   | -                  | -                                 |
| <b>Total expenditures</b>       | <b>1,702,319</b>      | <b>3,431,898</b> | <b>243,792</b>    | <b>122,190</b>      | <b>1,560</b>       | <b>510,798</b>                    |

| Description                                  | Major Streets      | Local Streets      | Police Forfeiture | Treasury Forfeiture | Justice Forfeiture | Community Development Block Grant |
|--|--------------------|--------------------|-------------------|---------------------|--------------------|-----------------------------------|
| Excess of Revenue Over (Under) Expenditures  | 2,617,306          | (1,481,723)        | (59,065)          | (28,559)            | 42,047             | (28,446)                          |
| <b>Other Financing Sources (Uses)</b>        |                    |                    |                   |                     |                    |                                   |
| Transfers in                                 | 215,035            | 2,100,000          | -                 | -                   | -                  | -                                 |
| Transfers out                                | (2,460,413)        | -                  | -                 | -                   | -                  | -                                 |
| Insurance recoveries                         | -                  | -                  | -                 | -                   | -                  | -                                 |
| <b>Total other financing (uses) sources</b>  | <b>(2,245,378)</b> | <b>2,100,000</b>   | <b>-</b>          | <b>-</b>            | <b>-</b>           | <b>-</b>                          |
| Net Change in Fund Balances                  | 371,928            | 618,277            | (59,065)          | (28,559)            | 42,047             | (28,446)                          |
| Fund Balances (Deficit) - Beginning of year  | 803,206            | 693,719            | 729,488           | 236,091             | 171,387            | (39,130)                          |
| <b>Fund Balances (Deficit) - End of year</b> | <b>\$1,175,134</b> | <b>\$1,311,996</b> | <b>\$670,423</b>  | <b>\$207,532</b>    | <b>\$213,434</b>   | <b>\$(67,576)</b>                 |

Page 85 is complex and may be difficult to understand. This page is a dense financial table in very small type, and the supplied PDF does not clearly show the leftmost row labels or all table columns, which creates a high risk of lost context for screen reader users. Accessibility was improved by preserving all visible values in a real HTML table, grouping the visible fund columns, and explicitly noting where context is missing. If you need help understanding this page, please use the live assistance options in the sidebar.

#### Other Supplemental Information

### Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Governmental Funds

Year Ended June 30, 2018

**Note:** The supplied PDF clearly shows only the right-side portion of this large table. The leftmost row descriptions and some additional fund columns are not visible, so the table below transcribes all visible text and values in reading order.

| Special Revenue Funds |              |                                    |                      |                  | Debt Service Funds               |                                |                 |  | Total              |
|-----------------------|--------------|------------------------------------|----------------------|------------------|----------------------------------|--------------------------------|-----------------|--|--------------------|
| Building Department   | DARE / GREAT | Neighborhood Stabilization Program | Building and Grounds | Library          | 2008 MI Transportation Bond Debt | Taylor Building Authority Debt | 1996 Voted Levy |  |                    |
| \$-                   | \$-          | \$-                                | \$3,364,805          | \$908,420        | \$-                              | \$-                            | \$11,517        |  | \$4,284,742        |
| -                     | -            | 38,394                             | -                    | 4,387            | -                                | -                              | -               |  | 623,610            |
| -                     | -            | -                                  | 180,842              | 264,557          | -                                | -                              | -               |  | 6,824,796          |
| 1,989,971             | -            | -                                  | -                    | -                | -                                | -                              | -               |  | 1,989,971          |
| -                     | -            | -                                  | -                    | 33,186           | -                                | -                              | -               |  | 33,186             |
| 8,378                 | 42           | -                                  | 10,881               | -                | -                                | -                              | 1,309           |  | 30,519             |
| -                     | 1,645        | -                                  | 86,700               | -                | -                                | -                              | -               |  | 192,327            |
| <b>1,998,349</b>      | <b>1,687</b> | <b>38,394</b>                      | <b>3,643,228</b>     | <b>1,210,550</b> | <b>-</b>                         | <b>-</b>                       | <b>12,826</b>   |  | <b>13,979,151</b>  |
| 1,725,735             | -            | -                                  | 1,159,042            | -                | -                                | -                              | -               |  | 7,948,274          |
| 22,148                | -            | 7,490                              | -                    | -                | -                                | -                              | -               |  | 540,436            |
| -                     | -            | -                                  | -                    | 1,031,329        | -                                | -                              | -               |  | 1,031,329          |
| -                     | 1,687        | -                                  | 966,128              | -                | -                                | -                              | -               |  | 1,335,357          |
| -                     | -            | -                                  | -                    | -                | 360,413                          | 1,062,525                      | -               |  | 1,493,658          |
| <b>1,747,883</b>      | <b>1,687</b> | <b>7,490</b>                       | <b>2,125,170</b>     | <b>1,031,329</b> | <b>360,413</b>                   | <b>1,062,525</b>               | <b>-</b>        |  | <b>12,349,054</b>  |
| 250,466               | -            | 30,904                             | 1,518,058            | 179,221          | (360,413)                        | (1,062,525)                    | 12,826          |  | 1,630,097          |
| -                     | -            | -                                  | -                    | -                | 360,413                          | 1,062,525                      | -               |  | 3,737,973          |
| -                     | -            | -                                  | (1,062,525)          | -                | -                                | -                              | -               |  | (3,522,938)        |
| 2,087                 | -            | -                                  | -                    | -                | -                                | -                              | -               |  | 2,087              |
| <b>2,087</b>          | <b>-</b>     | <b>-</b>                           | <b>(1,062,525)</b>   | <b>-</b>         | <b>360,413</b>                   | <b>1,062,525</b>               | <b>-</b>        |  | <b>217,122</b>     |
| 252,553               | -            | 30,904                             | 455,533              | 179,221          | -                                | -                              | 12,826          |  | 1,847,219          |
| 1,221,862             | -            | 120,184                            | 401,476              | 790,988          | 415                              | -                              | 25,821          |  | 5,155,507          |
| <b>\$1,474,415</b>    | <b>\$-</b>   | <b>\$151,088</b>                   | <b>\$857,009</b>     | <b>\$970,209</b> | <b>\$415</b>                     | <b>\$-</b>                     | <b>\$38,647</b> |  | <b>\$7,002,726</b> |

**Note:** Several row titles and additional columns appear to be outside the visible area of the supplied PDF. The numerical content above reflects all legible values shown on this page portion.

## Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

|  | Trust Funds                              |                                  |               |
|--|--|----------------------------------|---------------|
|  | Pension and Other Employee Benefit Plans |                                  |               |
|  | Police and Fire Retirement System        | General Employees' Pension Plan* | Total         |
|  | Assets                                   |                                  |               |
| Cash and cash equivalents  | \$4,331,315                              | \$2,517,383                      | \$6,848,698   |
|  | Investments:                             |                                  |               |
| U.S. government securities   | 2,458,343                                | 3,589,686                        | 6,048,029     |
| Agency securities  | 420,519                                  | 249,345                          | 669,864       |
| Common and preferred stocks  | 53,608,038                               | 11,157,516                       | 64,765,554    |
| Corporate bonds  | 3,219,446                                | 3,377,052                        | 6,596,498     |
| Mutual funds   | 30,083,888                               | 13,148,954                       | 43,232,842    |
| Partnerships   | 34,600,330                               | 7,701,929                        | 42,302,259    |
| Receivables  | 223,538                                  | 97,002                           | 320,540       |
| Total assets   | 128,945,417                              | 41,838,867                       | 170,784,284   |
| Liabilities  | -  | -                                | -             |
| Net Position Held in Trust for Pension and Other Employee Benefits | \$128,945,417                            | \$41,838,867                     | \$170,784,284 |

\* Balances are as of December 31, 2017 for the General Employees' Pension Plan and as of June 30, 2018 for the Police and Fire Retirement System.

## Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended June 30, 2018

|   | Trust Funds                              |                                  |             |
|---|--|----------------------------------|-------------|
|   | Pension and Other Employee Benefit Plans |                                  |             |
|   | Police and Fire Retirement System        | General Employees' Pension Plan* | Total       |
|   | Additions                                |                                  |             |
|   | Investment income:                       |                                  |             |
| Interest and dividends                    | \$2,283,516                              | \$609,394                        | \$2,892,910 |
| Net increase in fair value of investments | 12,487,321                               | 5,344,917                        | 17,832,238  |
| Investment-related expenses               | (415,031)                                | (113,581)                        | (528,612)   |
| Net investment income                     | 14,355,806                               | 5,840,730                        | 20,196,536  |
|   | Contributions:                           |                                  |             |
| Employer contributions                    | 4,987,980                                | 3,720,318                        | 8,708,298   |
| Employee contributions                    | 715,020                                  | 179,943                          | 894,963     |
| Total contributions                       | 5,703,000                                | 3,900,261                        | 9,603,261   |
| Total additions                           | 20,058,806                               | 9,740,991                        | 29,799,797  |
|   | Deductions                               |                                  |             |
| Benefit payments                          | 13,528,538                               | 6,563,201                        | 20,091,739  |
| General and administrative expenses       | 65,886                                   | 37,021                           | 102,907     |

|   | <b>Trust Funds</b>                              |   |                      |
|---|---|---|----------------------|
|   | <b>Pension and Other Employee Benefit Plans</b> |   |                      |
|   | <b>Police and Fire Retirement System</b>        | <b>General Employees' Pension Plan*</b> | <b>Total</b>         |
| <b>Total deductions</b>   | <b>13,594,424</b>                               | <b>6,600,222</b>                        | <b>20,194,646</b>    |
| <b>Net Increase in Net Position Held in Trust</b>   | 6,464,382                                       | 3,140,769                               | 9,605,151            |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b> | 122,481,035                                     | 38,698,098                              | 161,179,133          |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>       | <b>\$128,945,417</b>                            | <b>\$41,838,867</b>                     | <b>\$170,784,284</b> |

\* Balances are as of December 31, 2017 for the General Employees' Pension Plan and as of June 30, 2018 for the Police and Fire Retirement System.

City of Taylor, Michigan

Other Supplemental Information

### Agency Funds - Combining Statement of Assets and Liabilities

June 30, 2018

Combining statement of assets and liabilities for agency funds.

|  | <b>Tax Receiving Agency</b> | <b>23rd District Court</b>  | <b>Total Agency Funds</b> |
|--|-----------------------------|-----------------------------|---------------------------|
| <b>Assets</b>                          |                             |                             |                           |
| <b>Cash and cash equivalents</b>       | \$4,585,267                 | - \$1,028,454               | \$5,613,721               |
| <b>Receivables</b>                     | -                           | \$21,026 -                  | \$21,026                  |
| <b>Total assets</b>                    | <b>\$4,585,267</b>          | <b>\$21,026 \$1,028,454</b> | <b>\$5,634,747</b>        |
| <b>Liabilities</b>                     |                             |                             |                           |
| <b>Due to other governmental units</b> | \$2,844,088                 | - \$846,066                 | \$3,690,154               |
| <b>Other current liabilities</b>       | \$1,741,179                 | \$21,026 \$182,388          | \$1,944,593               |
| <b>Total liabilities</b>               | <b>\$4,585,267</b>          | <b>\$21,026 \$1,028,454</b> | <b>\$5,634,747</b>        |