
City of Allen Park, Michigan

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

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Allen Park, 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 Allen Park, Michigan (the "City") as of and for the ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Allen Park, 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 City of Allen Park Housing Commission, which represents 20 percent and 11 percent, respectively, of the assets and revenue of the aggregate discretely presented component units. The City of Allen Park Housing Commission's net position is \$1,969,509 compared to a deficit of \$4,379,207 in the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us and, in our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 opinion.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park, Michigan as of June 30, 2017 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.

To the Honorable Mayor and City Council
City of Allen Park, Michigan

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, the June 30, 2016 basic financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements, the City of Allen Park, Michigan has elected to change its method of accounting for the Southfield Lease Properties Fund in the current year. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedules, pension schedule of changes in net pension liability and related ratios, pension schedule of the City's proportionate share of the net pension liability, schedule of pension plan contributions, schedule of investment returns, schedule of OPEB funding progress, schedule of changes in the net OPEB liability and related ratios, schedule of OPEB contributions, and the schedule of OPEB investment returns 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 the City of Allen Park, 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.



December 11, 2017

June 30, 2017

The City of Allen Park Michigan's (the "City") 2017 annual financial report is presented in conformity with the requirements of GASB Statement No. 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information and other supplemental information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by revenues received from the State of Michigan and the taxpayers of the City of Allen Park.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three types of funds that are used to keep track of specific sources of funding and spending for particular purposes as follows:

- **Governmental Funds** – The majority of the City's basic services, including the governmental funds, not only focus on how cash and other financial assets can readily be converted to cash flow in and out, but also the year-end balances that are available to finance future city programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the difference between the two methods of reporting
- **Proprietary Funds** – The City reports the Water and Sewer activity.
- **Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance city operations.

Financial Highlights

The General Fund reported revenues in excess of expenditures and transfers out of \$312,979, resulting in fund balance increasing from \$7,302,798 to \$7,615,777. The following are the significant financial highlights that helped accomplished this turnaround for the year ended June 30, 2017:

- Property taxes revenue in the General Fund decreased modestly by \$225,525 to \$7,721,384. This is mostly due to loss of personal property tax after the 2014 voter approved PPT elimination.
- Included again in the General Fund was a transfer of approximately \$2.463 million to subsidize debt service for the Southfield Lease Properties (\$1.963 million) and \$500,000 to the local road construction fund.
- A millage increase approved by the residents of Allen Park in August of 2013 for Public Safety added \$4,509,577 to help offset the Police and Fire budgets.
- Grants for Parks, Fire, Water and Sewer from Wayne County, FEMA, Federal and State sources totaled almost \$1.8 million.
- A switch to a self-insurance healthcare plan saved over \$500,000 in the General Fund. With that savings, the General Fund contributed \$500,000 to the Retiree Health Care Trust Fund.
- The City has marketed and is currently waiting to close on the sale of approximately seven (7) acres of the former City Hall property. This is estimated to net approximately \$2.2 million in revenue to the City.
- The City purchased the former Oakwood Medical site on Southfield Road in May of 2017, and is now in the process of building a new permanent home for the Police Department and City Hall. The new facility should be completed in the spring of 2018.
- The Receivership Transition Advisory Board (RTAB) appointed by the State of Michigan to oversee City operations in 2014 was formally dissolved by the Governor on January 31, 2017. Since that date, the City has been run by the Mayor and Council.
- In March of 2017, Standard and Poor's (S&P) upgraded the City bond rating from 'CCC+' to 'BB'.
- All labor contracts, with the exception of the Fire Department, are settled through June 30, 2019. The City is negotiating with the Fire employees on a new contract.

A detailed analysis of the City's governmental and business-type activities is provided below.

As described in Note 3 to the financial statements, adjustments were made in the governmental activities to restate land, and the City's building authority that was previously reported as a discretely presented component unit. As described in Note 2 to the financial statements, the City elected to change its method of accounting for the activity reported in the Southfield Lease Properties fund. The Southfield Lease Properties fund has been reported in the governmental activities in the current year, whereas in all prior years, the Southfield Lease Properties fund was reported in the business-type activities. These adjustments resulted in the governmental activities net position being restated from \$22,703,599 to a deficit of \$32,915,303.

Management's Discussion and Analysis

June 30, 2017

In addition to the business-type activities being restated to reflect the Southfield Lease Properties Fund being reported as a governmental activity, the Downriver Utility Wastewater Authority has agreed to reimburse the Water and Sewer Fund \$3,000,000 to correct overbillings. These adjustments resulted in the business-type activities net position being restated from \$15,827,179 to \$37,291,488.

The tables below show the net position and changes in net position as of June 30, 2017 and 2016. Following the tables is an explanation of the reasons for significant fluctuations. The adjustments described above have been reflected in the tables below.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Cash and investments	\$ 12,734,984	\$ 9,282,802	\$ 1,841,756	\$ 2,096,606	14,576,740	11,379,408
Current assets	7,927,525	2,920,568	10,233,947	9,536,531	18,161,472	12,457,099
Capital assets	<u>31,419,935</u>	<u>29,407,525</u>	<u>60,927,223</u>	<u>59,689,490</u>	<u>92,347,158</u>	<u>89,097,015</u>
Total assets	52,082,444	41,610,895	71,161,170	71,322,627	123,243,614	101,554,114
Deferred Outflows of Resources	3,565,923	5,430,631	1,115,865	1,341,531	4,681,788	6,772,162
Liabilities						
Current liabilities	2,731,219	2,375,452	4,445,480	4,342,832	7,176,699	6,718,284
Long-term liabilities	<u>87,189,679</u>	<u>77,140,811</u>	<u>30,370,090</u>	<u>30,813,611</u>	<u>117,559,769</u>	<u>107,954,422</u>
Total liabilities	89,920,898	79,516,263	34,815,570	35,156,443	124,736,468	114,672,706
Deferred Inflows of Resources	-	440,566	-	216,227	-	656,793
Net Position						
Net investment in capital assets	26,407,560	24,222,119	35,369,283	33,866,668	61,776,843	58,088,787
Restricted	2,186,376	2,998,886	1,888,607	1,001,431	4,074,983	4,000,317
Unrestricted	<u>(62,866,467)</u>	<u>(60,136,308)</u>	<u>203,575</u>	<u>2,423,389</u>	<u>(62,662,892)</u>	<u>(57,712,919)</u>
Total net position	<u>\$ (34,272,531)</u>	<u>\$ (32,915,303)</u>	<u>\$ 37,461,465</u>	<u>\$ 37,291,488</u>	<u>\$ 3,188,934</u>	<u>\$ 4,376,185</u>

Management’s Discussion and Analysis

June 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$ 4,755,479	\$ 4,425,317	\$ 8,871,757	\$ 8,160,219	\$ 13,627,236	\$ 12,585,536
Operating grants and contributions	3,692,905	4,466,015	672,848	635,088	4,365,753	5,101,103
Capital grants and contributions	85,087	-	-	-	85,087	-
General revenue:						
Property taxes	16,287,120	16,768,610	2,380,332	2,388,341	16,287,120	16,768,610
State-shared revenue	3,683,162	2,755,915	-	-	3,683,162	2,755,915
Unrestricted investment earnings	195,753	233,791	24,133	26,264	219,886	260,055
Other revenue	715,165	778,246	413,224	-	1,128,389	778,246
Total revenue	29,414,671	29,427,894	12,362,294	11,209,912	41,776,965	40,637,806
Program Expenses						
General government	6,576,598	7,066,092	-	-	6,576,598	7,066,092
District Court	1,582,516	1,594,349	-	-	1,582,516	1,594,349
Public safety	11,317,108	11,317,988	-	-	11,317,108	11,317,988
Public works	7,954,461	7,894,089	-	-	7,954,461	7,894,089
Recreation and culture	1,971,619	1,733,699	-	-	1,971,619	1,733,699
Interest on long-term debt	1,369,597	4,144,300	-	-	1,369,597	4,144,300
Water and sewer	-	-	12,192,317	12,565,323	12,192,317	12,565,323
Total expenses	30,771,899	33,750,517	12,192,317	12,565,323	42,964,216	46,315,841
Change in Net Position	<u>\$(1,357,228)</u>	<u>\$(4,322,623)</u>	<u>\$ 169,977</u>	<u>\$(1,355,411)</u>	<u>\$(1,187,251)</u>	<u>\$(5,678,035)</u>

Governmental Activities

Net position may serve over time as a useful indicator of a government's financial position. The City's financial position is the product of a number of transactions including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The City's deficit in the governmental activities increased by \$1,357,228 as compared to an increase in the deficit by approximately \$4.3 million in the prior year. The majority of the savings was in interest on long term debt. In the previous year, the City incurred significant costs to refund certain debt associated with the Southfield Lease Properties Fund.

Business-Type Activities

The City increased net position of approximately \$170,000 in its business type activities for the fiscal year ended June 30, 2017. There were no significant changes in its operations during the current year.

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$19,261,535 as increase of \$5,103,692 in comparison with the prior year. Approximately 37.4% of this total amount, or \$7,205,490 constitutes unassigned fund balance, which is available for appropriation at the government's discretion. The remaining fund balance amounts are either not in a spendable form (i.e., inventories and prepaid insurance), are restricted as to their use by outside 3rd parties or enabling legislation, have been committed to a specific use by City Council or have been assigned by management.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,205,490 while total fund balance was \$7,615,777. As a measure of the General Fund's liquidity and financial stability, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.1% of total General Fund expenditures and transfers, while total fund balance was about the same amount.

Total fund balance of the City's General Fund increased modestly by \$312,979 during the fiscal year. Notable items affecting fund balance include the following:

- The Police and Fire Millage generated \$4.6 million dollars which funded 52% of Police and Fire's current year operations.
- The City changed from fully insured healthcare to a self-insured program during the fiscal year, which contributed approximately \$500,000 in saving to the general fund.
- The City's general fund transferred \$1.96 million to the Southfield Lease Properties Fund to subsidize the necessary debt service payments.
- The City's general fund transferred \$500,000 to the Local Road Fund to subsidize the City road projects.

Capital Asset and Debt Administration

The City of Allen Park's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$91,947,158 (net of accumulated depreciation). As noted in Note 3 to the financial statements, the City reduced land reported in the governmental activities by \$38,087,435 to comply with GASB Statement No. 34 in the current year. Additionally, the City reported capital assets from the City's Building Authority in the governmental activities in the current year, increasing capital assets by approximately \$930,000. This investment in capital assets includes land, buildings and site improvements, machinery and equipment, furniture and fixtures, vehicles, and infrastructure.

More detailed information about capital assets can be found in Note 7 to the financial statements.

Budget

General Fund revenues exceeded the amended budget by \$46,021. In addition, expenditures were held under budget by 2.13% or \$450,308.

Current Economic Conditions

The major sources of revenue for the City are property taxes and state shared revenue. While the City's taxable property values have decreased or remained relatively flat over the last several years, the City has worked diligently to cut operating costs as expenditures continued to increase.

Economic Factors and Next Year's Budget

Taxable values have begun to stabilize in Southeastern Michigan. It is anticipated the property values will be flat (+0.5%) in the next fiscal year.

Also the following future efforts are in progress to continue to move the City forward:

- In August 2013, voters approved a property tax millage of 6.75 mills for Police and Fire Services which replaced the 3.5 mill Public Safety assessment passed the prior year. The millage generated \$4,509,577 in 2017.
- In 2016-17, five new Police Officers were hired to bring staffing to 41 in the Police Department.
- On November 3, 2015, the voters of Allen Park approved a 10-year 1.9015 Street Improvement Millage, which generates about \$1.4 million per year for a pay-as-you-go street improvement program. The ten year construction began in the spring of 2016.
- In November of 2015, the City was able to tender \$16,435,000 (62.4%) of the 2009 A and B studio bonds. Currently reserves of \$8.4 million are on hand to call the remaining bonds in 2019.
- Construction has started on the New City Hall and Police Department. The new facility will open in the spring of 2018. Funding for the new facility comes from the sale of old City Hall property, 2010 bond proceeds, Building Department and fund balance.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the City Administrator (313) 928-1883 or mailed to 16630 Southfield Road, Suite 3100, Allen Park, MI 48101.

June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 12,734,984	\$ 1,841,756	\$ 14,576,740	\$ 3,073,177
Receivables:				
Property taxes receivable	-	816,704	816,704	-
Customer receivables	-	2,506,941	2,506,941	8
Other receivables	194,035	-	194,035	-
Due from other governments	2,261,868	3,059,961	5,321,829	-
Land contract receivable (Note 1)	4,409,687	-	4,409,687	-
Due from component units	45,738	-	45,738	-
Inventory	-	105,324	105,324	-
Prepaid expenses and other assets	17,003	3,430	20,433	18,138
Restricted assets (Note 6)	999,194	1,888,607	2,887,801	-
Investment in joint ventures (Note 9)	-	411,224	411,224	-
Capital assets: (Note 7)				
Assets not subject to depreciation	3,806,136	249,981	4,056,117	158,118
Assets subject to depreciation	27,613,799	60,277,242	87,891,041	7,138,674
Total assets	52,082,444	71,161,170	123,243,614	10,388,115
Deferred Outflows of Resources - Deferred pension costs (Note 13)	3,565,923	1,115,865	4,681,788	-
Liabilities				
Accounts payable	646,557	1,195,630	1,842,187	883,102
Due to other governmental units	1,625	-	1,625	290,386
Due to primary government	-	-	-	45,738
Refundable deposits, bonds, etc.	12,262	-	12,262	18,776
Accrued liabilities and other	947,981	196,364	1,144,345	128,546
Provision for property tax refunds	149,464	-	149,464	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	163,330	39,885	203,215	2,366
Current portion of bonds payable (Note 9)	810,000	3,013,601	3,823,601	805,000
Due in more than one year:				
Compensated absences (Note 9)	1,469,967	4,432	1,474,399	13,408
Bonds payable, net of current portion (Note 9)	34,782,375	22,144,339	56,926,714	12,580,000
Net pension liability (Note 13)	14,225,048	4,451,365	18,676,413	-
Net OPEB obligation (Note 14)	36,712,289	3,769,954	40,482,243	-
Total liabilities	89,920,898	34,815,570	124,736,468	14,767,322
Net Position				
Net investment in capital assets	26,407,560	35,369,283	61,776,843	4,636,792
Restricted:				
Roads	544,593	-	544,593	-
Debt service	180,853	1,888,607	2,069,460	-
Police	429,011	-	429,011	-
Rubbish	44,855	-	44,855	-
Building	892,275	-	892,275	-
Library	94,789	-	94,789	-
Unrestricted	(62,866,467)	203,575	(62,662,892)	(9,015,999)
Total net position	\$ (34,272,531)	\$ 37,461,465	\$ 3,188,934	\$ (4,379,207)

City of Allen Park, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 6,576,598	\$ 829,513	\$ 395,770	\$ -
District court	1,582,516	2,212,634	61,270	-
Public safety	11,317,108	1,407,368	722,179	-
Public works	7,954,461	11,842	2,263,686	-
Recreation and culture	1,971,619	544,122	-	85,087
Interest on long-term debt	1,369,597	-	-	-
Total governmental activities	30,771,899	5,005,479	3,442,905	85,087
Business-type activities - Water and Sewer Fund	12,192,317	8,871,757	672,848	-
Total primary government	\$ 42,964,216	\$ 13,877,236	\$ 4,115,753	\$ 85,087
Component units:				
Brownfield Redevelopment Authority	\$ 1,704,944	\$ -	\$ -	\$ -
Downtown Development Authority	1,113,604	19,507	-	-
Housing Commission	431,409	264,706	71,544	35,299
Total component units	\$ 3,249,957	\$ 284,213	\$ 71,544	\$ 35,299
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Gain on sale of capital assets				
Income from joint venture				
Other miscellaneous income				
Total general revenue				

Change in Net Position

Net Position (Deficit) - Beginning of year, as restated (Note 3)

Net Position (Deficit) - End of year

Statement of Activities

Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,351,315)	\$ -	\$ (5,351,315)	\$ -
691,388	-	691,388	-
(9,187,561)	-	(9,187,561)	-
(5,678,933)	-	(5,678,933)	-
(1,342,410)	-	(1,342,410)	-
(1,369,597)	-	(1,369,597)	-
(22,238,428)	-	(22,238,428)	-
-	(2,647,712)	(2,647,712)	-
(22,238,428)	(2,647,712)	(24,886,140)	-
-	-	-	(1,704,944)
-	-	-	(1,094,097)
-	-	-	(59,860)
-	-	-	(2,858,901)
16,287,120	2,380,332	18,667,452	2,665,042
3,686,375	-	3,686,375	532,478
195,753	24,133	219,886	5,049
616,110	-	616,110	-
7,507	2,000	9,507	-
-	411,224	411,224	-
88,335	-	88,335	7,937
20,881,200	2,817,689	23,698,889	3,210,506
(1,357,228)	169,977	(1,187,251)	351,605
(32,915,303)	37,291,488	4,376,185	(4,730,812)
\$ (34,272,531)	\$ 37,461,465	\$ 3,188,934	\$ (4,379,207)

Governmental Funds
Balance Sheet

June 30, 2017

	General Fund	Major Special Revenue Fund Local Highway Fund	Major Debt Service Fund Southfield Lease Properties Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 6,150,271	\$ 240,954	\$ 4,443,785	\$ 1,899,974	\$ 12,734,984
Receivables:					
Other receivables	194,035	-	-	-	194,035
Due from other governments	1,820,907	111,561	-	329,400	2,261,868
Land contract receivable	-	-	4,409,687	-	4,409,687
Due from component units	-	-	-	45,738	45,738
Prepaid expenses and other assets	17,003	-	-	-	17,003
Restricted assets	393,284	-	605,910	-	999,194
Total assets	\$ 8,575,500	\$ 352,515	\$ 9,459,382	\$ 2,275,112	\$ 20,662,509
Liabilities					
Accounts payable	\$ 242,544	\$ 298,877	\$ -	\$ 105,136	\$ 646,557
Due to other governmental units	1,625	-	-	-	1,625
Refundable deposits, bonds, etc.	-	-	-	12,262	12,262
Accrued liabilities and other	566,090	-	-	24,976	591,066
Provision for property tax refunds	149,464	-	-	-	149,464
Total liabilities	959,723	298,877	-	142,374	1,400,974
Fund Balance					
Nonspendable	17,003	-	-	-	17,003
Restricted:					
Roads	-	53,638	-	490,955	544,593
Police	-	-	-	429,011	429,011
Debt service	393,284	-	9,459,382	180,853	10,033,519
Building	-	-	-	892,275	892,275
Library	-	-	-	94,789	94,789
Rubbish	-	-	-	44,855	44,855
Assigned - Capital projects	3,000,000	-	-	-	3,000,000
Unassigned	4,205,490	-	-	-	4,205,490
Total fund balance	7,615,777	53,638	9,459,382	2,132,738	19,261,535
Total liabilities and fund balance	\$ 8,575,500	\$ 352,515	\$ 9,459,382	\$ 2,275,112	\$ 20,662,509

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2017

Fund Balance Reported in Governmental Funds	\$ 19,261,535
Amounts reported for governmental activities in the statement of net position are difference because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	31,419,935
Bonds payable are not due and payable in the current period and are not reported in the funds	(35,592,375)
Accrued interest is not due and payable in the current period and is not reported in the funds	(356,915)
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	(1,633,297)
Pension benefits	(10,659,125)
Retiree healthcare benefits	(36,712,289)
Net Position of Governmental Activities	<u><u>\$ (34,272,531)</u></u>

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2017

	General Fund	Major Special Revenue Fund Local Highway Fund	Major Debt Service Fund Southfield Lease Properties Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 12,230,961	\$ 1,361,292	\$ -	\$ 2,694,867	\$ 16,287,120
Intergovernmental:					
Federal grants	787,983	-	-	-	787,983
State sources	4,196,975	576,721	-	1,683,899	6,457,595
Charges for services	3,158,377	-	-	694,001	3,852,378
Fines and forfeitures	2,212,634	-	-	132,776	2,345,410
Licenses and permits	652,340	-	-	-	652,340
Interest	28,243	-	167,085	425	195,753
Other revenue:					
Other income	148,513	-	-	1,029	149,542
Land contract revenue	-	-	6,857,919	-	6,857,919
Total revenue	23,416,026	1,938,013	7,025,004	5,206,997	37,586,040
Expenditures					
Current services:					
General government	6,177,523	-	-	564,263	6,741,786
District court	1,582,516	-	-	-	1,582,516
Public safety	9,514,432	-	-	216,665	9,731,097
Public works	1,885,963	3,778,440	-	2,731,167	8,395,570
Recreation and culture	1,190,726	-	-	751,801	1,942,527
Capital outlay	-	-	1,612,621	-	1,612,621
Debt service:					
Principal	240,000	-	350,000	175,000	765,000
Interest and fiscal charges	51,275	-	1,422,424	245,039	1,718,738
Total expenditures	20,642,435	3,778,440	3,385,045	4,683,935	32,489,855
Excess of Revenue Over (Under)					
Expenditures	2,773,591	(1,840,427)	3,639,959	523,062	5,096,185
Other Financing Sources (Uses)					
Transfers in	-	1,200,000	1,963,264	-	3,163,264
Transfers out	(2,463,264)	-	-	(700,000)	(3,163,264)
Sale of capital assets	2,652	-	-	4,855	7,507
Total other financing (uses) sources	(2,460,612)	1,200,000	1,963,264	(695,145)	7,507
Net Change in Fund Balances	312,979	(640,427)	5,603,223	(172,083)	5,103,692
Fund Balance - Beginning of year, as restated (Note 3)	7,302,798	694,065	3,856,159	2,304,821	14,157,843
Fund Balance - End of year	<u>\$ 7,615,777</u>	<u>\$ 53,638</u>	<u>\$ 9,459,382</u>	<u>\$ 2,132,738</u>	<u>\$ 19,261,535</u>

Governmental Funds

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

Year Ended June 30, 2017

Net Change in Fund Balance Reported in Governmental Funds	\$ 5,103,692
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	6,071,207
Depreciation expense	<u>(4,058,795)</u>
Total	2,012,412
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	(7,070,947)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	765,000
Interest expense is recognized in the government-wide statements as it accrues	109,141
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	<u>(2,276,526)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,357,228)</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2017

	Water and Sewer Fund
Assets	
Current assets:	
Cash and investments	\$ 1,841,756
Receivables:	
Property taxes receivable	816,704
Customer receivables	2,506,941
Due from other governments	3,059,961
Inventory	105,324
Prepaid expenses and other assets	3,430
Restricted assets	<u>1,888,607</u>
Total current assets	10,222,723
Noncurrent assets:	
Investment in joint ventures (Note 9)	411,224
Capital assets: (Note 7)	
Assets not subject to depreciation	249,981
Assets subject to depreciation	<u>60,277,242</u>
Total noncurrent assets	<u>60,938,447</u>
Total assets	71,161,170
Deferred Outflows of Resources - Deferred pension costs	1,115,865
Liabilities	
Current liabilities:	
Accounts payable	1,195,630
Accrued liabilities and other	196,364
Compensated absences (Note 9)	39,885
Current portion of bonds payable (Note 9)	<u>3,013,601</u>
Total current liabilities	4,445,480
Noncurrent liabilities:	
Compensated absences (Note 9)	4,432
Net pension liability	4,451,365
Net OPEB obligation	3,769,954
Bonds payable, net of current portion (Note 9)	<u>22,144,339</u>
Total noncurrent liabilities	<u>30,370,090</u>
Total liabilities	<u>34,815,570</u>
Net Position	
Net investment in capital assets	35,369,283
Restricted - Debt service	1,888,607
Unrestricted	<u>203,575</u>
Total net position	<u><u>\$ 37,461,465</u></u>

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2017

	Water and Sewer Fund
Operating Revenue	
Sale of water	\$ 5,027,899
Sewage disposal charges	3,454,415
Other sales to customers	32,507
Interest and penalty charges	356,936
Total operating revenue	8,871,757
Operating Expenses	
Cost of water	2,562,297
Cost of sewage treatment	2,315,435
Other operating and maintenance costs	1,034,634
Billing and administrative costs	3,259,752
Depreciation	1,863,878
Total operating expenses	11,035,996
Operating Loss	(2,164,239)
Nonoperating Revenue (Expense)	
Property tax revenue	2,380,332
Investment income	24,133
Income from joint venture	411,224
Interest expense	(710,825)
Grant expenses	(445,496)
Gain on sale of assets	2,000
State grants	672,848
Total nonoperating revenue	2,334,216
Change in Net Position	169,977
Net Position - Beginning of year, as restated (Note 3)	37,291,488
Net Position - End of year	\$ 37,461,465

**Proprietary Funds
Statement of Cash Flows**

Year Ended June 30, 2017

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 8,909,841
Payments for interfund services and reimbursements	(557,584)
Payments to suppliers	(5,329,148)
Payments to employees and fringes	(1,764,073)
Other receipts	69,981
Net cash provided by operating activities	1,329,017
Cash Flows from Noncapital Financing Activities	
Grant receipts	672,848
Payments to suppliers - Grants	(445,496)
Net cash provided by noncapital financing activities	227,352
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of capital assets	2,000
Property taxes restricted for debt items	2,255,497
Purchase of capital assets	(1,498,884)
Principal and interest paid on capital debt	(3,595,406)
Net cash used in capital and related financing activities	(2,836,793)
Cash Flows Provided by Investing Activities - Interest received on investments	24,133
Net Decrease in Cash	(1,256,291)
Cash - Beginning of year	3,098,047
Cash - End of year	\$ 1,841,756
Classification of Cash	
Cash and investments	\$ 1,841,756
Restricted cash	1,888,607
Total cash	\$ 3,730,363

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2017

	<u>Water and Sewer Fund</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (2,164,239)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	1,863,878
Changes in assets and liabilities:	
Receivables	108,065
Due to and from other funds	(557,584)
Inventories	2,652
Prepaid and other assets	165,731
Accounts payable	446,710
Net pension or OPEB liability	1,402,328
Deferrals related to pension	9,439
Accrued and other liabilities	<u>52,037</u>
Total adjustments	<u>3,493,256</u>
Net cash provided by operating activities	<u><u>\$ 1,329,017</u></u>

Noncash Capital and Related Financing Activities - During the current year, debt was issued on behalf of the City in the amount of \$1,202,727 for construction related to the Downriver Sewage Disposal System. The activity is administered by Wayne County, Michigan.

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2017

	<u>Pension and Other Employee Benefit Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 1,761,185	\$ 352,800
Investments:		
Treasury bonds	7,535,664	-
Agency securities	1,361,767	-
Other fixed income	210,852	-
Mutual funds - Fixed income	3,181,729	-
Stocks	17,845,923	-
Corporate bonds	10,999,856	-
ETF - Equity	12,544,463	-
Mutual funds - Equity	28,933,880	-
Receivables - Accrued interest	159,025	-
Total assets	<u>84,534,344</u>	<u>\$ 352,800</u>
Liabilities		
Accounts payable	-	\$ 20,501
Due to other governmental units	-	656
Accrued liabilities and other	-	331,643
Total liabilities	<u>-</u>	<u>\$ 352,800</u>
Net Position	<u>\$ 84,534,344</u>	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2017

	<u>Pension and Other Employee Benefit Funds</u>
Additions	
Investment income:	
Interest and dividends	\$ 1,783,921
Net increase in fair value of investments	3,139,739
Investment-related expenses	<u>(165,299)</u>
Total investment income	4,758,361
Contributions:	
Employer	5,839,497
Employee	<u>512,597</u>
Total contributions	<u>6,352,094</u>
Total additions	11,110,455
Deductions	
Benefit payments	9,629,437
Administrative expenses	<u>33,862</u>
Total deductions	<u>9,663,299</u>
Net Increase in Net Position Held in Trust	1,447,156
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year, as restated (Note 3)	<u>83,087,188</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 84,534,344</u>

Component Units
Statement of Net Position

June 30, 2017

	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission - December 31, 2016	Total
Assets				
Cash and investments	\$ 1,833,728	\$ 1,089,872	\$ 149,577	\$ 3,073,177
Receivables	-	-	8	8
Prepaid expenses and other assets	-	-	18,138	18,138
Capital assets:				
Assets not subject to depreciation	-	84,293	73,825	158,118
Assets subject to depreciation	-	5,345,973	1,792,701	7,138,674
Total assets	1,833,728	6,520,138	2,034,249	10,388,115
Liabilities				
Accounts payable	846,827	7,029	29,246	883,102
Due to other governmental units	-	290,386	-	290,386
Due to primary government	-	45,738	-	45,738
Refundable deposits, bonds, etc.	-	-	18,776	18,776
Accrued liabilities and other	87,714	39,888	944	128,546
Noncurrent liabilities:				
Due within one year:				
Compensated absences	-	-	2,366	2,366
Current portion of bonds payable	525,000	280,000	-	805,000
Due in more than one year:				
Compensated absences	-	-	13,408	13,408
Bonds payable, net of current portion	10,200,000	2,380,000	-	12,580,000
Total liabilities	11,659,541	3,043,041	64,740	14,767,322
Net Position (Deficit)				
Net investment in capital assets	-	2,770,266	1,866,526	4,636,792
Unrestricted	(9,825,813)	706,831	102,983	(9,015,999)
Total net (deficit) position	\$ (9,825,813)	\$ 3,477,097	\$ 1,969,509	\$ (4,379,207)

City of Allen Park, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Brownfield Redevelopment Authority	\$ 1,704,944	\$ -	\$ -	\$ -
Downtown Development Authority	1,113,604	19,507	-	-
Housing Commission	431,409	264,706	71,544	35,299
Total	\$ 3,249,957	\$ 284,213	\$ 71,544	\$ 35,299

General revenue:

- Property taxes
- Unrestricted state-shared revenue
- Unrestricted investment income
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position (Deficit) - Beginning of year, as restated (Note 3)

Net Position (Deficit) - End of year

Component Units
Statement of Activities

Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
\$ (1,704,944)	\$ -	\$ -	\$ (1,704,944)
-	(1,094,097)	-	(1,094,097)
-	-	(59,860)	(59,860)
(1,704,944)	(1,094,097)	(59,860)	(2,858,901)
2,133,917	531,125	-	2,665,042
-	532,478	-	532,478
4,720	-	329	5,049
-	-	7,937	7,937
2,138,637	1,063,603	8,266	3,210,506
433,693	(30,494)	(51,594)	351,605
(10,259,506)	3,507,591	2,021,103	(4,730,812)
\$ (9,825,813)	\$ 3,477,097	\$ 1,969,509	\$ (4,379,207)

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of Allen Park, Michigan (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. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City 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.

Blended Component Units

The City Building Authority is governed by a five-member board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority was created to facilitate the long-term redevelopment and remediation of environmentally contaminated sites within the City. The Brownfield Redevelopment Authority's governing body consists of a seven-member board that is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the Brownfield board since the City Council approves the Brownfield Redevelopment Authority budget.

Housing Commission

The Housing Commission (the "Commission") was created in the state of Michigan under the provisions of Public Act 18 of the Extra Session of 1933, as amended (MCL 125.651 through 125.709e). A five-member board appointed by the City Council administers the Housing Commission. The Housing Commission makes annual payments "in lieu of taxes" to the City; therefore, a financial benefit exists for the City. Complete financial reports can be obtained at their administrative offices at 17000 Champaign Road, Allen Park, Michigan 48101.

Jointly Governed Organization

The City is a member of the 24th District Court, which provides judicial services to the City of Allen Park, Michigan and the City of Melvindale, Michigan. The City has a two-thirds interest in the 24th District Court.

Note 1 - Significant Accounting Policies (Continued)

The participating communities provide annual funding for its operations and receive a portion of fines and fees collected. During the current year, the City contributed approximately \$1,583,000 for its operations and received approximately \$2,213,000 in fines and forfeitures. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments. Complete financial statements for the 24th District Court can be obtained from their administrative offices at 6515 Roosevelt Road, Allen Park, Michigan.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was 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. This includes the General Fund, special revenue funds, and debt service 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 Local Highway Fund accounts for repairs and maintenance of the local streets in the City, which is financed primarily through restricted state-shared revenue.
- The Southfield Lease Properties Fund accounts for resources used for debt service and certain capital expenditures.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The City reports the following fund as a “major” enterprise fund:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

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 System, which accumulates resources for pension benefit payments to retirees
- The Retiree Health Care Plan, which accumulates resources for future retiree healthcare payments to retirees
- The Tax Collection Fund, which collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities)
- The Trust and Agency Fund, which accounts for assets held by the City in a trustee capacity

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 fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Basis of Accounting

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

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.

Note 1 - Significant Accounting Policies (Continued)

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.

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.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Land Contract Receivable

On August 22, 2014, the City sold the property at 16630 Southfield Road, reported in the Southfield Lease Properties Fund. The building sold for \$12 million, with \$8.4 million to be paid to the City through a land contract. The land contract carries an interest rate of 3.0 percent with monthly payments of \$46,586 with a final payment of the remaining balance due in February 2022. The balance of the land contract at June 30, 2017 was \$4,409,687. The land contract was paid in full on July 31, 2017.

Inventories and Prepaid Items

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

Restricted Assets

The City's bond ordinances require the bond proceeds to be spent solely for the project expenditures; any unspent proceeds are reported as restricted cash. In addition, the City has pledged, as security for certain bonds issued by the City, a portion of the City's state-shared revenue to pay debt service for certain bonds. The cash is held by a trustee and has been reported as restricted cash. The restricted assets in the business-type activities result from the establishment of debt reserves related to the Wayne County Sewage Disposal System Bonds.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1 - Significant Accounting Policies (Continued)

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
	<hr/>
Roads and sidewalks	40
Water and sewer lines	40-60
Buildings	40
Buildings and improvements	23-30
Machinery and equipment	5-20
Vehicles	5-10

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.

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.

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 the following deferred outflows of resources and deferred inflows of resources:

	<hr/> Outflows	<hr/> Inflows
Deferred pension costs (or cost reductions)	✓	

Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 1 - Significant Accounting Policies (Continued)

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.

Effective July 1, 2014, the City approved a fund balance reserve policy. The City desires to maintain a prudent level of financial resources to maintain the City's ability to meet obligations as they come due throughout the year. The fund balance policy prescribes a fund balance reserve of 15-20 percent of the General Fund annual operating expenditures.

Property Tax Revenue

Property taxes are levied on each July 1 and December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Note 1 - Significant Accounting Policies (Continued)

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

The 2016 taxable valuation of the City totaled \$720 million (a portion of which is abated and a portion of which is captured by the Brownfield and DDA). Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	10.5985 \$	7,083,000
Police special voted	6.7500	4,510,000
Rubbish	2.5436	1,700,000
Library	0.8479	567,000
Debt - Community Center	0.5922	425,000
Debt - Sewer	1.0803	776,000
EPA Judgment - Sewer	2.2122	1,589,000
Roads	1.9015	1,365,000
Total		<u>\$ 18,015,000</u>

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 Employees 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.

Other Postemployment Benefit Costs

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

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. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported 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. Generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate the obligations.

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

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. 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 fiscal year ending June 30, 2019.

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.

Note 1 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

As of June 30, 2017, the City adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This new accounting standard addresses reporting by postemployment benefit plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated.

Note 2 - Change in Accounting Principle

During the year ended June 30, 2017, the City elected to change its method of accounting for the activity reported in the Southfield Lease Properties Fund. The Southfield Lease Properties Fund has been reported as a governmental debt service fund for the year ended June 30, 2017, whereas in all prior years the Southfield Lease Properties Fund was reported as a proprietary fund. The change in accounting was adopted because the City believes reporting as a debt service fund more closely reflects the current purpose of the fund. Refer to Note 3 for the impact on the City's net position/fund balance.

Note 3 - Prior Period Adjustments

The accompanying financial statements for 2017 have been restated to correct the following matters:

- (1) The City's Water and Sewer Fund over-reported water usage to the Downriver Utility Wastewater Authority from 2010 to 2015, which resulted in the fund erroneously recording an additional \$3,000,000 of sewage disposal expenses during that period. The Downriver Utility Wastewater Authority has agreed to reimburse the Water and Sewer Fund \$3,000,000 for these overbillings. The effect of the restatement was to increase accounts receivable and net position in the Water and Sewer Fund and business-type activities by \$3,000,000.
- (2) The City's Building Authority was previously reported as a discretely presented component unit and should have been reported as a blended component unit in the City's governmental activities. The effect of the restatement was to decrease assets and net position in the Building Authority and increase assets and net position in the City's governmental activities by \$932,842.
- (3) The land reported in the City's governmental activities in the amount of \$39,545,448 was previously reported at estimated fair market value when the City implemented GASB Statement No. 34 in 2003. GASB Statement No. 34 requires that land and capital assets be reported at estimated fair value at the time of acquisition plus ancillary charges, if any. The City has estimated that the fair value of land at acquisition was \$1,458,013. The effect of the restatement was to decrease assets and net position in the City's governmental activities by \$38,087,435.
- (4) The Pension Trust Fund, a fiduciary fund, was reported in the June 30, 2016 financial statements as of June 30, 2016. The Pension Trust Fund's year end is December 31 and should have been reported in the June 30, 2016 financial statements as of December 31, 2015. The effect of the restatement was to increase assets and net position in the Pension Trust Fund and fiduciary funds by \$806,833.

Note 3 - Prior Period Adjustments (Continued)

- (5) The Brownfield Redevelopment Authority did not report accounts payable or expenses of \$711,000 in the proper period. Based on current agreements, the Brownfield Redevelopment Authority is required to reimburse developer costs using tax increment revenue. The tax increment revenue generated for the year ended June 30, 2016 resulted in a reimbursement of \$711,000, which was not reported during the year ended June 30, 2016 (the amount was recorded on the cash basis of accounting, rather than on the accrual basis of accounting). The effect of the restatement was to decrease net position in the Brownfield Redevelopment Authority and component unit by \$711,000.
- (6) The Downtown Development Authority over-captured certain property taxes from other governments at June 30, 2016. The Downtown Development Authority should have reported amounts due to other governmental units of \$202,486 at June 30, 2016. The effect of the restatement was to increase accounts payable and decrease net position in the Downtown Development Authority and component unit by \$202,486.

Net position and fund balance at the beginning of the year have been adjusted for the effects of the restatements on prior years as follows:

	Proprietary - Enterprise Funds		
	Water and Sewer Fund	Southfield Lease Properties Fund	Business-type Activities
Net position - Beginning of year, as previously reported	\$ 34,291,488	\$ (18,464,309)	\$ 15,827,179
Downriver Utility Wastewater Authority Reimbursement (1)	3,000,000	-	3,000,000
Change in accounting principle (Note 2)	-	18,464,309	18,464,309
Net position - Beginning of year, as restated	<u>\$ 37,291,488</u>	<u>\$ -</u>	<u>\$ 37,291,488</u>
		Governmental Funds - Southfield Lease Properties	Governmental Activities
Fund balance/Net position - Beginning of year, as previously reported	\$ -	\$ -	\$ 22,703,599
Change in accounting principle (Note 2)		3,856,159	(18,464,309)
Fixed asset adjustment - Building (2)		-	932,842
Fixed asset adjustment - Land (3)		-	(38,087,435)
Fund balance/Net position - Beginning of year, as restated		<u>\$ 3,856,159</u>	<u>\$ (32,915,303)</u>
		Fiduciary Funds	
		Pension Trust Fund	Fiduciary Funds
Net position - Beginning of year, as previously reported	\$ 81,762,254	\$ -	\$ 82,280,355
Adjust Pension Trust Fund year end reported (4)	806,833	806,833	806,833
Net position - Beginning of year, as restated	<u>\$ 82,569,087</u>	<u>\$ 806,833</u>	<u>\$ 83,087,188</u>

June 30, 2017

Note 3 - Prior Period Adjustments (Continued)

	Component Units			
	Brownfield Redevelopment Authority	Building Authority	Downtown Development Authority	Component Units
Net position (deficit) - Beginning of year, as previously reported	\$ (9,548,506)	\$ 932,842	\$ 3,710,077	\$ (2,884,484)
Adjustment to accounts payable (5)	(711,000)	-	-	(711,000)
Reclassification of assets (2)	-	(932,842)	-	(932,842)
Adjustment to due to other governmental units (6)	-	-	(202,486)	(202,486)
Net position (deficit) - Beginning of year, as restated	<u>\$ (10,259,506)</u>	<u>\$ -</u>	<u>\$ 3,507,591</u>	<u>\$ (4,730,812)</u>

Note 4 - 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 debt service and transfers out are budgeted as expenditures. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and department. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. State law requires the City to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits the City to amend its budget during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures in the General Fund and major special revenue funds, which were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund:			
General government - Clerk	\$ 234,484	\$ 239,936	\$ (5,452)
Public safety - Police	5,282,916	5,587,944	(305,028)
Public safety - Fire	3,845,459	3,926,488	(81,029)
Public works - Public service	1,835,280	1,885,963	(50,683)
Local Streets Fund - Public service	3,184,750	3,778,440	(593,690)

Fund Deficits

The Brownfield Redevelopment Authority has a deficit of \$9,825,813 as of June 30, 2017. The Authority plans to pay future debt service with tax increment revenue.

Note 5 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Fiduciary	Component Units
Cash and investments	\$ 12,734,984	\$ 1,841,756	\$ 84,728,119	\$ 3,073,177
Restricted cash and investments	999,194	1,888,607	-	-
Total deposits and investments	\$ 13,734,178	\$ 3,730,363	\$ 84,728,119	\$ 3,073,177

The investments are classified into the following categories:

	Governmental Activities	Business-type Activities	Fiduciary	Component Units
Deposits with financial institutions	\$ 5,027,276	\$ 3,730,363	\$ 2,113,985	\$ 3,067,884
Investments:				
Deposits with financial institutions - Certificate of Deposit	100,425	-	-	5,293
Reported at fair value:				
Treasury bonds	-	-	7,535,664	-
Agency securities	-	-	1,361,767	-
Other fixed income	-	-	210,852	-
Mutual funds - Fixed income	-	-	3,181,729	-
Stocks	-	-	17,845,923	-
Corporate bonds	-	-	10,999,856	-
ETF - Equity	-	-	12,544,463	-
Mutual funds - Equity	-	-	28,933,880	-
Municipal bonds	4,714,473	-	-	-
Commercial paper	3,892,004	-	-	-
Total	\$ 13,734,178	\$ 3,730,363	\$ 84,728,119	\$ 3,073,177

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 and Retiree Healthcare Fund are 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 four 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.

Note 5 - Deposits and Investments (Continued)

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 \$6,835,298 of bank deposits (certificates of deposit and checking and savings accounts) 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.

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

Primary Government	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Municipal bonds	\$ 4,714,473	\$ 4,714,473	\$ -	\$ -	\$ -
Commercial paper	3,892,004	3,892,004	-	-	-
Total	\$ 8,606,477	\$ 8,606,477	\$ -	\$ -	\$ -
Fiduciary Fund - Pension Trust Fund - December 31, 2016	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Treasury bonds and agency securities	\$ 8,897,431	\$ -	\$ 5,511,397	\$ 2,315,029	\$ 1,072,005
Other fixed income	210,852	-	150,104	57,751	2,997
Corporate bonds	10,999,856	688,187	6,308,840	3,906,324	96,505
Mutual funds - Fixed income	2,854,788	-	2,854,788	-	-
Total	\$ 22,962,927	\$ 688,187	\$ 14,825,129	\$ 6,279,104	\$ 1,171,507
Fiduciary Fund - Retiree Healthcare Fund	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Mutual funds - Fixed income	\$ 326,941	\$ -	\$ 326,941	\$ -	\$ -

Note 5 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Municipal bonds	\$ 334,906	Aa1	Moody's
Municipal bonds	719,525	AA	S&P
Municipal bonds	3,660,042	AA-	S&P
Commercial paper	3,892,004	A1	S&P
Total	<u>\$ 8,606,477</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Fund - Pension Trust Fund - December 31, 2016			
Fixed-income securities	\$ 10,571,661	Aaa	Moody's
Fixed-income securities	202,347	Aa1	Moody's
Fixed-income securities	297,382	Aa2	Moody's
Fixed-income securities	400,718	Aa3	Moody's
Fixed-income securities	11,490,819	Not rated	Not rated
Total	<u>\$ 22,962,927</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Fund - Retiree Healthcare Fund			
Mutual funds - Fixed income	<u>\$ 326,941</u>	Not rated	Not rated

Component Units

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$3,073,177.

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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

Note 5 - Deposits and Investments (Continued)

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

- Municipal bonds of \$4,714,473 are valued using a matrix pricing model (Level 2 inputs).

The City's pension trust fund (fiduciary fund) has the following recurring fair value measurements as of December 31, 2016:

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2016				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Assets				
Fixed income:				
Treasury bonds	\$ 7,535,664	\$ -	\$ -	\$ 7,535,664
Agency securities	-	1,361,767	-	1,361,767
Other fixed income	-	210,852	-	210,852
Mutual funds	2,854,788	-	-	2,854,788
Corporate bonds	-	10,999,856	-	10,999,856
Total fixed income	10,390,452	12,572,475	-	22,962,927
Equity:				
Stocks	17,845,923	-	-	17,845,923
ETF	12,377,050	-	-	12,377,050
Mutual funds	28,312,386	-	-	28,312,386
Total equity	58,535,359	-	-	58,535,359
Total assets	\$ 68,925,811	\$ 12,572,475	\$ -	\$ 81,498,286

The City's Retiree Health Care Fund (fiduciary fund) has the following recurring fair value measurements as of June 30, 2017:

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Assets				
Fixed income - Mutual funds	\$ 326,941	\$ -	\$ -	\$ 326,941
Equity:				
ETF	167,413	-	-	167,413
Mutual funds	621,494	-	-	621,494
Total equity	788,907	-	-	788,907
Total assets	\$ 1,115,848	\$ -	\$ -	\$ 1,115,848

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

Note 5 - Deposits and Investments (Continued)

The fair value of agency bonds, corporate bonds, and other fixed income at June 30, 2017 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 6 - Restricted Assets

The City's bond ordinances require the bond proceeds to be spent solely for the project expenditures; any unspent proceeds are reported as restricted cash. In addition, the City has pledged, as security for certain bonds issued by the City, a portion of the City's state-shared revenue to pay debt service for certain bonds. The cash is held by a trustee and has been reported as restricted cash.

The restricted assets in the business-type activities result from the establishment of debt reserves related to the Wayne County Sewage Disposal System Bonds.

At June 30, 2017, restricted assets are comprised of the following:

Description	Governmental Activities	Business-type Activities
Unspent bond proceeds	\$ 605,910	\$ -
Cash held by trustee for debt service	393,284	-
Assets held at the county	-	1,888,607
Total	<u>\$ 999,194</u>	<u>\$ 1,888,607</u>

Note 7 - Capital Assets

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

Governmental Activities

	Balance July 1, 2016	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 1,558,013	\$ -	\$ 288,000	\$ -	\$ 1,846,013
Construction in progress	-	-	1,960,123	-	1,960,123
Subtotal	1,558,013	-	2,248,123	-	3,806,136
Capital assets being depreciated:					
Roads and sidewalks	130,433,048	-	2,727,727	-	133,160,775
Buildings and improvements	16,958,448	-	-	(3,526,473)	13,431,975
Machinery and equipment	6,995,126	-	607,818	(18,557)	7,584,387
Vehicles	4,008,616	-	432,061	(57,379)	4,383,298
Land improvements	2,085,041	-	55,478	-	2,140,519
Subtotal	160,480,279	-	3,823,084	(3,602,409)	160,700,954
Accumulated depreciation:					
Roads and sidewalks	111,997,220	-	3,345,223	-	115,342,443
Buildings and improvements	10,231,450	-	272,576	(3,526,473)	6,977,553
Machinery and equipment	5,894,588	-	205,177	(18,557)	6,081,208
Vehicles	3,007,368	-	158,136	(57,379)	3,108,125
Land improvements	1,500,143	-	77,683	-	1,577,826
Subtotal	132,630,769	-	4,058,795	(3,602,409)	133,087,155
Net capital assets being depreciated	27,849,510	-	(235,711)	-	27,613,799
Net governmental activities capital assets	\$ 29,407,523	\$ -	\$ 2,012,412	\$ -	\$ 31,419,935

June 30, 2017

Note 7 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2016	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
Construction in progress	51,954	(51,954)	189,981	-	189,981
Subtotal	111,954	(51,954)	189,981	-	249,981
Capital assets being depreciated:					
Water and sewer lines	80,052,989	51,954	2,360,576	-	82,465,519
Buildings and improvements	2,367,857	-	-	-	2,367,857
Machinery and equipment	2,193,088	-	151,054	(52,357)	2,291,785
Meters	2,283,197	-	-	-	2,283,197
Subtotal	86,897,131	51,954	2,511,630	(52,357)	89,408,358
Accumulated depreciation:					
Water and sewer lines	21,817,684	-	1,611,500	-	23,429,184
Buildings and improvements	1,668,854	-	70,545	-	1,739,399
Machinery and equipment	1,749,502	-	82,079	(52,357)	1,779,224
Meters	2,083,555	-	99,754	-	2,183,309
Subtotal	27,319,595	-	1,863,878	(52,357)	29,131,116
Net capital assets being depreciated	59,577,536	51,954	647,752	-	60,277,242
Net business-type activities capital assets	<u>\$ 59,689,490</u>	<u>\$ -</u>	<u>\$ 837,733</u>	<u>\$ -</u>	<u>\$ 60,527,223</u>

June 30, 2017

Note 7 - Capital Assets (Continued)

Business-type Activities (Continued)

Capital asset activity for the City's Housing Commission (component unit) for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Reclassification	Additions	Disposals and Adjustments	Balance December 31, 2016
Housing Commission - Component Unit					
Capital assets not being depreciated:					
Land	\$ 68,050	\$ -	\$ -	\$ -	\$ 68,050
Construction in progress	11,760	(11,760)	-	-	-
Other nondepreciable assets	-	-	5,775	-	5,775
Subtotal	79,810	(11,760)	5,775	-	73,825
Capital assets being depreciated:					
Buildings and improvements	3,122,684	11,760	26,944	(21,912)	3,139,476
Furniture, equipment, and machinery - Dwelling	115,509	-	-	(79,344)	36,165
Furniture, equipment, and machinery - Administration	29,107	-	12,999	(12,712)	29,394
Subtotal	3,267,300	11,760	39,943	(113,968)	3,205,035
Accumulated depreciation:					
Buildings and improvements	1,293,923	-	86,269	(15,222)	1,364,970
Furniture, equipment, and machinery - Dwelling	107,956	-	2,605	(79,344)	31,217
Furniture, equipment, and machinery - Administration	27,819	-	1,040	(12,712)	16,147
Subtotal	1,429,698	-	89,914	(107,278)	1,412,334
Net capital assets being depreciated	1,837,602	11,760	(49,971)	(6,690)	1,792,701
Net Housing Commission - Component unit capital assets	\$ 1,917,412	\$ -	\$ (44,196)	\$ (6,690)	\$ 1,866,526

Note 7 - Capital Assets (Continued)

Capital asset activity for the City's Downtown Development Authority (component unit) for the year ended June 30, 2017 was as follows:

Downtown Development Authority - Component Unit

	Balance July 1, 2016	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2017
Capital assets not being depreciated - Land	\$ 84,293	\$ -	\$ -	\$ -	\$ 84,293
Capital assets being depreciated:					
Site improvements	12,409,076	-	-	-	12,409,076
Buildings	386,721	-	-	-	386,721
Machinery and equipment	17,816	-	-	-	17,816
Subtotal	12,813,613	-	-	-	12,813,613
Accumulated depreciation:					
Site improvements	6,781,097	-	511,280	-	7,292,377
Buildings	147,780	-	9,667	-	157,447
Machinery and equipment	17,816	-	-	-	17,816
Subtotal	6,946,693	-	520,947	-	7,467,640
Net capital assets being depreciated	5,866,920	-	(520,947)	-	5,345,973
Net capital assets	\$ 5,951,213	\$ -	\$ (520,947)	\$ -	\$ 5,430,266

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

Governmental activities:	
General government	\$ 158,594
Public safety	238,778
Public works	3,380,683
Economic development	1,187
Recreation and culture	279,553
Total governmental activities	\$ 4,058,795
Business-type activities - Water and sewer	\$ 1,863,878
Component unit activities:	
Housing Commission - December 31, 2016	\$ 89,914
Downtown Development Authority	520,947
Total component unit activities	\$ 610,861

Construction Commitments

At year end, the City has commitments with contractors for a new city hall. The City has spent \$1,600,000 to date and has a remaining commitment of approximately \$5,722,000 with contractors.

Notes to Financial Statements

June 30, 2017

Note 8 - Interfund Receivables, Payables, and Transfers

The balance of amounts loaned to (borrowed from) discretely presented component units is as follows:

Receivable	Payable	Amount
Nonmajor governmental funds	Downtown Development Authority	\$ 45,738

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.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Local Highway Fund	\$ 500,000
	Southfield Lease Properties Fund	1,963,264
	Total General Fund	2,463,264
Nonmajor governmental funds	Local Highway Fund	700,000
	Total	\$ 3,163,264

The transfers from the General Fund to the Local Highway Fund represent the use of unrestricted resources to finance those programs in accordance with budgetary authorizations; the transfer from the General Fund to the Southfield Lease Properties Fund represents the use of unrestricted resources for debt service; and the transfer from the nonmajor governmental funds (Major Highway Fund) to the Local Highway Fund represents the sharing of gas and weight tax revenue in accordance with Act 51.

June 30, 2017

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2017 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and contracts payable:							
2003 General Obligation Unlimited Tax Bonds - Community Center:							
Amount of issue: \$4,925,000	4.10%-	\$150,000-					
Maturing through 2034	5.00%	\$350,000	\$ 3,975,000	\$ -	\$ (125,000)	\$ 3,850,000	\$ 150,000
2003B General Obligation Unlimited Tax Bonds - Community Center:							
Amount of issue: \$1,575,000	4.30%-	\$50,000-					
Maturing through 2034	5.00%	\$100,000	1,250,000	-	(50,000)	1,200,000	50,000
2014 State of Michigan Emergency Loan:							
Amount of issue: \$2,600,000		\$245,000-					
Maturing through 2025	2.30%	\$285,000	2,350,000	-	(240,000)	2,110,000	245,000
2009AB General Obligation Bonds - Southfield Lease Properties:							
Amount of issue: \$9,905,000	7.00%-	\$290,000-					
Maturing through 2039	7.10%	\$840,000	9,640,000	-	(280,000)	9,360,000	290,000
2010 General Obligation Limited Bonds - Southfield Lease Properties:							
Amount of issue: \$2,725,000	4.50%-	\$75,000-					
Maturing through 2034	5.75%	\$220,000	2,430,000	-	(70,000)	2,360,000	75,000
2015B Michigan Finance Authority - Local Government Loan Program Revenue Bonds - Southfield Lease Properties:							
Amount of issue: \$16,750,000	3.16%-	\$220,000-					
Maturing through 2045	4.80%	\$1,195,000	16,750,000	-	-	16,750,000	-
Total principal outstanding			36,395,000	-	(765,000)	35,630,000	810,000
Unamortized bond discounts	-	-	(39,594)	-	1,969	(37,625)	-
Total bonds and contracts payable			36,355,406	-	(763,031)	35,592,375	810,000
Compensated absences			1,623,239	172,317	(162,259)	1,633,297	163,330
Total governmental activities long-term debt			\$ 37,978,645	\$ 172,317	\$ (925,290)	\$ 37,225,672	\$ 973,330

June 30, 2017

Note 9 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:							
2002 General Obligation Limited Tax Bonds:							
Amount of issue \$2,000,000	4.38%-	\$150,000-					
Maturing through 2022	4.70%	\$200,000	\$ 1,000,000	\$ -	\$ (150,000)	\$ 850,000	\$ 150,000
2005 General Obligation Limited Tax Bonds:							
Amount of issue \$4,000,000	4.00%-	\$190,000-					
Maturing through 2025	4.20%	\$380,000	2,315,000	-	(185,000)	2,130,000	190,000
2009 Michigan Municipal Bond Authority - Clean Water Program:							
Amount of issue: \$12,278,881		\$540,000-					
Maturing through 2032	2.50%	\$760,881	10,210,881	-	(530,000)	9,680,881	540,000
Wayne County - Downriver Sewage Disposal System:							
Amount of issue: Various							
Maturing through various dates	Various	Various	13,312,580	1,495,468	(2,300,869)	12,507,179	2,133,601
Total principal outstanding			26,838,461	1,495,468	(3,165,869)	25,168,060	3,013,601
Unamortized bond discounts			(14,198)	-	4,078	(10,120)	-
Total bonds payable			26,824,263	1,495,468	(3,161,791)	25,157,940	3,013,601
Compensated absences			53,361	5,336	(14,380)	44,317	39,885
Total business-type activities long-term debt			\$ 26,877,624	\$ 1,500,804	\$ (3,176,171)	\$ 25,202,257	\$ 3,053,486

Component Unit

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:							
2005 General Obligation Limited Tax Bonds - Downtown Development Authority:							
Original issue: \$4,500,000	4.00%-	\$280,000-					
Maturing through 2025	4.40%	\$385,000	\$ 2,925,000	\$ -	\$ (265,000)	\$ 2,660,000	\$ 280,000
2007 General Obligation Limited Tax Bonds - Brownfield Redevelopment Authority:							
Original issue: \$15,710,000	4.25%-	\$525,000-					
Maturing through 2032	5.00%	\$975,000	11,225,000	-	(500,000)	10,725,000	525,000
Total bonds payable			14,150,000	-	(765,000)	13,385,000	805,000
Compensated absences - Housing Commission - December 31, 2016			14,747	1,027	-	15,774	2,366
Total component units long-term debt			\$ 14,164,747	\$ 1,027	\$ (765,000)	\$ 13,400,774	\$ 807,366

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the City.

Note 9 - Long-term Debt (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 Fund as "investment in joint ventures," and was \$411,224 at June 30, 2017. The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the county. Proceeds from the county bonds provided financing for the construction of the Downriver Sewage Disposal System. The remaining principal and interest to be paid on the bonds total approximately \$14,399,000. During the current year, the City paid \$1,643,435 for operations of the system and \$2,338,024 for debt service.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

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	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 810,000	\$ 1,816,000	\$ 2,626,000	\$ 3,013,601	\$ 675,475	\$ 3,689,076
2019	830,000	1,779,944	2,609,944	2,545,626	606,972	3,152,598
2020	735,000	1,742,524	2,477,524	2,174,817	529,995	2,704,812
2021	775,000	1,709,134	2,484,134	2,160,057	469,883	2,629,940
2022	790,000	1,674,188	2,464,188	1,590,893	415,784	2,006,677
2023-2027	5,385,000	7,706,253	13,091,253	7,517,606	1,366,826	8,884,432
Thereafter	26,305,000	12,070,916	38,375,916	6,165,460	445,073	6,610,533
Total	\$ 35,630,000	\$ 28,498,959	\$ 64,128,959	\$ 25,168,060	\$ 4,510,008	\$ 29,678,068

Years Ending June 30	Component Unit Activities		
	Principal	Interest	Total
2018	\$ 805,000	\$ 638,214	\$ 1,443,214
2019	820,000	604,701	1,424,701
2020	860,000	569,785	1,429,785
2021	900,000	532,325	1,432,325
2022	940,000	490,088	1,430,088
2023-2027	4,635,000	1,748,453	6,383,453
Thereafter	4,425,000	685,000	5,110,000
Total	\$ 13,385,000	\$ 5,268,566	\$ 18,653,566

Note 9 - Long-term Debt (Continued)

Revenue Pledged in Connection with Debt

The City has pledged, as security for 2015B Michigan Finance Authority - Local Government Loan Program Revenue Bonds and the 2014 State of Michigan Emergency Loan (collectively, the "Bonds") issued by the City, a portion of the City's state-shared revenue, as authorized by Act 227 and the State Revenue Sharing Act. The State Treasurer sends 100 percent of the state-shared revenue due to the City to the City Master Trustee for as long as the Bonds are outstanding. The City Master Trustee accumulates state-shared revenue in sufficient amounts to pay debt service on the Bonds. Any amounts remaining after setting aside the amounts necessary to satisfy debt service are released to the City's General Fund. Total principal and interest remaining on the 2015B Michigan Finance Authority - Local Government Loan Program Revenue Bonds total \$31,644,973, with annual requirements ranging from \$744,141 in 2018 to \$1,252,360 in the final year. Total principal and interest remaining on the 2014 State of Michigan Emergency Loan total \$2,309,458, with annual requirements ranging from \$290,689 in 2018 to \$288,260 in the final year. The state-shared revenue, from which the appropriations will be made, have averaged approximately \$2,600,000 over the last two years. For the current year, the principal and interest paid by the City and the total state-shared revenue recognized by the City were \$291,275 and \$2,659,382, respectively.

Note 10 - 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 participates in the Michigan Municipal League (risk pool) for claims relating to general liability, property loss, and workers' compensation. The City has assumed a significant amount of financial responsibility for medical claim costs, subject to certain limitations of \$75,000 per specific claim, with no limit in aggregate 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 Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for health and prescription 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 fiscal year were as follows:

	<u>Medical Claims</u>
Estimated claims incurred, including changes in estimates	\$ 2,287,994
Claim payments	<u>(1,937,994)</u>
Estimated liability - End of year	<u>\$ 350,000</u>

Note 11 - Brownfield Redevelopment Authority Commitment

The Brownfield Redevelopment Authority has committed to reimburse the costs paid by Clay Park Development (the "Developer") for a development project in the amount of \$10,715,702, plus interest at 5 percent per year. The reimbursement is contingent upon future tax increment revenue through June 30, 2032. During the year, the Brownfield Redevelopment Authority reimbursed the developer \$424,992 and paid interest of \$421,834. At June 30, 2017, the outstanding commitment is \$7,909,601.

Note 12 - Litigation

The City is named a party to a number of lawsuits in the normal course of business. In the opinion of management, the resolution of these lawsuits will not have a material adverse effect on the City's financial position or results of operations.

Note 13 - Pension Plan

Plan Description

The City of Allen Park, Michigan provides a monthly retirement benefit to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Employees Retirement System (the "Plan"), a cost-sharing multiple employer defined benefit pension plan administered by the board of trustees (the "pension board"). There are two participating employers in the Plan, the City of Allen Park, Michigan and the 24th District Court.

Management of the Plan is vested in the pension board, which consists of five members - the finance director, a retiree appointed by the pension board, a citizen appointed by the mayor and approved by City Council, a police officer or firefighter member elected by the police officer and firefighter member, and a general member elected by the general members.

The City of Allen Park, Michigan also contributes to the Defined Contribution Plan, a defined contribution pension plan, for certain employees who meet the eligibility requirements. The benefits are administered by MERS.

Benefits Provided

The Employees Retirement System provides retirement, deferred retirement, duty disability, nonduty disability, duty death, and nonduty death benefits to lieutenants and sergeants, police, fire, general, and administrative appointees. Retirement benefits are calculated as various percentages (ranging from 2.0 to 2.9 percent) of the employee's final average compensation (as defined by each employee group) times the employee's years of service. To be eligible, employees must have a minimum number of years of service (ranging from 8 to 25 years) as well as meeting minimum retirement age (ranging from 52 to 55). Certain employees who leave city service may withdraw their contributions, plus any accumulated interest.

Benefit terms are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

Benefit terms, including contribution requirements, for the Defined Benefit Plan are established and may be amended by the City Council. For each employee in the pension plan, the City is required to contribute 12.51 percent of annual salary for general and water department members, and 14.07 percent of annual salary for police and fire members exclusive of overtime pay, to an individual employee account. Each employee eligible for pension benefits is required to contribute 7.0 percent of payroll.

Effective April 1, 2005, a Defined Contribution Plan was established for all new hires. For each employee in the Defined Contribution Plan, the City contributes 7.0 percent of annual salary. Employees contribute 5.0 percent of annual salary and are permitted to make contributions to the pension plan up to applicable Internal Revenue Code limits. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in city contributions and earnings on city contributions 20 percent after three years, 40 percent after four years, 60 percent after five years, 80 percent after six years, and 100 percent after seven years of creditable service with the City. Appointees are fully vested after two years of creditable service. Nonvested city contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the plan's administrative expenses. Loans are allowed from the plan effective September 11, 2012 and rollovers are allowed in the plan.

Note 13 - Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>Employees' Retirement System</u>
Date of member count	December 31, 2016
Inactive plan members or beneficiaries currently receiving benefits	224
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	<u>90</u>
Total employees covered by the plan	<u><u>328</u></u>

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on union contracts. The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2017, the active employee contribution rate was 7.0 percent of covered compensation and the City contributed the actuarial required contribution of \$2,691,621, for which \$650,004 was paid by the 24th District Court.

Net Pension Liability

The net pension liability of \$24,622,581 has been allocated separately to the City and to the 24th District Court. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 68 and therefore, the City has not recorded the court's proportionate share of the net pension liability. The City's proportionate share of the net pension liability is \$18,676,413 at June 30, 2017.

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2017 fiscal year-end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2016 measurement date. The December 31, 2016 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Note 13 - Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 106,709,566	\$ 82,569,087	\$ 24,140,479
Changes for the year:			
Service cost	1,318,028	-	1,318,028
Interest	7,273,210	-	7,273,210
Changes in benefits	(655,066)	-	(655,066)
Differences between expected and actual experience	316,565	-	316,565
Contributions - Employer	-	2,641,242	(2,641,242)
Contributions - Employee	-	512,597	(512,597)
Net investment income	-	4,649,658	(4,649,658)
Benefit payments, including refunds	(6,931,182)	(6,931,182)	-
Administrative expenses	-	(26,857)	26,857
Miscellaneous other charges	-	(6,005)	6,005
Net changes	1,321,555	839,453	482,102
Balance at December 31, 2016	\$ 108,031,121	\$ 83,408,540	\$ 24,622,581

The plan's fiduciary net position represents 77.21 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, 2017, the City recognized pension expense of \$4,014,275 from all plans, which includes defined contribution plan expense of \$218,807.

At June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 482,619
Net difference between projected and actual earnings on pension plan investments	3,178,364
Employer contributions to the plan subsequent to the measurement date	1,020,805
Total	\$ 4,681,788

Note 13 - Pension Plan (Continued)

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
2018	\$ 1,457,517
2019	1,109,029
2020	943,218
2021	151,219
2022	-
Thereafter	-
Total	<u>\$ 3,660,983</u>

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 3.7 to 6.8 percent; an investment rate of return (net of investment expenses) of 7.0 percent; and using the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2016 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	66.00 %	6.55 %
Real estate	3.00	4.65
Fixed income	30.00	2.50
Cash	1.00	-

Note 13 - Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan, calculated using the discount rate of 7.0 percent, as well as what the plan'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:

	<u>1 Percent Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
Net pension liability of the Employees Retirement System	\$ 36,734,641	\$ 24,622,581	\$ 14,432,077

Investment Policy

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

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.71 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the city ordinance, 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. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at December 31, 2016 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 76,810,323	\$ 76,298,966
Employee reserve	7,108,574	7,108,574
Total	<u>\$ 83,918,897</u>	<u>\$ 83,407,540</u>

Note 14 - Other Postemployment Benefits

Plan Description

The City provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to police, fire, nonunion and AFSCME (TPOAM) groups. Currently, the plan has 333 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions (or by the employer if not funded through the plan).

Funding Policy

Retiree healthcare costs are recognized when 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. In the current year, the City paid postemployment healthcare premiums of \$2,698,255, plus it contributed \$500,000 into a prefunded retiree healthcare fund, which is reported in this financial statement as a Pension and Other Employee Benefit Trust Fund type.

Funding Progress

For the year ended June 30, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 5,848,567
Interest on the prior year's net OPEB obligation	1,328,418
Less adjustment to the annual required contribution	<u>(1,451,384)</u>
Annual OPEB cost	5,725,601
Amounts contributed:	
Payment of current premiums	(2,698,255)
Advance funding	<u>(500,000)</u>
Increase in net OPEB obligation	2,527,346
OPEB obligation - Beginning of year	<u>37,954,897</u>
OPEB obligation - End of year	<u><u>\$ 40,482,243</u></u>

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
June 30, 2015	December 31, 2013	\$ 5,955,493	\$ 7,062,659	48.84 %	41.18 %	\$35,787,439
June 30, 2016	December 31, 2015	5,848,567	5,732,717	60.96	62.19	37,954,897
June 30, 2017	December 31, 2015	5,848,567	5,725,601	43.21	44.14	40,482,243

Note 14 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
December 31, 2011	\$ -	\$139,884,352	\$139,884,352	- %	\$ 7,088,572	1,973.38 %
December 31, 2013	-	93,108,019	93,108,019	-	6,077,675	1,531.97
December 31, 2015	500,006	88,864,837	88,364,831	0.56	7,158,292	1,234.44

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 7.5 percent initially reduced by decrements to an ultimate rate of 5 percent after seven years (post-65 is a flat 5.0 percent). Both rates included a 2.50 percent inflation assumption. The actuarial value of assets was market value. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017 was 30 years.

Note 15 - Other Postemployment Benefit Plan

Plan Description

The City Council administers the Retiree Health Care Trust (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for police, fire, nonunion, and AFSCME (TPOAM) groups.

Management of the Plan is vested with the City Council.

Benefits Provided

The Plan provides health care, dental, vision, and life insurance benefits for retirees and their dependents. Dental and vision are covered until the age of 65. Life insurance is currently provided between \$7,500 and \$10,000. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan, except for participant contributions as described below.

Note 15 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2015
Inactive plan members or beneficiaries currently receiving benefits	333
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>115</u>
Total employees covered by the Plan	<u><u>461</u></u>

The Plan is closed to AFSCME (TPOAM) members hired after April 1, 2005. The Plan is closed to nonunion employees hired after July 1, 2011. The Plan is closed to police and fire employees hired after July 1, 2013.

Contributions

City ordinance grants the Plan to establish and amend the contribution requirements of the City and plan members to the City Council. The City Council establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2017, the City contributed \$2,698,255 to pay current premiums and \$500,000 to fund the OPEB trust. Plan members are required to contribute as follows:

- **AFSCME (TPOAM):** Employees hired before April 1, 2005 with 15 - 20 years of service contribute 40 percent of plan premiums. Employees hired before April 1, 2005 with 21 - 24 years of service contribute 20 percent of plan premiums. Employees hired before April 1, 2005 with 25+ years of service have no employee contribution requirement.
- **Nonunion:** Employees hired before July 1, 2011 contribute 20 percent of plan premiums.
- **Police and Fire:** Employees hired before July 1, 2013 contribute the full plan premium minus 4 percent times years of service.

Net OPEB Liability

The City reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the City has been measured as of June 30, 2017 and is composed of the following:

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

Total OPEB liability	\$ 99,048,818
Plan fiduciary net position	<u>1,125,833</u>
Net OPEB liability	<u><u>\$ 97,922,985</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.14 %

Note 15 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2015, which used updated procedures to roll forward the estimated liability to June 30, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Healthcare cost trend rate	5.0 - 7.5%
Salary increases	3.2 - 6.3% Average, including inflation
Investment rate of return	7.0% Net of OPEB plan investment expense, including inflation

Discount Rate

The discount rate used to measure the total OPEB liability was 3.4 percent. In the prior year, the discount rate used to measure the total OPEB liability was 2.7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates an average municipal bond rate which was 3.4 percent. The source of that average bond rate was from the S&P Municipal Bond 20-year High Grade and Fidelity GO AA-20 Years indexes. The average municipal bond rate was applied to all projected benefit payments.

The discount rate calculation assumed that the current level of plan assets along with consideration of future employer contributions in accordance with the contribution policy were not sufficient to make projected benefit payments; since this is a closed plan, had an assumption been made that the benefits to be paid each year would be funded entirely from pay-as-you-go contributions provided by the City, there would be no crossover point and the discount rate used to measure the total pension liability would have been equal to the long-term rate of return of 7.0 percent. This would have resulted in a total OPEB liability equal to \$60,393,336, which is \$38,655,482 lower than the total OPEB liability disclosed above. The City is currently evaluating the two differing assumptions in determination of the discount rate calculation.

Note 15 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Core Equity	30.00 %	7.35 %
Mid Cap Equity	10.00	8.20
Small Cap Equity	6.00	8.55
International Equity - Developed	16.00	1.25
International Equity - Emerging Markets	4.00	6.20
Real Estate	3.00	7.05
Domestic Fixed Income	25.00	3.00
Domestic High Yield	5.00	5.55
Cash	1.00	-
Total	100.00 %	

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.4 percent, depending on the plan option. The following also reflects what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.4 percent) or 1 percentage point higher (4.4 percent) than the current rate:

	1 Percent Decrease (2.4%)	Current Discount Rate (3.4%)	1 Percent Increase (4.4%)
Net OPEB liability of the City	\$ 118,354,050	\$ 97,922,985	\$ 83,013,673

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 6.5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.5 percent) or 1 percentage point higher (7.5 percent) than the current rate:

	1 Percent Decrease (5.5%)	Current Discount Rate (6.5%)	1 Percent Increase (7.5%)
Net OPEB liability of the City	\$ 80,253,691	\$ 97,922,985	\$ 123,483,946

Note 15 - Other Postemployment Benefit Plan (Continued)

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council. It is the policy of the City Council to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy objective is preservation of capital. The asset allocation approved is included in the investment rate of return section above.

Rate of Return

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

Note 16 - Health Care Savings Plan

The City provides a Health Care Savings Plan (the "Plan") for employees not eligible for retiree healthcare benefits. The Plan is administered by MERS. For police and fire members, the City contributes 3 percent of an employee's base salary and requires a 3 percent employee contribution. There is no vesting period for police and fire employees. For AFSCME (TPOAM) employees, the City contributes \$40 per month for active plan members. City contributions vest after seven years of service for AFSCME (TPOAM) employees. Expenses under the plan amounted to \$26,749 for the year ended June 30, 2017.

Note 17 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Pension Trust Fund - December 31, 2016	Retiree Healthcare Fund	Pension and Other Employee Benefit Funds
Statement of Net Position			
Investments	\$ 81,498,286	\$ 1,115,848	\$ 82,614,134
Other assets	1,910,254	9,956	1,920,210
Net position	<u>\$ 83,408,540</u>	<u>\$ 1,125,804</u>	<u>\$ 84,534,344</u>
Statement of Changes in Net Position			
Investment income	\$ 4,650,658	\$ 107,703	\$ 4,758,361
Contributions	3,153,839	3,198,255	6,352,094
Benefit payments	6,931,182	2,698,255	9,629,437
Other deductions	33,862	-	33,862
Net change in net position	<u>\$ 839,453</u>	<u>\$ 607,703</u>	<u>\$ 1,447,156</u>

Note 18 - Tax Abatements

The City receives reduced property tax revenue as a result of Brownfield Redevelopment Agreements granted by cities within the boundaries of the City. Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2017, the City's property tax revenue was reduced by \$846,827 under this program.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes:				
Property taxes	\$ 7,723,669	\$ 7,723,669	\$ 7,721,384	\$ (2,285)
Police and fire millage	4,503,371	4,503,371	4,509,577	6,206
Intergovernmental:				
Federal grants	759,000	759,000	787,983	28,983
State sources	3,291,497	3,291,497	4,196,975	905,478
Charges for services:				
Charges to other funds	1,510,520	1,510,520	709,577	(800,943)
User fees	2,413,387	2,413,387	2,448,800	35,413
Fines and forfeitures	1,850,000	1,850,000	2,212,634	362,634
Licenses and permits:				
Cable franchise fees	525,200	525,200	616,110	90,910
Business licenses	30,600	30,600	36,230	5,630
Interest	15,000	15,000	28,243	13,243
Other revenue	747,761	747,761	148,513	(599,248)
Total revenue	23,370,005	23,370,005	23,416,026	46,021
Expenditures				
Current services:				
General government:				
Mayor and City Council	48,751	48,751	46,433	2,318
Finance	290,108	290,108	289,907	201
Treasurer	132,962	132,962	119,584	13,378
Assessing	199,681	199,681	188,590	11,091
Clerk	234,484	234,484	239,936	(5,452)
Administration	4,342,652	4,160,652	4,158,482	2,170
City hall	664,405	846,405	831,890	14,515
Retiree healthcare	3,600,000	3,600,000	3,057,240	542,760
District court	1,615,394	1,615,394	1,582,516	32,878
Public safety:				
Police	5,282,916	5,282,916	5,587,944	(305,028)
Fire	3,845,257	3,845,459	3,926,488	(81,029)
Public service	1,835,280	1,835,280	1,885,963	(50,683)
Recreation and culture:				
Parks and recreation	508,235	508,035	506,935	1,100
Community center	929,947	929,947	671,791	258,156
Historical	12,000	12,000	12,000	-
Total expenditures	23,542,072	23,542,074	23,105,699	436,375
Excess of Revenue (Under) Over Expenditures	(172,067)	(172,069)	310,327	482,396
Other Financing Sources - Sale of capital assets	-	-	2,652	2,652
Net Change in Fund Balance	(172,067)	(172,069)	312,979	485,048
Fund Balance - Beginning of year	7,302,798	7,302,798	7,302,798	-
Fund Balance - End of year	\$ 7,130,731	\$ 7,130,729	\$ 7,615,777	\$ 485,048

City of Allen Park, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Local Highway Fund

Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 1,268,616	\$ 1,268,616	\$ 1,361,292	\$ 92,676
Intergovernmental - State sources	<u>577,989</u>	<u>577,989</u>	<u>576,721</u>	<u>(1,268)</u>
Total revenue	1,846,605	1,846,605	1,938,013	91,408
Expenditures - Current services - Public works	<u>3,184,750</u>	<u>3,184,750</u>	<u>3,778,440</u>	<u>(593,690)</u>
Excess of Expenditures Over Revenue	(1,338,145)	(1,338,145)	(1,840,427)	(502,282)
Other Financing Sources - Transfers in	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>
Net Change in Fund Balance	(138,145)	(138,145)	(640,427)	(502,282)
Fund Balance - Beginning of year	<u>694,065</u>	<u>694,065</u>	<u>694,065</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 555,920</u></u>	<u><u>\$ 555,920</u></u>	<u><u>\$ 53,638</u></u>	<u><u>\$ (502,282)</u></u>

Required Supplemental Information
Plan Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Three Fiscal Years		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 1,318,028	\$ 1,171,406	\$ 1,210,976
Interest	7,273,210	7,053,955	6,724,409
Changes in benefit terms	(655,066)	279,525	(277,263)
Differences between expected and actual experience	316,565	1,491,147	(2,874,762)
Changes in assumptions	-	-	6,922,280
Benefit payments, including refunds	<u>(6,931,182)</u>	<u>(6,943,101)</u>	<u>(7,013,015)</u>
Net Change in Total Pension Liability	1,321,555	3,052,932	4,692,625
Total Pension Liability - Beginning of year	<u>106,709,566</u>	<u>103,656,634</u>	<u>98,964,009</u>
Total Pension Liability - End of year	<u>\$ 108,031,121</u>	<u>\$ 106,709,566</u>	<u>\$ 103,656,634</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 2,641,242	\$ 2,699,151	\$ 5,028,314
Contributions - Member	512,597	404,395	426,203
Net investment income	4,649,658	650,672	5,059,609
Administrative expenses	(26,857)	(78,030)	(49,565)
Benefit payments, including refunds	(6,931,182)	(6,943,101)	(7,013,015)
Other	<u>(6,005)</u>	<u>(1,172)</u>	<u>5,308</u>
Net Change in Plan Fiduciary Net Position	839,453	(3,268,085)	3,456,854
Plan Fiduciary Net Position - Beginning of year	<u>82,569,087</u>	<u>85,837,172</u>	<u>82,380,318</u>
Plan Fiduciary Net Position - End of year	<u>\$ 83,408,540</u>	<u>\$ 82,569,087</u>	<u>\$ 85,837,172</u>
City's Net Pension Liability - Ending	<u>\$ 24,622,581</u>	<u>\$ 24,140,479</u>	<u>\$ 17,819,462</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.21 %	77.38 %	82.81 %
Covered Employee Payroll	\$ 6,205,866	\$ 5,846,208	\$ 5,250,588
City's Net Pension Liability as a Percentage of Covered Employee Payroll	396.76 %	412.93 %	339.38 %

Required Supplemental Information
Schedule of Pension Plan Contributions

Last Ten Fiscal Years
Year Ended June 30

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 2,641,242	\$ 2,699,151	\$ 2,995,152	\$ 3,334,274	\$ 4,032,651	\$ 2,971,831	\$ 2,414,020	\$ 2,267,351	\$ 1,870,102	\$ 1,983,324
Contributions in relation to the actuarially determined contribution	2,641,242	2,699,151	5,028,314	2,204,685	1,310,580	2,971,831	3,177,149	2,545,881	1,962,336	1,916,145
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,033,162</u>	<u>\$ (1,129,589)</u>	<u>\$ (2,722,071)</u>	<u>\$ -</u>	<u>\$ 763,129</u>	<u>\$ 278,530</u>	<u>\$ 92,234</u>	<u>\$ (67,179)</u>
Covered employee payroll	\$ 6,205,866	\$ 5,846,208	\$ 5,250,588	\$ 5,800,000	\$ 6,800,000	\$ 7,100,000	\$ 7,700,000	\$ 9,200,000	\$ 9,100,000	\$ 8,900,000
Contributions as a percentage of covered employee payroll	42.56 %	46.17 %	95.77 %	38.01 %	19.27 %	41.86 %	41.26 %	27.67 %	21.56 %	21.53 %

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, which is six months prior to the beginning of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	General (AFSCME): Level dollar, closed Police and fire: Level percent of payroll, closed
Remaining amortization period	General (AFSCME): 16 years (out of 20) Police and fire: 22 years (out of 25)
Asset valuation method	Four-year smoothed market; 25 percent corridor
Inflation	2.50 percent
Salary increase	3.0 percent to 6.8 percent including inflation at 2.5 percent
Investment rate of return	7.0 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Mortality Tables projected five years to 2019, with MP-2014
Other information	Benefit changes include changes to the benefit formulas for administrative and appointee members as well as including a new benefit structure of police members hired after July 1, 2015. Benefits for police are now subject to an annual limit.

Required Supplemental Information
Schedule of Pension Plan Investment Returns

**Last Three Fiscal Years
Year Ended December 31**

2016

Annual money-weighted rate of return, net of investment expense

5.71 %

City of Allen Park, Michigan

Required Supplemental Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Employees Retirement System

	Last Three Plan Years		
	For the Plan Year Ended June 30		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	75.85075 %	78.53700 %	78.21488 %
City's proportionate share of the net pension liability	\$ 18,676,413	\$ 18,959,205	\$ 13,937,470
City's covered employee payroll	\$ 5,640,041	\$ 5,645,256	\$ 4,707,770
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	331.14 %	335.84 %	296.05 %
Plan fiduciary net position as a percentage of total pension liability	77.71 %	77.38 %	82.81 %

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Ten Fiscal Years
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 3,119,062
Interest	2,939,407
Changes in assumptions	(11,283,498)
Benefit payments, including refunds	<u>(2,948,000)</u>
Net Change in Total OPEB Liability	(8,173,029)
Total OPEB Liability - Beginning of year	<u>107,221,847</u>
Total OPEB Liability - End of year	<u>\$ 99,048,818</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 500,000
Net investment income	<u>107,703</u>
Net Change in Plan Fiduciary Net Position	607,703
Plan Fiduciary Net Position - Beginning of year	<u>518,130</u>
Plan Fiduciary Net Position - End of year	<u>\$ 1,125,833</u>
Net OPEB Liability - Ending	<u>\$ 97,922,985</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.1 %
Covered Employee Payroll	\$ 7,605,000
Net OPEB Liability as a Percentage of Covered Employee Payroll	1,287.6 %

Required Supplemental Information
Schedule of OPEB Contributions

	Last Eight Fiscal Years							
	Year Ended June 30							
	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 5,848,567	\$ 5,848,567	\$ 5,955,493	\$ 5,955,493	\$ 8,651,503	\$ 8,319,708	\$ 7,841,453	\$ 7,841,453
Contributions in relation to the actuarially determined contribution	3,198,255	3,565,360	2,908,544	2,392,414	3,154,563	3,146,929	3,195,442	2,941,916
Contribution excess	<u>\$ (2,650,312)</u>	<u>\$ (2,283,207)</u>	<u>\$ (3,046,949)</u>	<u>\$ (3,563,079)</u>	<u>\$ (5,496,940)</u>	<u>\$ (5,172,779)</u>	<u>\$ (4,646,011)</u>	<u>\$ (4,899,537)</u>
Covered employee payroll	\$ 7,158,292	\$ 7,158,292	\$ 6,077,675	\$ 6,077,675	\$ 7,088,572	\$ 7,088,572	\$ 9,131,710	\$ 9,131,710
Contributions as a percentage of covered employee payroll	44.7 %	49.8 %	47.9 %	39.4 %	44.5 %	44.4 %	35.0 %	32.2 %

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, 18 months 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	Entry age normal (Level percentage of pay)
Amortization method	Level percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.50 percent
Healthcare cost trend rates	Pre-65: 7.50 percent then graded down to 5.0 percent; Post-65: 5.0 percent
Salary increase	3.2 percent to 6.3 percent
Investment rate of return	3.50 percent
Retirement age	52 - 65 years
Mortality	RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with MP-2015 Full Generational Improvement.

City of Allen Park, Michigan

Required Supplemental Information
Schedule of OPEB Investment Returns

**Last Ten Fiscal Years
Year Ended June 30**

2017

Annual money-weighted rate of return, net of investment expense

13.5 %

**Required Supplemental Information
Schedule of OPEB Funding Progress**

**Last Ten Fiscal Years
Year Ended June 30**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
December 31, 2011	\$ -	\$ 139,884,352	\$ 139,884,352	-	\$ 7,088,572	1,973.38
December 31, 2013	-	93,108,019	93,108,019	-	6,077,675	1,531.97
December 31, 2015	500,006	88,864,837	88,364,831	0.56	7,158,292	1,234.44

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2015, the latest actuarial valuation, follows:

Amortization method	Entry age normal - Level percent
Amortization period (perpetual)	30 years, open
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.50%
Projected salary increases	3.2%-6.3%
*Includes inflation at	2.5%

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017

	Nonmajor Special Revenue Funds					Nonmajor Debt Service Funds	Total
	Major Highway Fund	Building Fund	Drug Law Enforcement Fund	Library Fund	Rubbish Fund	Community Center Debt Fund	
Assets							
Cash and investments	\$ 303,962	\$ 922,492	\$ 447,277	\$ 44,383	\$ 1,007	\$ 180,853	\$ 1,899,974
Receivables - Due from other governmental units	249,718	-	-	79,682	-	-	329,400
Due from component units	-	-	-	-	45,738	-	45,738
Total assets	\$ 553,680	\$ 922,492	\$ 447,277	\$ 124,065	\$ 46,745	\$ 180,853	\$ 2,275,112
Liabilities							
Accounts payable	\$ 62,725	\$ 6,420	\$ 18,266	\$ 15,835	\$ 1,890	\$ -	\$ 105,136
Refundable deposits, bonds, etc.	-	12,262	-	-	-	-	12,262
Accrued liabilities and other	-	11,535	-	13,441	-	-	24,976
Total liabilities	62,725	30,217	18,266	29,276	1,890	-	142,374
Fund Balance							
Restricted:							
Roads	490,955	-	-	-	-	-	490,955
Police	-	-	429,011	-	-	-	429,011
Debt service	-	-	-	-	-	180,853	180,853
Building	-	892,275	-	-	-	-	892,275
Library	-	-	-	94,789	-	-	94,789
Rubbish	-	-	-	-	44,855	-	44,855
Total fund balance	490,955	892,275	429,011	94,789	44,855	180,853	2,132,738
Total liabilities and fund balance	\$ 553,680	\$ 922,492	\$ 447,277	\$ 124,065	\$ 46,745	\$ 180,853	\$ 2,275,112

City of Allen Park, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2017

	Nonmajor Special Revenue Funds					Nonmajor Debt Service Funds	Total
	Major Highway Fund	Building Fund	Drug Law Enforcement Fund	Library Fund	Rubbish Fund	Community Center Debt Fund	
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ 567,239	\$ 1,701,702	\$ 425,926	\$ 2,694,867
Intergovernmental - State sources	1,595,054	-	-	88,845	-	-	1,683,899
Charges for services	-	694,001	-	-	-	-	694,001
Fines and forfeitures	-	-	120,547	12,229	-	-	132,776
Interest	-	425	-	-	-	-	425
Other revenue	-	-	399	-	630	-	1,029
Total revenue	1,595,054	694,426	120,946	668,313	1,702,332	425,926	5,206,997
Expenditures							
Current services:							
General government	-	564,263	-	-	-	-	564,263
Public safety	-	-	216,665	-	-	-	216,665
Public works	1,041,169	-	-	-	1,689,998	-	2,731,167
Recreation and culture	-	-	-	751,801	-	-	751,801
Debt service:							
Principal	-	-	-	-	-	175,000	175,000
Interest and fiscal charges	-	-	-	-	-	245,039	245,039
Total expenditures	1,041,169	564,263	216,665	751,801	1,689,998	420,039	4,683,935
Excess of Revenue Over (Under) Expenditures	553,885	130,163	(95,719)	(83,488)	12,334	5,887	523,062
Other Financing (Uses) Sources							
Transfers out	(700,000)	-	-	-	-	-	(700,000)
Sale of capital assets	-	-	4,855	-	-	-	4,855
Total other financing (uses) sources	(700,000)	-	4,855	-	-	-	(695,145)
Net Change in Fund Balances	(146,115)	130,163	(90,864)	(83,488)	12,334	5,887	(172,083)
Fund Balances - Beginning of year	637,070	762,112	519,875	178,277	32,521	174,966	2,304,821
Fund Balances - End of year	\$ 490,955	\$ 892,275	\$ 429,011	\$ 94,789	\$ 44,855	\$ 180,853	\$ 2,132,738

**Other Supplemental Information
Statement of Fiduciary Net Position
Fiduciary Funds**

June 30, 2017

	<u>Pension Trust Fund - December 31, 2016</u>	<u>Retiree Healthcare Fund</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash and cash equivalents	\$ 1,751,978	\$ 9,207	\$ 1,761,185
Investments:			
Treasury bonds	7,535,664	-	7,535,664
Agency securities	1,361,767	-	1,361,767
Other fixed income	210,852	-	210,852
Mutual funds - Fixed income	2,854,788	326,941	3,181,729
Stocks	17,845,923	-	17,845,923
Corporate bonds	10,999,856	-	10,999,856
ETF - Equity	12,377,050	167,413	12,544,463
Mutual funds - Equity	28,312,386	621,494	28,933,880
Receivables - Accrued interest	158,276	749	159,025
Net Position	<u>\$ 83,408,540</u>	<u>\$ 1,125,804</u>	<u>\$ 84,534,344</u>

**Other Supplemental Information
Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

Year Ended June 30, 2017

	Pension Trust Fund - December 31, 2016	Retiree Healthcare Fund	Total Fiduciary Funds
Additions			
Investment income:			
Interest and dividends	\$ 1,764,500	\$ 19,421	\$ 1,783,921
Net increase in fair value of investments	3,046,366	93,373	3,139,739
Investment-related expenses	(160,208)	(5,091)	(165,299)
Total investment income	4,650,658	107,703	4,758,361
Contributions:			
Employer	2,641,242	3,198,255	5,839,497
Employee	512,597	-	512,597
Total contributions	3,153,839	3,198,255	6,352,094
Total additions	7,804,497	3,305,958	11,110,455
Deductions			
Benefit payments	6,931,182	2,698,255	9,629,437
Administrative expenses	33,862	-	33,862
Total deductions	6,965,044	2,698,255	9,663,299
Net Increase in Net Position Held in Trust	839,453	607,703	1,447,156
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year, as restated	82,569,087	518,101	83,087,188
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 83,408,540	\$ 1,125,804	\$ 84,534,344

Other Supplemental Information
Statement of Assets and Liabilities
Agency Funds

June 30, 2017

	Tax Collection Fund	Trust and Agency Fund	Total Agency Funds
Assets - Cash and cash equivalents	\$ 656	\$ 352,144	\$ 352,800
Liabilities			
Accounts payable	\$ -	\$ 20,501	\$ 20,501
Due to other governmental units	656	-	656
Accrued liabilities and other	-	331,643	331,643
Total liabilities	\$ 656	\$ 352,144	\$ 352,800