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# City of Allen Park, Michigan

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

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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 year ended June 30, 2018 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 approximately 20 percent and 10 percent of the assets and revenue, respectively, of the aggregate discretely presented component units. The City of Allen Park Housing Commission's net position is \$1,892,202 compared to a deficit of \$3,929,885 in the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 opinions.

#### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park, Michigan as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

***Emphasis of Matter***

As discussed in Note 17 to the basic financial statements, in 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for postemployment benefits other than pensions to the employees of governmental employers. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplemental Information***

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

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 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.

*Plante & Moran, PLLC*

December 3, 2018

As management of the City of Allen Park, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2018.

### **Financial Highlights**

- The General Fund reported expenditures and transfers out in excess of revenue of \$3,035,206, resulting in fund balance decreasing from \$7,615,777 to \$4,580,571. Most of this decrease was due to the transfer of \$3.5 million to the Capital Projects Fund for the building of the new City Hall and police department.
- Property taxes revenue in the General Fund increased slightly by \$361,744 to \$12,592,705.
- Included again in the General Fund was a transfer of approximately \$1.693 million to subsidize debt service for the Southfield Lease Properties Fund and \$750,000 to the local road construction fund. There was also a transfer from the General Fund to the Capital Projects Fund for \$3.549 million to fund the construction of the City Hall and police department.
- A millage increase approved by the residents of Allen Park in August 2013 for public safety added \$4,720,918 to help offset the police and fire budgets.
- Grants for parks, fire, water, and sewer from Wayne County, FEMA, state, and federal sources totaled approximately \$517,400.
- The self-insurance healthcare plan came in under budget. With that savings, the General Fund contributed \$500,000 to the Retiree Health Care Trust Fund.
- The City closed on the sale of approximately seven acres of the former city hall and police property. The net proceeds (\$2,050,787) was used to help construct the city hall and police department.
- The City purchased the former Oakwood Medical site (15915 Southfield Road) in May 2017, and in May 2018, staff moved into a new permanent home for the city hall and police department.
- In June 2018, Standard & Poor's (S&P) upgraded the city bond rating back to investment grade from 'BB' to 'BBB+'.
- All labor contracts, with the exception of the fire department, are settled through June 30, 2019. The City is currently in arbitration with the fire employees.
- Besides the construction of city hall and the police department, capital projects in 2017-2018 included new equipment for the DPW, park updates, a new roof on the arena, and the first installment payments for the sewer vacor and new fire truck.

### **Overview of the Financial Statements**

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

### **Government-wide 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 financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the 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, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include providing water and sewage disposal.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Brownfield Redevelopment Authority, a legally separate Downtown Development Authority, and a legally separate Housing Commission for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The Building Authority, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as part of the primary government.

### **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. All of the City's funds can be divided into the following three categories:

- **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.

### **Government-wide Overall Financial Analysis**

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

As described in Note 17 to the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Implementing this standard resulted in the governmental activities net position being restated from a deficit of \$34,272,531 to a deficit of \$37,186,885 and the business-type activities and water and sewer fund net position being restated from \$37,461,465 to \$36,825,595.

# City of Allen Park, Michigan

## Management's Discussion and Analysis (Continued)

The tables below show the net position and changes in net position as of June 30, 2018 and 2017. Following the tables is an explanation of the reasons for significant fluctuations. The adjustments described above have been reflected in the tables below:

### City's Net Position

|                                       | Governmental Activities |                        | Business-type Activities |                      | Total               |                     |
|---------------------------------------|-------------------------|------------------------|--------------------------|----------------------|---------------------|---------------------|
|                                       | 2018                    | 2017                   | 2018                     | 2017                 | 2018                | 2017                |
| <b>Assets</b>                         |                         |                        |                          |                      |                     |                     |
| Current and other assets:             |                         |                        |                          |                      |                     |                     |
| Cash and investments                  | \$ 14,108,770           | \$ 12,734,984          | \$ 1,891,234             | \$ 1,841,756         | \$ 16,000,004       | \$ 14,576,740       |
| Receivables                           | 2,109,384               | 6,911,328              | 6,413,804                | 6,383,606            | 8,523,188           | 13,294,934          |
| Other assets                          | 476,329                 | 1,016,197              | 3,211,987                | 2,408,585            | 3,688,316           | 3,424,782           |
| Capital assets                        | 37,721,237              | 31,419,935             | 58,223,674               | 60,527,223           | 95,944,911          | 91,947,158          |
| Total assets                          | 54,415,720              | 52,082,444             | 69,740,699               | 71,161,170           | 124,156,419         | 123,243,614         |
| <b>Deferred Outflows of Resources</b> | 2,722,878               | 3,565,923              | 138,809                  | 1,115,865            | 2,861,687           | 4,681,788           |
| <b>Liabilities</b>                    |                         |                        |                          |                      |                     |                     |
| Current liabilities                   | 2,742,078               | 1,757,889              | 1,031,627                | 1,391,994            | 3,773,705           | 3,149,883           |
| Noncurrent liabilities                | 89,926,257              | 91,077,363             | 25,980,163               | 34,059,446           | 115,906,420         | 125,136,809         |
| Total liabilities                     | 92,668,335              | 92,835,252             | 27,011,790               | 35,451,440           | 119,680,125         | 128,286,692         |
| <b>Deferred Inflows of Resources</b>  | 2,373,163               | -                      | 1,401,485                | -                    | 3,774,648           | -                   |
| <b>Net Position</b>                   |                         |                        |                          |                      |                     |                     |
| Net investment in capital assets      | 32,472,205              | 26,407,560             | 38,205,025               | 35,369,283           | 70,677,230          | 61,776,843          |
| Restricted                            | 1,018,510               | 2,186,376              | 1,198,704                | 1,888,607            | 2,217,214           | 4,074,983           |
| Unrestricted                          | (71,393,615)            | (65,780,821)           | 2,062,504                | (432,295)            | (69,331,111)        | (66,213,116)        |
| Total net position                    | <u>\$ (37,902,900)</u>  | <u>\$ (37,186,885)</u> | <u>\$ 41,466,233</u>     | <u>\$ 36,825,595</u> | <u>\$ 3,563,333</u> | <u>\$ (361,290)</u> |

# City of Allen Park, Michigan

## Management's Discussion and Analysis (Continued)

### City's Changes in Net Position

|   | Governmental Activities      |                              | Business-type Activities    |                             | Total                      |                            |
|---|------------------------------|------------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|
|   | 2018                         | 2017                         | 2018                        | 2017                        | 2018                       | 2017                       |
| <b>Revenue</b>  |                              |                              |                             |                             |                            |                            |
| Program revenue:  |                              |                              |                             |                             |                            |                            |
| Charges for services                                    | \$ 4,841,846                 | \$ 5,005,479                 | \$ 10,043,272               | \$ 8,871,757                | \$ 14,885,118              | \$ 13,877,236              |
| Operating grants  | 3,511,159                    | 3,442,905                    | 68,653                      | 227,352                     | 3,579,812                  | 3,670,257                  |
| Capital grants  | 122,500                      | 85,087                       | -                           | -                           | 122,500                    | 85,087                     |
| General revenue:  |                              |                              |                             |                             |                            |                            |
| Property taxes  | 16,743,803                   | 16,287,120                   | 2,219,075                   | 2,380,332                   | 18,962,878                 | 18,667,452                 |
| Intergovernmental                                       | 3,537,204                    | 3,686,375                    | -                           | -                           | 3,537,204                  | 3,686,375                  |
| Investment earnings                                     | 112,218                      | 195,753                      | 51,841                      | 24,133                      | 164,059                    | 219,886                    |
| Other revenue   | 1,998,153                    | 711,952                      | 1,571,031                   | 413,224                     | 3,569,184                  | 1,125,176                  |
| Total revenue   | 30,866,883                   | 29,414,671                   | 13,953,872                  | 11,916,798                  | 44,820,755                 | 41,331,469                 |
| <b>Expenses</b>   |                              |                              |                             |                             |                            |                            |
| General government                                      | 6,078,641                    | 6,576,598                    | -                           | -                           | 6,078,641                  | 6,576,598                  |
| District court  | 1,739,039                    | 1,582,516                    | -                           | -                           | 1,739,039                  | 1,582,516                  |
| Public safety   | 11,625,559                   | 11,317,108                   | -                           | -                           | 11,625,559                 | 11,317,108                 |
| Public works  | 8,571,783                    | 7,954,461                    | -                           | -                           | 8,571,783                  | 7,954,461                  |
| Recreation and culture                                  | 1,983,445                    | 1,971,619                    | -                           | -                           | 1,983,445                  | 1,971,619                  |
| Debt service  | 1,584,431                    | 1,369,597                    | -                           | -                           | 1,584,431                  | 1,369,597                  |
| Water and Sewer Fund                                    | -                            | -                            | 9,313,234                   | 11,746,821                  | 9,313,234                  | 11,746,821                 |
| Total expenses  | 31,582,898                   | 30,771,899                   | 9,313,234                   | 11,746,821                  | 40,896,132                 | 42,518,720                 |
| <b>Change in Net Position</b>                           | (716,015)                    | (1,357,228)                  | 4,640,638                   | 169,977                     | 3,924,623                  | (1,187,251)                |
| <b>Net Position - Beginning of year,</b><br>as restated | (37,186,885)                 | (32,915,303)                 | 36,825,595                  | 37,291,488                  | (361,290)                  | 4,376,185                  |
| <b>Net Position - End of year</b>                       | <b><u>\$(37,902,900)</u></b> | <b><u>\$(34,272,531)</u></b> | <b><u>\$ 41,466,233</u></b> | <b><u>\$ 37,461,465</u></b> | <b><u>\$ 3,563,333</u></b> | <b><u>\$ 3,188,934</u></b> |

#### 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 \$716,015 to a deficit of \$37,902,900. There were no significant factors for the decrease in net position.

#### Business-type Activities

The City increased net position by \$4,640,638 in its business-type activities for the fiscal year ended June 30, 2018. Although there were no significant changes in its operations during the current fiscal year, the City continues to follow the capital plan created four years ago and has invested over \$1.8 million in infrastructure and equipment upgrades to the water and sewer system during the 2018 fiscal year.

### **Financial Analysis of Individual 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 \$14,216,649, a decrease of \$5,044,886 in comparison with the prior year. Approximately 28.6 percent of this total amount, or \$3,109,323, 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 third 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 \$4,104,242, while total fund balance was \$4,580,571. 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 16.15 percent 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 decreased by \$3,035,206 during the fiscal year. Notable items affecting fund balance include the following:

- The City used a planned \$3 million expenditure of fund balance to build and equip the new city hall and police department.
- The police and fire millage generated \$4.7 million, which funded 51 percent of police and fire's current year operations.
- The City continued in a self-insured program during the fiscal year, which contributed approximately \$500,000 in savings to the General Fund. The savings enabled the City to contribute to the Retirement Healthcare Fund.
- The City's General Fund transferred \$1.693 million to the Southfield Lease Properties Fund to subsidize the necessary debt service payments.
- The City's General Fund transferred \$750,000 to the Local Road Fund to subsidize the City road projects

### **General Fund Budgetary Highlights**

Planned General Fund use of \$3 million along with sale of old city hall property and use of unspent 2010 bonds to build the city hall and police department.

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

The City of Allen Park, Michigan's continued investment in capital assets for its governmental and business-type activities, as of June 30, 2018, amounts to \$95,944,911 (net of accumulated depreciation).

More detailed information about capital assets can be found in Note 5 to the financial statements.

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

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 continues to work diligently to cut operating costs as expenditures continue to increase.

Although taxable values have stabilized in southeastern Michigan, it is anticipated the property values will be small or flat (+0.5 to 1.5 percent) 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 replace the 3.5 mill public safety assessment passed in the prior year. The millage generated \$4,720,918 in 2018. This millage expires in December 2022.
- 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 10-year construction began in the spring of 2016. Next spring, parts of Park Avenue and McLain are slated for replacement.
- In May 2019, the City plans to call all the remaining 2009 A and B studio bonds (\$9,070,000). This cost avoidance move will reduce liability to the residents of Allen Park by over \$8.9 million in future interest payments.
- The City was awarded the FDCVT grant from the State of Michigan in the amount of \$315,257, with a city match of \$54,735. The award provided for a generator for the city hall and police station, as well as completion of the street light upgrades, excluding the DDA.
- Capital outlay for 2018-2019 includes \$541,115 in capital outlay from the Capital Projects Fund. This figure includes installment purchase payments, as well as capital.
- A total of \$1.8 in capital improvements are budgeted in the Water and Sewer Fund, which include a new water main on Jonas Ave. (\$1,085,000), sewer lining (\$200,000), and \$400,000 in basin upgrades.

#### **Requests for Further Information**

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. The entire budget is available for review on the city website ([www.cityofallenpark.org](http://www.cityofallenpark.org)). For additional questions about this report or additional information, requests should be directed to the city administrator at (313) 928-1883 or mailed to 15915 Southfield Road, Allen Park, MI 48101.

June 30, 2018

|  | Primary Government      |                          |                     | Component Units       |
|--|-------------------------|--------------------------|---------------------|-----------------------|
|  | Governmental Activities | Business-type Activities | Total               |                       |
| <b>Assets</b>  |                         |                          |                     |                       |
| Cash and investments   | \$ 14,108,770           | \$ 1,891,234             | \$ 16,000,004       | \$ 3,118,200          |
| Receivables:   |                         |                          |                     |                       |
| Property taxes receivable  | -                       | 892,444                  | 892,444             | -                     |
| Customer receivables   | -                       | 2,582,750                | 2,582,750           | -                     |
| Other receivables  | 140,920                 | -                        | 140,920             | -                     |
| Due from other governments   | 2,342,024               | 2,500,000                | 4,842,024           | -                     |
| Due from component units   | 65,050                  | -                        | 65,050              | -                     |
| Due from primary government  | -                       | -                        | -                   | 47,741                |
| Internal balances (Note 6)   | (438,610)               | 438,610                  | -                   | -                     |
| Inventory  | -                       | 128,080                  | 128,080             | -                     |
| Prepaid expenses and other assets  | 80,035                  | 3,503                    | 83,538              | 17,390                |
| Restricted assets (Note 4)   | 396,294                 | 1,198,704                | 1,594,998           | -                     |
| Investment in joint ventures (Note 7)                                    | -                       | 1,881,700                | 1,881,700           | -                     |
| Capital assets:  |                         |                          |                     |                       |
| Assets not subject to depreciation                                       | 1,340,973               | 932,323                  | 2,273,296           | 152,343               |
| Assets subject to depreciation - Net                                     | 36,380,264              | 57,291,351               | 93,671,615          | 6,602,333             |
| <b>Total assets</b>  | <b>54,415,720</b>       | <b>69,740,699</b>        | <b>124,156,419</b>  | <b>9,938,007</b>      |
| <b>Deferred Outflows of Resources</b> - Deferred pension costs (Note 11) | 2,722,878               | 138,809                  | 2,861,687           | -                     |
| <b>Liabilities</b>   |                         |                          |                     |                       |
| Accounts payable:  |                         |                          |                     |                       |
| Accounts payable   | 1,638,065               | 844,897                  | 2,482,962           | 1,061,823             |
| Retainage payable  | 141,604                 | -                        | 141,604             | -                     |
| Due to other governmental units  | -                       | -                        | -                   | 1,010                 |
| Due to component units   | 47,741                  | -                        | 47,741              | -                     |
| Due to primary government  | -                       | -                        | -                   | 65,050                |
| Refundable deposits, bonds, etc.   | -                       | -                        | -                   | 19,359                |
| Accrued liabilities and other  | 839,936                 | 186,730                  | 1,026,666           | 124,876               |
| Provision for property tax refunds                                       | 74,732                  | -                        | 74,732              | -                     |
| Noncurrent liabilities:  |                         |                          |                     |                       |
| Due within one year:   |                         |                          |                     |                       |
| Compensated absences (Note 7)  | 193,200                 | 1,899                    | 195,099             | 2,366                 |
| Current portion of bonds and leases payable (Note 7)                     | 1,044,556               | 2,467,353                | 3,511,909           | 820,000               |
| Due in more than one year:   |                         |                          |                     |                       |
| Compensated absences (Note 7)  | 1,738,800               | 17,093                   | 1,755,893           | 13,408                |
| Bonds and leases payable, net of current portion (Note 7)                | 34,174,476              | 17,551,296               | 51,725,772          | 11,760,000            |
| Net pension liability (Note 11)  | 12,469,090              | 1,461,150                | 13,930,240          | -                     |
| Net OPEB liability (Note 12)   | 40,306,135              | 4,481,372                | 44,787,507          | -                     |
| <b>Total liabilities</b>   | <b>92,668,335</b>       | <b>27,011,790</b>        | <b>119,680,125</b>  | <b>13,867,892</b>     |
| <b>Deferred Inflows of Resources</b>                                     |                         |                          |                     |                       |
| Deferred pension cost reductions (Note 11)                               | 2,221,621               | 1,384,636                | 3,606,257           | -                     |
| Deferred OPEB cost reductions (Note 12)                                  | 151,542                 | 16,849                   | 168,391             | -                     |
| <b>Total deferred inflows of resources</b>                               | <b>2,373,163</b>        | <b>1,401,485</b>         | <b>3,774,648</b>    | <b>-</b>              |
| <b>Net Position</b>  |                         |                          |                     |                       |
| Net investment in capital assets   | 32,472,205              | 38,205,025               | 70,677,230          | 4,094,676             |
| Restricted:  |                         |                          |                     |                       |
| Roads  | 42,694                  | -                        | 42,694              | -                     |
| Debt service   | 239,013                 | 1,198,704                | 1,437,717           | -                     |
| Police   | 151,626                 | -                        | 151,626             | -                     |
| Rubbish  | 186,519                 | -                        | 186,519             | -                     |
| Building   | 247,273                 | -                        | 247,273             | -                     |
| Library  | 151,385                 | -                        | 151,385             | -                     |
| Unrestricted   | (71,393,615)            | 2,062,504                | (69,331,111)        | (8,024,561)           |
| <b>Total net position</b>  | <b>\$ (37,902,900)</b>  | <b>\$ 41,466,233</b>     | <b>\$ 3,563,333</b> | <b>\$ (3,929,885)</b> |

# City of Allen Park, Michigan

|   | Program Revenue      |                      |                                    |                                  |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
|   | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Functions/Programs</b>                       |                      |                      |                                    |                                  |
| Primary government:                             |                      |                      |                                    |                                  |
| Governmental activities:                        |                      |                      |                                    |                                  |
| General government                              | \$ 6,078,641         | \$ 843,106           | \$ 334,829                         | \$ 62,480                        |
| District court                                  | 1,739,039            | 2,030,495            | 61,270                             | -                                |
| Public safety                                   | 11,625,559           | 1,514,837            | 229,603                            | -                                |
| Public works                                    | 8,571,783            | 6,659                | 2,885,457                          | -                                |
| Recreation and culture                          | 1,983,445            | 446,749              | -                                  | 60,020                           |
| Interest on long-term debt                      | 1,584,431            | -                    | -                                  | -                                |
| Total governmental activities                   | 31,582,898           | 4,841,846            | 3,511,159                          | 122,500                          |
| Business-type activities - Water and Sewer Fund | 9,313,234            | 10,043,272           | 68,653                             | -                                |
| Total primary government                        | <b>\$ 40,896,132</b> | <b>\$ 14,885,118</b> | <b>\$ 3,579,812</b>                | <b>\$ 122,500</b>                |
| Component units:                                |                      |                      |                                    |                                  |
| Brownfield Redevelopment Authority              | \$ 1,841,861         | \$ -                 | \$ -                               | \$ -                             |
| Downtown Development Authority                  | 885,507              | 500                  | -                                  | -                                |
| Housing Commission                              | 429,728              | 255,187              | 62,218                             | 32,326                           |
| Total component units                           | <b>\$ 3,157,096</b>  | <b>\$ 255,687</b>    | <b>\$ 62,218</b>                   | <b>\$ 32,326</b>                 |
| 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 17)

**Net Position (Deficit)** - End of year

## Statement of Activities

**Year Ended June 30, 2018**

| Net (Expense) Revenue and Changes in Net Position |                             |                     |                       |
|---|-----------------------------|---------------------|-----------------------|
| Primary Government                                |                             |                     |                       |
| Governmental<br>Activities                        | Business-type<br>Activities | Total               | Component<br>Units    |
| \$ (4,838,226)                                    | \$ -                        | \$ (4,838,226)      | \$ -                  |
| 352,726   | -                           | 352,726             | -                     |
| (9,881,119)                                       | -                           | (9,881,119)         | -                     |
| (5,679,667)                                       | -                           | (5,679,667)         | -                     |
| (1,476,676)                                       | -                           | (1,476,676)         | -                     |
| (1,584,431)                                       | -                           | (1,584,431)         | -                     |
| (23,107,393)                                      | -                           | (23,107,393)        | -                     |
| -   | 798,691                     | 798,691             | -                     |
| (23,107,393)                                      | 798,691                     | (22,308,702)        | -                     |
| -   | -                           | -                   | (1,841,861)           |
| -   | -                           | -                   | (885,007)             |
| -   | -                           | -                   | (79,997)              |
| -   | -                           | -                   | (2,806,865)           |
| 16,743,803  | 2,219,075                   | 18,962,878          | 2,805,283             |
| 3,537,204   | -                           | 3,537,204           | 381,288               |
| 112,218   | 51,841                      | 164,059             | 4,585                 |
| 575,307   | -                           | 575,307             | -                     |
| 1,340,324   | 100,555                     | 1,440,879           | -                     |
| -   | 1,470,476                   | 1,470,476           | -                     |
| 82,522  | -                           | 82,522              | 65,031                |
| 22,391,378  | 3,841,947                   | 26,233,325          | 3,256,187             |
| (716,015)   | 4,640,638                   | 3,924,623           | 449,322               |
| (37,186,885)                                      | 36,825,595                  | (361,290)           | (4,379,207)           |
| <b>\$ (37,902,900)</b>                            | <b>\$ 41,466,233</b>        | <b>\$ 3,563,333</b> | <b>\$ (3,929,885)</b> |

Governmental Funds  
Balance Sheet

June 30, 2018

|  | General Fund        | Major Debt Service Fund<br>Southfield<br>Lease Properties<br>Fund | Major Capital Project Fund<br>Capital Projects Fund | Nonmajor Funds      | Total Governmental Funds |
|--|---------------------|---|---|---------------------|--------------------------|
| <b>Assets</b>  |                     |   |   |                     |                          |
| Cash and investments   | \$ 3,865,870        | \$ 8,712,033  | \$ 240,501  | \$ 1,290,366        | \$ 14,108,770            |
| Receivables:   |                     |   |   |                     |                          |
| Other receivables  | 140,920             | -   | -   | -                   | 140,920                  |
| Due from other governments   | 1,751,785           | -   | 62,480  | 527,759             | 2,342,024                |
| Due from component units (Note 6)  | 64,967              | -   | -   | 83                  | 65,050                   |
| Due from other funds (Note 6)  | -                   | -   | -   | 234,413             | 234,413                  |
| Prepaid expenses and other assets  | 80,035              | -   | -   | -                   | 80,035                   |
| Restricted assets  | 396,294             | -   | -   | -                   | 396,294                  |
| <b>Total assets</b>  | <b>\$ 6,299,871</b> | <b>\$ 8,712,033</b>   | <b>\$ 302,981</b>                                   | <b>\$ 2,052,621</b> | <b>\$ 17,367,506</b>     |
| <b>Liabilities</b>   |                     |   |   |                     |                          |
| Accounts payable:  |                     |   |   |                     |                          |
| Accounts payable   | \$ 373,776          | \$ 99,546   | \$ 156,296  | \$ 1,008,447        | \$ 1,638,065             |
| Retainage payable  | -                   | -   | 141,604   | -                   | 141,604                  |
| Due to component units   | 47,741              | -   | -   | -                   | 47,741                   |
| Due to other funds (Note 6)  | 673,023             | -   | -   | -                   | 673,023                  |
| Accrued liabilities and other  | 456,497             | -   | -   | 25,664              | 482,161                  |
| Provision for property tax refunds   | 74,732              | -   | -   | -                   | 74,732                   |
| <b>Total liabilities</b>   | <b>1,625,769</b>    | <b>99,546</b>   | <b>297,900</b>                                      | <b>1,034,111</b>    | <b>3,057,326</b>         |
| <b>Deferred Inflows of Resources -</b>                                     |                     |   |   |                     |                          |
| Unavailable revenue  | 93,531              | -   | -   | -                   | 93,531                   |
| <b>Total liabilities and deferred inflows of resources</b>                 | <b>1,719,300</b>    | <b>99,546</b>   | <b>297,900</b>                                      | <b>1,034,111</b>    | <b>3,150,857</b>         |
| <b>Fund Balances</b>   |                     |   |   |                     |                          |
| Nonspendable   | 80,035              | -   | -   | -                   | 80,035                   |
| Restricted:  |                     |   |   |                     |                          |
| Roads  | -                   | -   | -   | 42,694              | 42,694                   |
| Police   | -                   | -   | -   | 151,626             | 151,626                  |
| Debt service   | 396,294             | 8,612,487   | -   | 239,013             | 9,247,794                |
| Building   | -                   | -   | -   | 247,273             | 247,273                  |
| Library  | -                   | -   | -   | 151,385             | 151,385                  |
| Rubbish  | -                   | -   | -   | 186,519             | 186,519                  |
| Assigned - Capital projects  | 1,000,000           | -   | -   | -                   | 1,000,000                |
| Unassigned   | 3,104,242           | -   | 5,081   | -                   | 3,109,323                |
| <b>Total fund balances</b>   | <b>4,580,571</b>    | <b>8,612,487</b>  | <b>5,081</b>  | <b>1,018,510</b>    | <b>14,216,649</b>        |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 6,299,871</b> | <b>\$ 8,712,033</b>   | <b>\$ 302,981</b>                                   | <b>\$ 2,052,621</b> | <b>\$ 17,367,506</b>     |

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

|  |                               |
|--|-------------------------------|
| <b>Fund Balance Reported in Governmental Funds</b>   | \$ 14,216,649                 |
| 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   | 37,721,237                    |
| Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds         | 93,531                        |
| Bonds and leases payable are not due and payable in the current period and are not reported in the funds   | (35,219,032)                  |
| Accrued interest is not due and payable in the current period and is not reported in the funds   | (357,775)                     |
| 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  | (1,932,000)                   |
| Pension benefits   | (11,967,833)                  |
| Retiree healthcare benefits  | (40,457,677)                  |
| <b>Net Position of Governmental Activities</b>   | <b><u>\$ (37,902,900)</u></b> |

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

Year Ended June 30, 2018

|  | General Fund        | Major Debt<br>Service Fund<br><u>Southfield<br/>Lease<br/>Properties<br/>Fund</u> | Major Capital<br>Project Fund<br><u>Capital<br/>Projects Fund</u> | Nonmajor<br>Funds   | Total<br>Governmental<br>Funds |
|--|---------------------|---|---|---------------------|--------------------------------|
| <b>Revenue</b>                                     |                     |   |   |                     |                                |
| Property taxes                                     | \$ 12,592,705       | \$ -  | \$ -  | \$ 4,151,098        | \$ 16,743,803                  |
| Intergovernmental:                                 |                     |   |   |                     |                                |
| Federal grants                                     | 279,550             | -   | -   | -                   | 279,550                        |
| State and local sources                            | 3,465,482           | -   | 62,480  | 3,120,087           | 6,648,049                      |
| Charges for services                               | 3,214,664           | -   | -   | 715,950             | 3,930,614                      |
| Fines and forfeitures                              | 2,030,495           | -   | -   | 99,867              | 2,130,362                      |
| Licenses and permits                               | 612,102             | -   | -   | -                   | 612,102                        |
| Investment income                                  | 40,582              | 70,249  | -   | 1,387               | 112,218                        |
| Other revenue                                      | 123,421             | -   | 15,775  | 4,596               | 143,792                        |
|  | <u>22,359,001</u>   | <u>70,249</u>   | <u>78,255</u>   | <u>8,092,985</u>    | <u>30,600,490</u>              |
| <b>Expenditures</b>                                |                     |   |   |                     |                                |
| Current services:                                  |                     |   |   |                     |                                |
| General government                                 | 5,571,188           | 101,029   | -   | 662,339             | 6,334,556                      |
| District court                                     | 1,739,039           | -   | -   | -                   | 1,739,039                      |
| Public safety                                      | 9,218,821           | -   | -   | 265,488             | 9,484,309                      |
| Public works                                       | 1,679,945           | -   | -   | 7,170,434           | 8,850,379                      |
| Recreation and culture                             | 912,780             | -   | -   | 671,081             | 1,583,861                      |
| Capital outlay                                     | -                   | -   | 7,512,356   | -                   | 7,512,356                      |
| Debt service:                                      |                     |   |   |                     |                                |
| Principal  | 245,000             | 365,000   | 220,511   | 200,000             | 1,030,511                      |
| Interest and fiscal charges                        | 45,689              | 1,537,900   | 4,604   | 238,049             | 1,826,242                      |
|  | <u>19,412,462</u>   | <u>2,003,929</u>  | <u>7,737,471</u>  | <u>9,207,391</u>    | <u>38,361,253</u>              |
| <b>Excess of Revenue Over (Under) Expenditures</b> | 2,946,539           | (1,933,680)   | (7,659,216)   | (1,114,406)         | (7,760,763)                    |
| <b>Other Financing Sources (Uses)</b>              |                     |   |   |                     |                                |
| Transfers in                                       | -                   | 1,692,695   | 4,958,670   | 1,360,000           | 8,011,365                      |
| Transfers out                                      | (5,991,995)         | (605,910)   | -   | (1,413,460)         | (8,011,365)                    |
| New debt - Installment purchase                    | -                   | -   | 654,839   | -                   | 654,839                        |
| Sale of capital assets                             | 10,250              | -   | 2,050,788   | -                   | 2,061,038                      |
|  | <u>(5,981,745)</u>  | <u>1,086,785</u>  | <u>7,664,297</u>  | <u>(53,460)</u>     | <u>2,715,877</u>               |
| <b>Net Change in Fund Balances</b>                 | (3,035,206)         | (846,895)   | 5,081   | (1,167,866)         | (5,044,886)                    |
| <b>Fund Balances - Beginning of year</b>           | 7,615,777           | 9,459,382   | -   | 2,186,376           | 19,261,535                     |
| <b>Fund Balances - End of year</b>                 | <u>\$ 4,580,571</u> | <u>\$ 8,612,487</u>   | <u>\$ 5,081</u>   | <u>\$ 1,018,510</u> | <u>\$ 14,216,649</u>           |

**Governmental Funds**

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

**Year Ended June 30, 2018**

|  |                                   |
|--|-----------------------------------|
| <b>Net Change in Fund Balances Reported in Governmental Funds</b>  | <b>\$ (5,044,886)</b>             |
| 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   | 11,279,795                        |
| Depreciation expense   | (4,257,779)                       |
| Net book value of assets disposed of   | <u>(720,714)</u>                  |
| Total  | 6,301,302                         |
| 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                                     | 93,531                            |
| Issuing capital leases provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position                                    | (654,839)                         |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)  | 1,028,182                         |
| Interest expense is recognized in the government-wide statements as it accrues   | (860)                             |
| 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>(2,438,445)</u>                |
| <b>Change in Net Position of Governmental Activities</b>   | <b><u><u>\$ (716,015)</u></u></b> |

Proprietary Funds  
Statement of Net Position

June 30, 2018

|  | Water and<br>Sewer Fund     |
|--|-----------------------------|
| <b>Assets</b>  |                             |
| Current assets:  |                             |
| Cash and investments   | \$ 1,891,234                |
| Receivables:   |                             |
| Property taxes receivable                                      | 892,444                     |
| Customer receivables   | 2,582,750                   |
| Due from other governments                                     | 500,000                     |
| Due from other funds   | 438,610                     |
| Inventory  | 128,080                     |
| Prepaid expenses and other assets                              | 3,503                       |
| Restricted assets  | <u>1,198,704</u>            |
| Total current assets   | 7,635,325                   |
| Noncurrent assets:   |                             |
| Investment in joint ventures (Note 7)                          | 1,881,700                   |
| Capital assets: (Note 5)                                       |                             |
| Assets not subject to depreciation                             | 932,323                     |
| Assets subject to depreciation - Net                           | 57,291,351                  |
| Due from other governments                                     | <u>2,000,000</u>            |
| Total noncurrent assets  | <u>62,105,374</u>           |
| Total assets   | 69,740,699                  |
| <b>Deferred Outflows of Resources</b> - Deferred pension costs | 138,809                     |
| <b>Liabilities</b>   |                             |
| Current liabilities:   |                             |
| Accounts payable   | 844,897                     |
| Accrued liabilities and other                                  | 186,730                     |
| Compensated absences (Note 7)                                  | 1,899                       |
| Current portion of bonds and leases payable (Note 7)           | <u>2,467,353</u>            |
| Total current liabilities                                      | 3,500,879                   |
| Noncurrent liabilities:  |                             |
| Compensated absences (Note 7)                                  | 17,093                      |
| Net pension liability  | 1,461,150                   |
| Net OPEB liability   | 4,481,372                   |
| Bonds and leases payable, net of current portion (Note 7)      | <u>17,551,296</u>           |
| Total noncurrent liabilities                                   | <u>23,510,911</u>           |
| Total liabilities  | 27,011,790                  |
| <b>Deferred Inflows of Resources</b>                           |                             |
| Deferred pension cost reductions                               | 1,384,636                   |
| Deferred OPEB cost reductions                                  | <u>16,849</u>               |
| Total deferred inflows of resources                            | <u>1,401,485</u>            |
| <b>Net Position</b>  |                             |
| Net investment in capital assets                               | 38,205,025                  |
| Restricted - Debt service                                      | 1,198,704                   |
| Unrestricted   | <u>2,062,504</u>            |
| Total net position   | <u><u>\$ 41,466,233</u></u> |

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

**Year Ended June 30, 2018**

|  | Water and<br>Sewer Fund |
|--|-------------------------|
| <b>Operating Revenue</b>                                       |                         |
| Sale of water  | \$ 5,062,180            |
| Sewage disposal charges  | 4,606,536               |
| Other sales to customers                                       | 41,324                  |
| Interest and penalty charges                                   | 333,232                 |
| Total operating revenue  | 10,043,272              |
| <b>Operating Expenses</b>                                      |                         |
| Cost of water  | 2,643,073               |
| Cost of sewage treatment                                       | 2,193,727               |
| Other operating and maintenance costs                          | 1,079,185               |
| Billing and administrative costs                               | 912,582                 |
| Depreciation   | 1,880,630               |
| Total operating expenses                                       | 8,709,197               |
| <b>Operating Income</b>  | 1,334,075               |
| <b>Nonoperating Revenue (Expense)</b>                          |                         |
| Property tax revenue   | 2,219,075               |
| Investment income  | 51,841                  |
| Income from joint venture                                      | 1,470,476               |
| Interest expense   | (604,037)               |
| Gain on sale of assets   | 100,555                 |
| State grants   | 68,653                  |
| Total nonoperating revenue                                     | 3,306,563               |
| <b>Change in Net Position</b>                                  | 4,640,638               |
| <b>Net Position</b> - Beginning of year, as restated (Note 17) | 36,825,595              |
| <b>Net Position</b> - End of year                              | <b>\$ 41,466,233</b>    |

**Proprietary Funds  
Statement of Cash Flows**

**Year Ended June 30, 2018**

|   | Water and<br>Sewer Fund           |
|---|-----------------------------------|
| <b>Cash Flows from Operating Activities</b>   |                                   |
| Receipts from customers   | \$ 9,528,853                      |
| Payments to suppliers   | (5,843,260)                       |
| Payments to employees and fringes   | <u>(1,427,502)</u>                |
| Net cash provided by operating activities   | 2,258,091                         |
| <b>Cash Flows from Noncapital Financing Activities</b> - Grant receipts               | 128,614                           |
| <b>Cash Flows from Capital and Related Financing Activities</b>                       |                                   |
| Proceeds on capital lease   | 331,085                           |
| Proceeds from sale of capital assets  | 100,555                           |
| Property taxes restricted for debt items  | 2,143,335                         |
| Purchase of capital assets  | (2,072,842)                       |
| Principal and interest paid on capital debt   | <u>(3,581,104)</u>                |
| Net cash used in capital and related financing activities                             | (3,078,971)                       |
| <b>Cash Flows Provided by Investing Activities</b> - Interest received on investments | <u>51,841</u>                     |
| <b>Net Decrease in Cash</b>   | (640,425)                         |
| <b>Cash</b> - Beginning of year   | <u>3,730,363</u>                  |
| <b>Cash</b> - End of year   | <b><u><u>\$ 3,089,938</u></u></b> |
| <b>Classification of Cash</b>   |                                   |
| Cash and investments  | \$ 1,891,234                      |
| Restricted cash   | <u>1,198,704</u>                  |
| Total cash  | <b><u><u>\$ 3,089,938</u></u></b> |
| <b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>       |                                   |
| Operating income  | \$ 1,334,075                      |
| Adjustments to reconcile operating income to net cash from operating activities:      |                                   |
| Depreciation and amortization   | 1,880,630                         |
| Changes in assets and liabilities:  |                                   |
| Receivables   | (75,809)                          |
| Due to and from other funds   | (438,610)                         |
| Inventories   | (22,756)                          |
| Prepaid and other assets  | (73)                              |
| Accounts payable  | 149,267                           |
| Net pension or OPEB liability   | (2,914,667)                       |
| Deferrals related to pension or OPEB  | 2,378,541                         |
| Accrued and other liabilities   | <u>(32,507)</u>                   |
| Total adjustments   | <u>924,016</u>                    |
| Net cash provided by operating activities   | <b><u><u>\$ 2,258,091</u></u></b> |

**Proprietary Funds  
Statement of Cash Flows (Continued)**

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**Year Ended June 30, 2018**

**Noncash Capital and Related Financing Activities** - During the current year, the City's proportionate share of the Downriver Sewage Disposal System assets and long-term debt balances were reduced by \$2,967,379. Additionally, long-term debt was issued on behalf of the City in the amount of \$471,618 for construction related to the Downriver Sewage Disposal System. The activity is administered by Wayne County, Michigan. Refer to Note 7 for additional information.

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**June 30, 2018**

|   | <u>Pension and<br/>Other<br/>Employee<br/>Benefit Funds</u> | <u>Agency Funds</u> |
|---|---|---------------------|
| <b>Assets</b>   |   |                     |
| Cash and cash equivalents   | \$ 1,417,025  | \$ 323,360          |
| Investments:  |   |                     |
| Treasury bonds  | 7,234,542   | -                   |
| Agency securities   | 1,124,908   | -                   |
| Other fixed income  | 200,326   | -                   |
| Mutual funds - Fixed income   | 4,528,630   | -                   |
| Mortgage securities   | 293,045   | -                   |
| Stocks  | 12,108,805  | -                   |
| Corporate bonds   | 11,525,389  | -                   |
| ETF - Equity  | 14,013,528  | -                   |
| Mutual funds - Equity   | 41,499,230  | -                   |
| Receivables - Accrued interest  | 218,321   | -                   |
| Prepaid expenses and other assets   | -   | 3,637               |
|   | 94,163,749  | <b>\$ 326,997</b>   |
| <b>Liabilities</b>  |   |                     |
| Accounts payable  | -   | \$ 30,171           |
| Due to other governmental units   | -   | 32                  |
| Accrued liabilities and other   | -   | 296,794             |
|   | -   | <b>\$ 326,997</b>   |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits</b> | <b>\$ 94,163,749</b>  |                     |

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

**Year Ended June 30, 2018**

|   | <u>Pension and<br/>Other<br/>Employee<br/>Benefit Funds</u> |
|---|---|
| <b>Additions</b>  |   |
| Investment income:  |   |
| Interest and dividends  | \$ 2,229,351  |
| Net increase in fair value of investments   | 11,149,068  |
| Investment-related expenses   | <u>(135,681)</u>  |
| Total investment income   | 13,242,738  |
| Contributions:  |   |
| Employer  | 5,602,001   |
| Employee  | <u>448,132</u>  |
| Total contributions   | <u>6,050,133</u>  |
| Total additions   | 19,292,871  |
| <b>Deductions</b>   |   |
| Benefit payments  | 9,599,940   |
| Administrative expenses   | <u>63,526</u>   |
| Total deductions  | <u>9,663,466</u>  |
| <b>Net Increase in Net Position Held in Trust</b>   | 9,629,405   |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b> | <u>84,534,344</u>   |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>       | <u><b>\$ 94,163,749</b></u>                                 |

Component Units  
Statement of Net Position

June 30, 2018

|  | Brownfield<br>Redevelopment<br>Authority | Downtown<br>Development<br>Authority | Housing<br>Commission -<br>December 31,<br>2017 | Total          |
|--|--|--------------------------------------|---|----------------|
| <b>Assets</b>                                    |  |                                      |   |                |
| Cash and investments                             | \$ 2,037,127                             | \$ 946,661                           | \$ 134,412                                      | \$ 3,118,200   |
| Due from primary government                      | -  | 47,741                               | -   | 47,741         |
| Prepaid expenses and other assets                | -  | -                                    | 17,390  | 17,390         |
| Capital assets:                                  |  |                                      |   |                |
| Assets not subject to depreciation               | -  | 84,293                               | 68,050  | 152,343        |
| Assets subject to depreciation - Net             | -  | 4,860,468                            | 1,741,865                                       | 6,602,333      |
| Total assets                                     | 2,037,127                                | 5,939,163                            | 1,961,717                                       | 9,938,007      |
| <b>Liabilities</b>                               |  |                                      |   |                |
| Accounts payable                                 | 1,004,000                                | 27,531                               | 30,292  | 1,061,823      |
| Due to other governmental units                  | 1,010                                    | -                                    | -   | 1,010          |
| Due to primary government                        | 65,050                                   | -                                    | -   | 65,050         |
| Refundable deposits, bonds, etc.                 | -  | -                                    | 19,359  | 19,359         |
| Accrued liabilities and other                    | 83,995                                   | 36,791                               | 4,090   | 124,876        |
| Noncurrent liabilities:                          |  |                                      |   |                |
| Due within one year:                             |  |                                      |   |                |
| Compensated absences                             | -  | -                                    | 2,366   | 2,366          |
| Current portion of bonds and leases payable      | 525,000                                  | 295,000                              | -   | 820,000        |
| Due in more than one year:                       |  |                                      |   |                |
| Compensated absences                             | -  | -                                    | 13,408  | 13,408         |
| Bonds and leases payable, net of current portion | 9,675,000                                | 2,085,000                            | -   | 11,760,000     |
| Total liabilities                                | 11,354,055                               | 2,444,322                            | 69,515  | 13,867,892     |
| <b>Net Position (Deficit)</b>                    |  |                                      |   |                |
| Net investment in capital assets                 | -  | 2,564,761                            | 1,809,915                                       | 4,374,676      |
| Unrestricted                                     | (9,316,928)                              | 930,080                              | 82,287  | (8,304,561)    |
| Total net (deficit) position                     | \$ (9,316,928)                           | \$ 3,494,841                         | \$ 1,892,202                                    | \$ (3,929,885) |

# City of Allen Park, Michigan

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| Functions/Programs                 | Expenses            | Program Revenue      |                                    |                                  |
|------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
|                                    |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Brownfield Redevelopment Authority | \$ 1,841,861        | \$ -                 | \$ -                               | \$ -                             |
| Downtown Development Authority     | 885,507             | 500                  | -                                  | -                                |
| Housing Commission                 | 429,728             | 255,187              | 62,218                             | 32,326                           |
| <b>Total</b>                       | <b>\$ 3,157,096</b> | <b>\$ 255,687</b>    | <b>\$ 62,218</b>                   | <b>\$ 32,326</b>                 |

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**

**Net Position (Deficit) - End of year**

Component Units  
Statement of Activities

Year Ended June 30, 2018

| Net (Expense) Revenue and Changes in Net Position |                                      |                       |                       |
|---|--------------------------------------|-----------------------|-----------------------|
| Brownfield<br>Redevelopment<br>Authority          | Downtown<br>Development<br>Authority | Housing<br>Commission | Total                 |
| \$ (1,841,861)                                    | \$ -                                 | \$ -                  | \$ (1,841,861)        |
| -   | (885,007)                            | -                     | (885,007)             |
| -   | -                                    | (79,997)              | (79,997)              |
| (1,841,861)                                       | (885,007)                            | (79,997)              | (2,806,865)           |
| 2,346,455   | 458,828                              | -                     | 2,805,283             |
| -   | 381,288                              | -                     | 381,288               |
| 4,291   | -                                    | 294                   | 4,585                 |
| -   | 62,635                               | 2,396                 | 65,031                |
| 2,350,746   | 902,751                              | 2,690                 | 3,256,187             |
| 508,885   | 17,744                               | (77,307)              | 449,322               |
| (9,825,813)                                       | 3,477,097                            | 1,969,509             | (4,379,207)           |
| <b>\$ (9,316,928)</b>                             | <b>\$ 3,494,841</b>                  | <b>\$ 1,892,202</b>   | <b>\$ (3,929,885)</b> |

**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 Governmental 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, MI 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 \$1,739,000 for its operations and received approximately \$2,030,000 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 Southfield Lease Properties Fund accounts for resources used for debt service and certain capital expenditures.
- The Capital Projects Fund accounts for certain capital expenditures of the City's various capital projects and is funded primarily through transfers from other funds of the City.

**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 Healthcare 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.

**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 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 -<br>Years |
|----------------------------|-----------------------------|
| Roads and sidewalks        | 40                          |
| Water and sewer lines      | 40-60                       |
| Buildings                  | 40                          |
| Buildings and improvements | 20-30                       |
| 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:

|   | <u>Outflows</u> | <u>Inflows</u> |
|---|-----------------|----------------|
| Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level |                 | ✓              |
| Deferred pension costs (outflow) and cost reductions (inflow)   | ✓               | ✓              |
| Deferred OPEB 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.

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

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

The 2017 taxable valuation of the City totaled \$727.8 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 \$   | 7,250,000            |
| Police special voted    | 6.7500       | 4,721,000            |
| Rubbish                 | 2.5436       | 1,728,000            |
| Library                 | 0.8479       | 576,000              |
| Debt - Community Center | 0.6002       | 441,000              |
| Debt - Sewer            | 1.0745       | 790,000              |
| EPA Judgment - Sewer    | 1.5117       | 1,111,000            |
| Roads                   | 1.9015       | 1,396,000            |
| Total                   |              | <u>\$ 18,013,000</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 Retirement System, 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 records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan’s fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**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 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 financial statements for the 2018-2019 fiscal year.

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2019.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

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

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except 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, which were in excess of the amounts budgeted, as follows:

|   | Budget     | Actual     | Variance   |
|---|------------|------------|------------|
| General Fund:                                 |            |            |            |
| General government - City hall                | \$ 605,895 | \$ 608,722 | \$ (2,827) |
| District court                                | 1,738,949  | 1,739,039  | (90)       |
| Public safety - Police                        | 5,616,543  | 5,625,711  | (9,168)    |
| Public works - Public service                 | 1,657,208  | 1,679,945  | (22,737)   |
| Recreation and culture - Parks and recreation | 295,419    | 306,208    | (10,789)   |

***Fund Deficits***

The Brownfield Redevelopment Authority has a deficit of \$9,316,928 as of June 30, 2018. The Authority plans to pay future debt service with tax increment revenue.

**Note 3 - Deposits and Investments**

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

|   | Governmental<br>Activities | Business-type<br>Activities | Fiduciary            | Component<br>Units  |
|---|----------------------------|-----------------------------|----------------------|---------------------|
| Cash and investments                      | \$ 14,108,770              | \$ 1,891,234                | \$ 93,945,428        | \$ 3,118,200        |
| Restricted cash and investments           | 396,294                    | 1,198,704                   | -                    | -                   |
| <b>Total deposits and<br/>investments</b> | <b>\$ 14,505,064</b>       | <b>\$ 3,089,938</b>         | <b>\$ 93,945,428</b> | <b>\$ 3,118,200</b> |

The investments are classified into the following categories:

|   | Governmental<br>Activities | Business-type<br>Activities | Fiduciary            | Component<br>Units  |
|---|----------------------------|-----------------------------|----------------------|---------------------|
| Deposits with financial institutions                                | \$ 2,697,782               | \$ 1,813,705                | \$ 1,417,025         | \$ 3,112,902        |
| Investments:  |                            |                             |                      |                     |
| Deposits with financial<br>institutions - Certificate of<br>deposit | 101,812                    | -                           | -                    | 5,298               |
| Reported at fair value:   |                            |                             |                      |                     |
| Treasury bonds  | -                          | -                           | 7,234,542            | -                   |
| Agency securities   | 1,329,258                  | 144,927                     | 1,124,908            | -                   |
| Other fixed income  | -                          | -                           | 200,326              | -                   |
| Mutual funds - Equity   | -                          | -                           | 41,499,230           | -                   |
| Mutual funds - Fixed income   | -                          | -                           | 4,528,630            | -                   |
| Stocks  | -                          | -                           | 12,108,805           | -                   |
| Corporate bonds   | -                          | -                           | 11,525,389           | -                   |
| ETF - Equity  | -                          | -                           | 14,013,528           | -                   |
| Mortgage securities   | -                          | -                           | 293,045              | -                   |
| Municipal bonds   | 5,054,738                  | 551,112                     | -                    | -                   |
| Commercial paper  | 5,321,474                  | 580,194                     | -                    | -                   |
| <b>Total</b>  | <b>\$ 14,505,064</b>       | <b>\$ 3,089,938</b>         | <b>\$ 93,945,428</b> | <b>\$ 3,118,200</b> |

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 3 - 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 \$3,644,788 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<br>Year | 1-5 Years            | 6-10 Years          | More Than 10<br>Years |
|--|----------------------|---------------------|----------------------|---------------------|-----------------------|
| Agency securities  | \$ 1,474,185         | \$ -                | \$ 1,474,185         | \$ -                | \$ -                  |
| Municipal bonds  | 5,605,850            | 3,728,510           | 866,410              | 1,010,930           | -                     |
| Commercial paper   | 5,901,668            | 5,901,668           | -                    | -                   | -                     |
| <b>Total</b>   | <b>\$ 12,981,703</b> | <b>\$ 9,630,178</b> | <b>\$ 2,340,595</b>  | <b>\$ 1,010,930</b> | <b>\$ -</b>           |
| Fiduciary Fund - Pension Trust<br>Fund - December 31, 2017 | Fair Value           | Less Than 1<br>Year | 1-5 Years            | 6-10 Years          | More Than 10<br>Years |
| Treasury bonds and agency<br>securities                    | \$ 8,359,450         | \$ -                | \$ 4,873,929         | \$ 2,407,745        | \$ 1,077,776          |
| Other fixed income   | 200,326              | -                   | 200,326              | -                   | -                     |
| Corporate bonds  | 11,525,389           | 335,597             | 7,487,821            | 3,595,740           | 106,231               |
| Mutual funds - Fixed income                                | 4,046,550            | -                   | 4,046,550            | -                   | -                     |
| Mortgage securities  | 293,045              | -                   | -                    | 293,045             | -                     |
| <b>Total</b>   | <b>\$ 24,424,760</b> | <b>\$ 335,597</b>   | <b>\$ 16,608,626</b> | <b>\$ 6,296,530</b> | <b>\$ 1,184,007</b>   |
| Fiduciary Fund - Retiree<br>Healthcare Fund                | Fair Value           | Less Than 1<br>Year | 1-5 Years            | 6-10 Years          | More Than 10<br>Years |
| Mutual funds - Fixed income                                | \$ 482,080           | \$ -                | \$ 482,080           | \$ -                | \$ -                  |

June 30, 2018

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

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. 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 |
|---------------------------|----------------------|--------|---------------------|
| <b>Primary Government</b> |                      |        |                     |
| Municipal bonds           | \$ 999,170           | AA2    | Moody's             |
| Municipal bonds           | 200,758              | A1     | S&P                 |
| Municipal bonds           | 1,010,930            | A2     | S&P                 |
| Municipal bonds           | 539,228              | AA     | S&P                 |
| Municipal bonds           | 2,104,604            | AA-    | S&P                 |
| Municipal bonds           | 751,160              | AA1    | S&P                 |
| Commercial paper          | 831,045              | A1+    | S&P                 |
| Commercial paper          | 3,084,958            | A1     | S&P                 |
| Commercial paper          | 1,985,665            | A3     | S&P                 |
| Agency securities         | 1,474,185            | AA+    | S&P                 |
| Total                     | <u>\$ 12,981,703</u> |        |                     |

| Investment   | Fair Value           | Rating    | Rating Organization |
|--|----------------------|-----------|---------------------|
| <b>Fiduciary Fund - Pension Trust Fund -<br/>December 31, 2017</b> |                      |           |                     |
| Fixed-income securities  | \$ 10,190,190        | Aaa       | Moody's             |
| Fixed-income securities  | 149,376              | Aa1       | Moody's             |
| Fixed-income securities  | 411,768              | Aa2       | Moody's             |
| Fixed-income securities  | 165,271              | Aa3       | Moody's             |
| Fixed-income securities  | 13,508,155           | Not Rated | Not Rated           |
| Total  | <u>\$ 24,424,760</u> |           |                     |

| Investment                                      | Fair Value        | Rating    | Rating Organization |
|---|-------------------|-----------|---------------------|
| <b>Fiduciary Fund - Retiree Healthcare Fund</b> |                   |           |                     |
| Mutual funds - Fixed income                     | <u>\$ 482,080</u> | Not Rated | Not Rated           |

**Component Units**

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$3,118,200.

**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.

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

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.

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

- Agency securities of \$1,474,185 are valued using quoted marketed prices (Level 1 inputs).
- Municipal bonds of \$5,605,850 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, 2017:

|                     | Assets Measured at Fair Value on a Recurring Basis at December 31, 2017 |   |   |                              |
|---------------------|---|---|---|------------------------------|
|                     | 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, 2017 |
| <b>Assets</b>       |   |   |   |                              |
| Fixed income:       |   |   |   |                              |
| Treasury bonds      | \$ 7,234,542  | \$ -  | \$ -                                      | \$ 7,234,542                 |
| Agency securities   | -   | 1,124,908                                     | -   | 1,124,908                    |
| Other fixed income  | -   | 200,326                                       | -   | 200,326                      |
| Mutual funds        | 4,046,550   | -   | -   | 4,046,550                    |
| Corporate bonds     | -   | 11,525,389                                    | -   | 11,525,389                   |
| Total fixed income  | 11,281,092  | 12,850,623                                    | -   | 24,131,715                   |
| Equity:             |   |   |   |                              |
| Stocks              | 12,108,805  | -   | -   | 12,108,805                   |
| ETF                 | 13,755,591  | -   | -   | 13,755,591                   |
| Mutual funds        | 40,508,837  | -   | -   | 40,508,837                   |
| Mortgage securities | -   | 293,045                                       | -   | 293,045                      |
| Total equity        | 66,373,233  | 293,045                                       | -   | 66,666,278                   |
| Total assets        | \$ 77,654,325   | \$ 13,143,668                                 | \$ -                                      | \$ 90,797,993                |

June 30, 2018

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

The City's Retiree Healthcare Fund (fiduciary fund) has the following recurring fair value measurements as of June 30, 2018:

|                             | Assets Measured at Fair Value on a Recurring Basis at June 30, 2018 |   |   |                          |
|-----------------------------|---|---|---|--------------------------|
|                             | Quoted Prices in Active Markets for Identical Assets (Level 1)      | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2018 |
| <b>Assets</b>               |   |   |   |                          |
| Fixed income - Mutual funds | \$ 482,080  | \$ -                                    | \$ -                                      | \$ 482,080               |
| Equity:                     |   |   |   |                          |
| ETF                         | 257,937   | -                                       | -   | 257,937                  |
| Mutual funds                | 990,393   | -                                       | -   | 990,393                  |
| Total equity                | 1,248,330   | -                                       | -   | 1,248,330                |
| Total assets                | \$ 1,730,410  | \$ -                                    | \$ -                                      | \$ 1,730,410             |

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

The fair value of agency bonds, corporate bonds, and other fixed income at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

**Note 4 - 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, 2018, restricted assets are composed of the following:

| Description                           | Governmental Activities | Business-type Activities |
|---------------------------------------|-------------------------|--------------------------|
| Cash held by trustee for debt service | \$ 396,294              | \$ -                     |
| Assets held at the county             | -                       | 1,198,704                |
| Total                                 | \$ 396,294              | \$ 1,198,704             |

June 30, 2018

**Note 5 - Capital Assets**

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

**Governmental Activities**

|  | Balance<br>July 1, 2017 | Reclassifications | Additions    | Disposals and<br>Adjustments | Balance<br>June 30, 2018 |
|--|-------------------------|-------------------|--------------|------------------------------|--------------------------|
| Capital assets not being depreciated:      |                         |                   |              |                              |                          |
| Land                                       | \$ 1,846,013            | \$ -              | \$ -         | \$ (630,000)                 | \$ 1,216,013             |
| Construction in progress                   | 1,960,123               | (1,960,123)       | 124,960      | -                            | 124,960                  |
| Subtotal                                   | 3,806,136               | (1,960,123)       | 124,960      | (630,000)                    | 1,340,973                |
| Capital assets being depreciated:          |                         |                   |              |                              |                          |
| Roads and sidewalks                        | 133,160,775             | 648,123           | 3,541,530    | -                            | 137,350,428              |
| Buildings and improvements                 | 13,431,975              | 1,312,000         | 6,400,550    | (124,846)                    | 21,019,679               |
| Furniture and equipment                    | 7,584,387               | -                 | 293,066      | (69,460)                     | 7,807,993                |
| Vehicles                                   | 4,383,298               | -                 | 919,649      | (195,217)                    | 5,107,730                |
| Land improvements                          | 2,140,519               | -                 | -            | -                            | 2,140,519                |
| Subtotal                                   | 160,700,954             | 1,960,123         | 11,154,795   | (389,523)                    | 173,426,349              |
| Accumulated depreciation:                  |                         |                   |              |                              |                          |
| Roads and sidewalks                        | 115,342,443             | -                 | 3,345,222    | -                            | 118,687,665              |
| Buildings and improvements                 | 6,977,553               | -                 | 271,194      | (34,133)                     | 7,214,614                |
| Machinery and equipment                    | 6,081,208               | -                 | 323,026      | (69,459)                     | 6,334,775                |
| Vehicles                                   | 3,108,125               | -                 | 242,599      | (195,257)                    | 3,155,467                |
| Land improvements                          | 1,577,826               | -                 | 75,738       | -                            | 1,653,564                |
| Subtotal                                   | 133,087,155             | -                 | 4,257,779    | (298,849)                    | 137,046,085              |
| Net capital assets being depreciated       | 27,613,799              | 1,960,123         | 6,897,016    | (90,674)                     | 36,380,264               |
| Net governmental activities capital assets | \$ 31,419,935           | \$ -              | \$ 7,021,976 | \$ (720,674)                 | \$ 37,721,237            |

June 30, 2018

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

***Business-type Activities***

|   | Balance<br>July 1, 2017 | Reclassifications | Additions         | Disposals and<br>Adjustments | Balance<br>June 30, 2018 |
|---|-------------------------|-------------------|-------------------|------------------------------|--------------------------|
| Capital assets not being depreciated:       |                         |                   |                   |                              |                          |
| Land  | \$ 60,000               | \$ -              | \$ -              | \$ -                         | \$ 60,000                |
| Construction in progress                    | 189,981                 | (189,981)         | 872,323           | -                            | 872,323                  |
| Subtotal                                    | 249,981                 | (189,981)         | 872,323           | -                            | 932,323                  |
| Capital assets being depreciated:           |                         |                   |                   |                              |                          |
| Water and sewer lines                       | 82,465,519              | 189,981           | 1,211,992         | (2,967,379)                  | 80,900,113               |
| Buildings and improvements                  | 2,367,857               | -                 | -                 | -                            | 2,367,857                |
| Furniture and equipment                     | 2,291,785               | -                 | 460,145           | (486,192)                    | 2,265,738                |
| Meters                                      | 2,283,197               | -                 | -                 | -                            | 2,283,197                |
| Subtotal                                    | 89,408,358              | 189,981           | 1,672,137         | (3,453,571)                  | 87,816,905               |
| Accumulated depreciation:                   |                         |                   |                   |                              |                          |
| Water and sewer lines                       | 23,429,184              | -                 | 1,651,241         | -                            | 25,080,425               |
| Buildings and improvements                  | 1,739,399               | -                 | 70,548            | -                            | 1,809,947                |
| Machinery and equipment                     | 1,779,224               | -                 | 85,146            | (486,192)                    | 1,378,178                |
| Meters                                      | 2,183,309               | -                 | 73,695            | -                            | 2,257,004                |
| Subtotal                                    | 29,131,116              | -                 | 1,880,630         | (486,192)                    | 30,525,554               |
| Net capital assets being depreciated        | 60,277,242              | 189,981           | (208,493)         | (2,967,379)                  | 57,291,351               |
| Net business-type activities capital assets | <u>\$ 60,527,223</u>    | <u>\$ -</u>       | <u>\$ 663,830</u> | <u>\$ (2,967,379)</u>        | <u>\$ 58,223,674</u>     |

The current year water and sewer lines disposal and adjustment of \$2,967,379 was a result of a significant reduction in the City's proportionate share of the assets of the Downriver Sewage Disposal System. See Note 8 for further information.

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

Capital asset activity for the City's Housing Commission (component unit) for the year ended December 31, 2017 was as follows:

***Housing Commission - Component Unit***

|  | Balance<br>January 1, 2017 | Reclassification | Additions          | Balance<br>December 31,<br>2017 |
|--|----------------------------|------------------|--------------------|---------------------------------|
| Capital assets not being depreciated:                  |                            |                  |                    |                                 |
| Land   | \$ 68,050                  | \$ -             | \$ -               | \$ 68,050                       |
| Other nondepreciable assets                            | 5,775                      | (5,775)          | -                  | -                               |
| Subtotal   | 73,825                     | (5,775)          | -                  | 68,050                          |
| Capital assets being depreciated:                      |                            |                  |                    |                                 |
| Buildings and improvements                             | 3,139,476                  | -                | 32,965             | 3,172,441                       |
| Furniture, equipment, and machinery - Dwelling         | 36,165                     | -                | 866                | 37,031                          |
| Furniture, equipment, and machinery - Administration   | 29,394                     | 5,775            | -                  | 35,169                          |
| Subtotal   | 3,205,035                  | 5,775            | 33,831             | 3,244,641                       |
| Accumulated depreciation:                              |                            |                  |                    |                                 |
| Buildings and improvements                             | 1,364,970                  | -                | 90,442             | 1,455,412                       |
| Furniture, equipment, and machinery - Dwelling         | 31,217                     | -                | -                  | 31,217                          |
| Furniture, equipment, and machinery - Administration   | 16,147                     | -                | -                  | 16,147                          |
| Subtotal   | 1,412,334                  | -                | 90,442             | 1,502,776                       |
| Net capital assets being depreciated                   | 1,792,701                  | 5,775            | (56,611)           | 1,741,865                       |
| Net Housing Commission - Component unit capital assets | <u>\$ 1,866,526</u>        | <u>\$ -</u>      | <u>\$ (56,611)</u> | <u>\$ 1,809,915</u>             |

June 30, 2018

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

Capital asset activity for the City's Downtown Development Authority (component unit) for the year ended June 30, 2018 was as follows:

***Downtown Development Authority - Component Unit***

|   | Balance<br>July 1, 2017 | Reclassifications | Additions           | Disposals and<br>Adjustments | Balance<br>June 30, 2018 |
|---|-------------------------|-------------------|---------------------|------------------------------|--------------------------|
| 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                  |
| Furniture and equipment                     | 17,816                  | -                 | -                   | -                            | 17,816                   |
| Subtotal                                    | 12,813,613              | -                 | -                   | -                            | 12,813,613               |
| Accumulated depreciation:                   |                         |                   |                     |                              |                          |
| Site improvements                           | 7,292,377               | -                 | 475,836             | -                            | 7,768,213                |
| Buildings                                   | 157,447                 | -                 | 9,669               | -                            | 167,116                  |
| Machinery and equipment                     | 17,816                  | -                 | -                   | -                            | 17,816                   |
| Subtotal                                    | 7,467,640               | -                 | 485,505             | -                            | 7,953,145                |
| Net capital assets being depreciated        | 5,345,973               | -                 | (485,505)           | -                            | 4,860,468                |
| Net capital assets                          | <u>\$ 5,430,266</u>     | <u>\$ -</u>       | <u>\$ (485,505)</u> | <u>\$ -</u>                  | <u>\$ 4,944,761</u>      |

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

|  |                     |
|--|---------------------|
| Governmental activities:                   |                     |
| General government                         | \$ 154,090          |
| Public safety                              | 283,827             |
| Public works                               | 3,449,232           |
| Economic development                       | 1,030               |
| Recreation and culture                     | 369,600             |
| Total governmental activities              | <u>\$ 4,257,779</u> |
| Business-type activities - Water and sewer | \$ 1,880,630        |
| Component unit activities:                 |                     |
| Housing Commission - December 31, 2017     | \$ 90,442           |
| Downtown Development Authority             | 485,505             |
| Total component unit activities            | <u>\$ 575,947</u>   |

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

The composition of interfund balances is as follows:

| Receivable Fund             | Payable Fund | Amount            |
|-----------------------------|--------------|-------------------|
| Water and Sewer Fund        | General Fund | \$ 438,610        |
| Nonmajor governmental funds | General Fund | 234,413           |
|                             | Total        | <u>\$ 673,023</u> |

June 30, 2018

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

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

| Receivable                     | Payable                            | Amount            |
|--------------------------------|------------------------------------|-------------------|
| General Fund                   | Brownfield Redevelopment Authority | \$ 64,967         |
| Nonmajor governmental funds    | Brownfield Redevelopment Authority | 83                |
| Downtown Development Authority | General Fund                       | <u>47,741</u>     |
|                                | Total                              | <u>\$ 112,791</u> |

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 composed of the following:

| Paying Fund (Transfer Out)       | Receiving Fund (Transfer In)      | Amount              |
|----------------------------------|-----------------------------------|---------------------|
| General Fund                     | Southfield Lease Properties Fund  | \$ 1,692,695        |
|                                  | Capital Projects Fund             | 3,549,300           |
|                                  | Nonmajor governmental funds       | <u>750,000</u>      |
|                                  | Total General Fund                | 5,991,995           |
| Southfield Lease Properties Fund | Capital Projects Fund             | 605,910             |
| Nonmajor governmental funds      | Capital Projects Fund             | 803,460             |
|                                  | Nonmajor governmental funds       | <u>610,000</u>      |
|                                  | Total nonmajor governmental funds | <u>1,413,460</u>    |
|                                  | Total                             | <u>\$ 8,011,365</u> |

The transfers from the General Fund to the nonmajor governmental funds 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; the transfers from the nonmajor governmental funds (Major Highway Fund) to the nonmajor governmental funds (Local Highway Fund) represents the sharing of gas and weight tax revenue in accordance with Act 51; and the transfers from the General Fund, Southfield Lease Properties Fund, and nonmajor governmental funds into the Capital Projects Funds represents the funding of capital projects for those respective funds.

June 30, 2018

**Note 7 - Long-term Debt**

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

**Governmental Activities**

|   | Interest<br>Rate<br>Ranges | Principal<br>Maturity<br>Ranges | Beginning<br>Balance | Additions | Reductions   | Ending<br>Balance | Due within<br>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                       | \$ 3,850,000         | \$ -      | \$ (150,000) | \$ 3,700,000      | \$ 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                       | 1,200,000            | -         | (50,000)     | 1,150,000         | 50,000                 |
| 2014 State of Michigan Emergency Loan:  |                            |                                 |                      |           |              |                   |                        |
| Amount of issue:  |                            |                                 |                      |           |              |                   |                        |
| \$2,600,000   |                            | \$250,000-                      |                      |           |              |                   |                        |
| Maturing through 2025   | 2.30%                      | \$285,000                       | 2,110,000            | -         | (245,000)    | 1,865,000         | 250,000                |
| 2009AB General Obligation Bonds - Southfield Lease Properties:  |                            |                                 |                      |           |              |                   |                        |
| Amount of issue:  |                            |                                 |                      |           |              |                   |                        |
| \$9,905,000   | 7.00%-                     | \$300,000-                      |                      |           |              |                   |                        |
| Maturing through 2039   | 7.10%                      | \$840,000                       | 9,360,000            | -         | (290,000)    | 9,070,000         | 300,000                |
| 2010 General Obligation Limited Bonds - Southfield Lease Properties:  |                            |                                 |                      |           |              |                   |                        |
| Amount of issue:  |                            |                                 |                      |           |              |                   |                        |
| \$2,725,000   | 4.50%-                     | \$80,000-                       |                      |           |              |                   |                        |
| Maturing through 2034   | 5.75%                      | \$220,000                       | 2,360,000            | -         | (75,000)     | 2,285,000         | 80,000                 |
| 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   |                            |                                 | 35,630,000           | -         | (810,000)    | 34,820,000        | 830,000                |
| Unamortized bond discounts  |                            |                                 | (37,625)             | -         | 2,329        | (35,296)          | -                      |
| Total bonds and contracts payable   |                            |                                 | 35,592,375           | -         | (807,671)    | 34,784,704        | 830,000                |

June 30, 2018

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

|  |      |            |                     |                     |                      |                     |                     |
|--|------|------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| Leases payable                               | 2.3% | \$214,556- | -                   | 654,839             | (220,511)            | 434,328             | 214,556             |
| Compensated absences                         |      | \$219,772  | 1,633,296           | 461,734             | (163,030)            | 1,932,000           | 193,200             |
| Total governmental activities long-term debt |      |            | <u>\$37,225,671</u> | <u>\$ 1,116,573</u> | <u>\$(1,191,212)</u> | <u>\$37,151,032</u> | <u>\$ 1,237,756</u> |

**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                 | \$ 850,000          | \$ -              | \$ (150,000)         | \$ 700,000          | \$ 150,000          |
| 2005 General Obligation Limited Tax Bonds:                    |                      |                           |                     |                   |                      |                     |                     |
| Amount of issue   |                      |                           |                     |                   |                      |                     |                     |
| \$4,000,000   | 4.00%-               | \$200,000-                |                     |                   |                      |                     |                     |
| Maturing through 2025   | 4.20%                | \$380,000                 | 2,130,000           | -                 | (190,000)            | 1,940,000           | 200,000             |
| 2009 Michigan Municipal Bond Authority - Clean Water Program: |                      |                           |                     |                   |                      |                     |                     |
| Amount of issue:  |                      |                           |                     |                   |                      |                     |                     |
| \$12,278,881  |                      | \$555,000-                |                     |                   |                      |                     |                     |
| Maturing through 2032   | 2.50%                | \$760,881                 | 9,680,881           | -                 | (540,000)            | 9,140,881           | 555,000             |
| Wayne County - Downriver Sewage Disposal System:              |                      |                           |                     |                   |                      |                     |                     |
| Amount of issue: Various                                      |                      |                           |                     |                   |                      |                     |                     |
| Maturing through various dates                                | Various              | Various                   | 12,507,179          | 438,250           | (4,919,681)          | 8,025,748           | 1,454,631           |
| Total principal outstanding                                   |                      |                           | 25,168,060          | 438,250           | (5,799,681)          | 19,806,629          | 2,359,631           |
| Unamortized bond discounts                                    |                      |                           | (10,120)            | -                 | 4,078                | (6,042)             | -                   |
| Total bonds payable   |                      |                           | 25,157,940          | 438,250           | (5,795,603)          | 19,800,587          | 2,359,631           |
| Leases payable  |                      |                           |                     |                   |                      |                     |                     |
| Compensated absences  | 2.3%                 | \$107,722-\$110,340       | -                   | 331,085           | (113,023)            | 218,062             | 107,722             |
|   |                      |                           | 44,317              | 14,560            | (39,885)             | 18,992              | 1,899               |
| Total business-type activities long-term debt                 |                      |                           | <u>\$25,202,257</u> | <u>\$ 783,895</u> | <u>\$(5,948,511)</u> | <u>\$20,037,641</u> | <u>\$ 2,469,252</u> |

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

**Component Unit**

|  | Interest<br>Rate<br>Ranges | Principal<br>Maturity<br>Ranges | Beginning<br>Balance | Additions | Reductions   | Ending<br>Balance | Due within<br>One Year |
|--|----------------------------|---------------------------------|----------------------|-----------|--------------|-------------------|------------------------|
| Bonds payable:   |                            |                                 |                      |           |              |                   |                        |
| 2005 General Obligation<br>Limited Tax Bonds -<br>Downtown Development<br>Authority:<br>Original issue:<br>\$4,500,000         |                            |                                 |                      |           |              |                   |                        |
|  | 4.00%-                     | \$295,000-                      |                      |           |              |                   |                        |
| Maturing through 2025  | 4.40%                      | \$385,000                       | \$ 2,660,000         | \$ -      | \$ (280,000) | \$ 2,380,000      | \$ 295,000             |
| 2007 General Obligation<br>Limited Tax Bonds -<br>Brownfield<br>Redevelopment<br>Authority:<br>Original issue:<br>\$15,710,000 |                            |                                 |                      |           |              |                   |                        |
|  | 4.25%-                     | \$525,000-                      |                      |           |              |                   |                        |
| Maturing through 2032  | 5.00%                      | \$975,000                       | 10,725,000           | -         | (525,000)    | 10,200,000        | 525,000                |
| Total bonds payable  |                            |                                 | 13,385,000           | -         | (805,000)    | 12,580,000        | 820,000                |
| Compensated absences -<br>Housing Commission -<br>December 31, 2017  |                            |                                 |                      |           |              |                   |                        |
|  |                            |                                 | 15,774               | -         | -            | 15,774            | 2,366                  |
| Total component units<br>long-term debt  |                            |                                 | \$13,400,774         | \$ -      | \$ (805,000) | \$12,595,774      | \$ 822,366             |

**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.

**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 \$1,881,700 at June 30, 2018. During the current year, the City's proportionate share of the System's total flow was significantly reduced. As a result, the City's proportionate share of the Downriver Sewage Disposal System assets and long-term debt balances were reduced by \$2,967,379. 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 \$9,185,000. During the current year, the City paid \$1,412,608 for operations of the system and \$2,184,326 for debt service.

**Other Long-term Liabilities**

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

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

**Debt Service Requirements to Maturity**

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

| Years Ending June 30 | Governmental Activities |                      |                      | Business-type Activities |                     |                      |
|----------------------|-------------------------|----------------------|----------------------|--------------------------|---------------------|----------------------|
|                      | Principal               | Interest             | Total                | Principal                | Interest            | Total                |
| 2019                 | \$ 1,044,556            | \$ 1,790,503         | \$ 2,835,059         | \$ 2,467,353             | \$ 549,056          | \$ 3,016,409         |
| 2020                 | 954,772                 | 1,747,867            | 2,702,639            | 2,094,735                | 474,066             | 2,568,801            |
| 2021                 | 775,000                 | 1,709,134            | 2,484,134            | 1,964,472                | 415,988             | 2,380,460            |
| 2022                 | 790,000                 | 1,674,188            | 2,464,188            | 1,390,649                | 366,753             | 1,757,402            |
| 2023                 | 960,000                 | 1,634,285            | 2,594,285            | 1,372,002                | 322,868             | 1,694,870            |
| 2024-2028            | 5,685,000               | 7,449,065            | 13,134,065           | 6,190,253                | 1,010,980           | 7,201,233            |
| Thereafter           | 25,045,000              | 10,693,820           | 35,738,820           | 4,545,227                | 278,164             | 4,823,391            |
| <b>Total</b>         | <b>\$ 35,254,328</b>    | <b>\$ 26,698,862</b> | <b>\$ 61,953,190</b> | <b>\$ 20,024,691</b>     | <b>\$ 3,417,875</b> | <b>\$ 23,442,566</b> |

| Years Ending June 30 | Component Unit Activities |                     |                      |
|----------------------|---------------------------|---------------------|----------------------|
|                      | Principal                 | Interest            | Total                |
| 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                 | 1,005,000                 | 445,978             | 1,450,978            |
| 2024-2028            | 4,430,000                 | 1,523,725           | 5,953,725            |
| Thereafter           | 3,625,000                 | 463,750             | 4,088,750            |
| <b>Total</b>         | <b>\$ 12,580,000</b>      | <b>\$ 4,630,352</b> | <b>\$ 17,210,352</b> |

**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 \$30,900,833, with annual requirements ranging from \$744,141 in 2019 to \$1,252,360 in the final year. Total principal and interest remaining on the 2014 State of Michigan Emergency Loan total \$2,018,769, with annual requirements ranging from \$289,996 in 2019 to \$288,260 in the final year. The state-shared revenue, from which the appropriations will be made, have averaged approximately \$2,645,000 over the last three years. For the current year, the principal and interest paid by the City and the total state-shared revenue recognized by the City were \$290,689 and \$2,742,272, respectively.

**Note 8 - 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.

**Note 8 - Risk Management (Continued)**

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 liability - Beginning of year                   | \$ 350,000            |
| Estimated claims incurred, including changes in estimates | 1,822,124             |
| Claim payments  | <u>(1,964,624)</u>    |
| Estimated liability - End of year                         | <u>\$ 207,500</u>     |

**Note 9 - 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 \$605,248 and paid interest of \$398,752. At June 30, 2018, the outstanding commitment is \$7,304,353.

**Note 10 - 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 11 - 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.

The financial statements of the pension system are included in these financial statements as a pension trust fund (a fiduciary fund).

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.

**Note 11 - Pension Plan (Continued)**

***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.

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.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

|   | <u>Employees<br/>Retirement System</u> |
|---|--|
| Date of member count  | December 31, 2017                      |
| Inactive plan members or beneficiaries currently receiving benefits | 226                                    |
| Inactive plan members entitled to but not yet receiving benefits    | 12                                     |
| Active plan members   | <u>89</u>                              |
| Total employees covered by the Plan                                 | <u><u>327</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, 2018, the active employee contribution rate was 7.0 percent of covered compensation and the City contributed the actuarial required contribution of \$2,626,412, for which \$540,000 was paid by the 24th District Court.

**Note 11 - Pension Plan (Continued)**

**Net Pension Liability**

The net pension liability of \$17,535,644 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 \$13,930,240 at June 30, 2018.

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2018 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, 2017 measurement date. The December 31, 2017 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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 |
| <b>Balance at December 31, 2016</b>                | \$ 108,031,121          | \$ 83,408,540        | \$ 24,622,581         |
| Changes for the year:                              |                         |                      |                       |
| Service cost                                       | 1,348,167               | -                    | 1,348,167             |
| Interest   | 7,358,871               | -                    | 7,358,871             |
| Changes in benefits                                | (42,368)                | -                    | (42,368)              |
| Differences between expected and actual experience | 422,650                 | -                    | 422,650               |
| Contributions - Employer                           | -                       | 2,659,008            | (2,659,008)           |
| Contributions - Employee                           | -                       | 448,132              | (448,132)             |
| Net investment income                              | -                       | 13,121,110           | (13,121,110)          |
| Benefit payments, including refunds                | (7,156,947)             | (7,156,947)          | -                     |
| Administrative expenses                            | -                       | (47,674)             | 47,674                |
| Miscellaneous other charges                        | -                       | (6,319)              | 6,319                 |
| Net changes  | 1,930,373               | 9,017,310            | (7,086,937)           |
| <b>Balance at December 31, 2017</b>                | <u>\$ 109,961,494</u>   | <u>\$ 92,425,850</u> | <u>\$ 17,535,644</u>  |

The plan's fiduciary net position represents 84.1 percent of the total pension liability.

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

For the year ended June 30, 2018, the City recognized pension expense of \$2,895,459 from all plans, which includes defined contribution plan expense of \$128,870.

**Note 11 - Pension Plan (Continued)**

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

|  | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--|--------------------------------------|----------------------------------|
| Difference between expected and actual experience                                | \$ 280,171                           | \$ -                             |
| Net difference between projected and actual earnings on pension plan investments | -                                    | 2,481,954                        |
| Changes in proportionate share of net pension liability                          | 1,538,314                            | 1,124,303                        |
| Employer contributions to the plan subsequent to the measurement date            | 1,043,202                            | -                                |
| Total  | <u>\$ 2,861,687</u>                  | <u>\$ 3,606,257</u>              |

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<br>June 30 | Amount                |
|-------------------------|-----------------------|
| 2019                    | \$ 355,596            |
| 2020                    | 57,974                |
| 2021                    | (1,021,486)           |
| 2022                    | (1,179,856)           |
| 2023                    | -                     |
| Thereafter              | -                     |
| Total                   | <u>\$ (1,787,772)</u> |

**Actuarial Assumptions**

The total pension liability in the December 31, 2017 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 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.

**Note 11 - Pension Plan (Continued)**

**Investment Rate of Return**

Best estimates of arithmetic real rates of return as of the December 31, 2017 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<br>Expected Real<br>Rate of Return |
|--------------|-------------------|--|
| Equity       | 64.00 %           | 6.55 %                                       |
| Real estate  | 5.00              | 7.50   |
| Fixed income | 30.00             | 3.15   |
| Cash         | 1.00              | -  |

**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:

|  | 1 Percent<br>Decrease (6.0%) | Current Discount<br>Rate (7.0%) | 1 Percent<br>Increase (8.0%) |
|--|------------------------------|---------------------------------|------------------------------|
| Net pension liability of the Employees Retirement System | \$ 29,729,146                | \$ 17,535,644                   | \$ 7,269,512                 |

**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, 2018 is included in the investment rate of return section above.

**Rate of Return**

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.03 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 employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, the balances are transferred into the retiree reserve.

**Note 11 - Pension Plan (Continued)**

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, 2017 are as follows:

|                  | Required<br>Reserve | Amount Funded |
|------------------|---------------------|---------------|
| Retiree reserve  | \$ 78,786,392       | \$ 78,786,392 |
| Employee reserve | 7,046,141           | 7,046,141     |
| Employer reserve | 6,593,317           | 6,593,317     |
| Total            | \$ 92,425,850       | \$ 92,425,850 |

**Note 12 - Other Postemployment Benefit Plan**

***Plan Description***

The City administers the City of Allen Park Retiree Healthcare Plan (the "Plan") a cost-sharing defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for police, fire, nonunion, and TPOAM (AFSCME) groups. 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 with the City Council.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

***Benefits Provided***

The City of Allen Park Retiree Healthcare 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. The Plan is closed to TPOAM (AFSCME) 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.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

|   | City of Allen Park<br>Retiree Healthcare<br>Plan |
|---|--|
| Date of member count  | December 31, 2017                                |
| Inactive plan members or beneficiaries currently receiving benefits | 216  |
| Inactive plan members entitled to but not yet receiving benefits    | 7  |
| Active plan members   | 85   |
| Total plan members  | 308  |

**Note 12 - Other Postemployment Benefit Plan (Continued)**

**Contributions**

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of \$2,442,993, 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. Inactive plan members share in the cost of OPEB as follows:

**TPOAM (AFSCME)**

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 net OPEB liability of \$49,310,045 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. 75 and, therefore, the City has not recorded the court's proportionate share of the net OPEB liability. The City's proportionate share of the net OPEB liability is \$44,787,507 at June 30, 2018.

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2018 measurement date. The June 30, 2018 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2018.

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

| Changes in Net OPEB Liability       | Increase (Decrease)  |                     |                      |
|-------------------------------------|----------------------|---------------------|----------------------|
|                                     | Total OPEB Liability | Plan Net Position   | Net OPEB Liability   |
| <b>Balance at July 1, 2017</b>      | \$ 49,604,595        | \$ 1,125,833        | \$ 48,478,762        |
| Changes for the year:               |                      |                     |                      |
| Service cost                        | 733,684              | -                   | 733,684              |
| Interest                            | 3,438,175            | -                   | 3,438,175            |
| Changes in assumptions              | (285,488)            | -                   | (285,488)            |
| Contributions - Employer            | -                    | 2,942,993           | (2,942,993)          |
| Net investment income               | -                    | 119,620             | (119,620)            |
| Benefit payments, including refunds | (2,442,993)          | (2,442,993)         | -                    |
| Administrative expenses             | -                    | (7,525)             | 7,525                |
| <b>Net changes</b>                  | <b>1,443,378</b>     | <b>612,095</b>      | <b>831,283</b>       |
| <b>Balance at June 30, 2018</b>     | <b>\$ 51,047,973</b> | <b>\$ 1,737,928</b> | <b>\$ 49,310,045</b> |

**Note 12 - Other Postemployment Benefit Plan (Continued)**

The plan's fiduciary net position represents 3.40 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,596,504.

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

|   | <u>Deferred Inflows<br/>of Resources</u> |
|---|--|
| Changes in assumptions  | \$ 151,260                               |
| Net difference between projected and actual earnings on OPEB plan investments | <u>17,131</u>                            |
| Total   | <u>\$ 168,391</u>                        |

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

| <u>Years Ending<br/>June 30</u> | <u>Amount</u>       |
|---------------------------------|---------------------|
| 2019                            | \$ (112,325)        |
| 2020                            | (47,500)            |
| 2021                            | (4,283)             |
| 2022                            | <u>(4,283)</u>      |
| Total                           | <u>\$ (168,391)</u> |

***Actuarial Assumptions***

The total OPEB liability in the December 31, 2017 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; a healthcare cost trend rate of 7.0 percent for 2018, decreasing 0.25 - 0.50 percent per year to an ultimate rate of 4.5 percent for 2024 and later years; and using the RPH-2014 mortality tables with the MP-2017 improvement scale. These assumptions were applied to all periods included in the measurement.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 7.0 percent and is based off of the assumption that the benefits to be paid each year will be funded entirely from pay-as-you-go contributions provided by the City.

Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Note 12 - 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 OPEB 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 adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class are summarized in the following table:

| Asset Class                             | Target Allocation | Long-term<br>Expected Real<br>Rate of Return |
|---|-------------------|--|
| Large-cap core equity                   | 30.00 %           | 6.75 %                                       |
| Mid-cap equity                          | 10.00             | 7.60   |
| Small-cap equity                        | 6.00              | 7.95   |
| International equity - Developed        | 16.00             | 1.50   |
| International equity - Emerging markets | 4.00              | 10.00  |
| Real estate                             | 3.00              | 7.50   |
| Domestic fixed income                   | 25.00             | 3.15   |
| Domestic high yield                     | 5.00              | 5.35   |
| Cash                                    | 1.00              | -  |

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

The following presents the net OPEB liability of the Plan, calculated using the discount rate of 7.0 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | 1 Percent<br>Decrease (6.0%) | Current Discount<br>Rate (7.0%) | 1 Percent<br>Increase (8.0%) |
|---|------------------------------|---------------------------------|------------------------------|
| Net OPEB liability of the City of Allen Park Retiree<br>Healthcare Plan | \$ 55,351,454                | \$ 49,310,045                   | \$ 44,181,357                |

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

The following presents the net OPEB liability of the Plan, calculated using the healthcare cost trend rate of 7.0 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | 1 Percent<br>Decrease (6.0%) | Current<br>Healthcare Cost<br>Trend Rate<br>(7.0%) | 1 Percent<br>Increase (8.0%) |
|---|------------------------------|--|------------------------------|
| Net OPEB liability of the City of Allen Park Retiree<br>Healthcare Plan | \$ 43,666,799                | \$ 49,310,045                                      | \$ 56,018,982                |

**Assumption Changes**

The beginning of year total OPEB liability was based off of the RPH-2014 mortality tables using the MP 2016 improvement scale while the total OPEB liability as of June 30, 2018 was based off of the RPH-2014 mortality tables using the MP-2017 improvement scale.

**Note 12 - 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, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 7.93 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 13 - 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 TPOAM (AFSCME) 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 \$20,502 for the year ended June 30, 2018.

**Note 14 - Pension and Other Employee Benefit Trust Funds**

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

|   | Pension Trust<br>Fund -<br>December 31,<br>2017 | Retiree<br>Healthcare Fund | Pension and<br>Other Employee<br>Benefit Funds |
|---|---|----------------------------|--|
| <b>Statement of Net Position</b>            |   |                            |  |
| Investments                                 | \$ 90,797,993                                   | \$ 1,730,410               | \$ 92,528,403                                  |
| Other assets                                | 1,627,857                                       | 7,489                      | 1,635,346                                      |
| Net position                                | <u>\$ 92,425,850</u>                            | <u>\$ 1,737,899</u>        | <u>\$ 94,163,749</u>                           |
| <b>Statement of Changes in Net Position</b> |   |                            |  |
| Investment income                           | \$ 13,130,283                                   | \$ 112,455                 | \$ 13,242,738                                  |
| Contributions                               | 3,107,140                                       | 2,942,993                  | 6,050,133                                      |
| Benefit payments                            | 7,156,947                                       | 2,442,993                  | 9,599,940                                      |
| Other deductions                            | 63,166  | 360                        | 63,526   |
| Net change in net position                  | <u>\$ 9,017,310</u>                             | <u>\$ 612,095</u>          | <u>\$ 9,629,405</u>                            |

**Note 15 - 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, 2018, the City's property tax revenue was reduced by \$1,004,000 under this program.

**Note 16 - Subsequent Events**

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

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

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

At the time of the system transfer on September 27, 2018, in addition to transferring the treatment plant, distribution system and other capital assets with a net book value of approximately \$190 million, the county also transferred approximately \$40 million of cash. In exchange for these assets, DUWA is obligated for the exchanged SRF debt in the principal amount of approximately \$62 million, the new 2018 Senior Lien debt issuance with a face amount of \$55 million and the \$3.5 million remaining transfer obligation. All DUWA debt is revenue bond debt that will be paid by the communities through rates and charges. The City of Allen Park, Michigan is evaluating the impact of the transfer on its water and sewer fund; any such impact will be reflected in its fiscal year 2019 financial statements.

**Note 17 - Change in Accounting Principle**

During the current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the City's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details. This change does not impact the General Fund or any other governmental funds.

As a result of implementing this statement, the beginning net position of the governmental activities, business-type activities, and Water and Sewer Fund have been restated as follows:

|                          | Net Position                                 |                                |  |
|--------------------------|--|--------------------------------|--|
|                          | June 30, 2017 -<br>As Previously<br>Reported | June 30, 2017 -<br>As Restated | Adjustment for<br>Implementation<br>of GASB<br>Statement No.<br>75 |
| Governmental activities  | \$ (34,272,531)                              | \$ (37,186,885)                | \$ (2,914,354)   |
| Business-type activities | 37,461,465                                   | 36,825,595                     | (635,870)  |
| Water and Sewer Fund     | 37,461,465                                   | 36,825,595                     | (635,870)  |

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

|  | Original Budget     | Amended Budget      | Actual              | Variance with Amended Budget |
|--|---------------------|---------------------|---------------------|------------------------------|
| <b>Revenue</b>                             |                     |                     |                     |                              |
| Property taxes:                            |                     |                     |                     |                              |
| Property taxes                             | \$ 7,826,000        | \$ 7,826,000        | \$ 7,871,787        | \$ 45,787                    |
| Police and fire millage                    | 4,575,000           | 4,575,000           | 4,720,918           | 145,918                      |
| Intergovernmental:                         |                     |                     |                     |                              |
| Federal grants                             | 154,000             | 154,000             | 279,550             | 125,550                      |
| State and local sources                    | 3,156,830           | 3,156,830           | 3,465,482           | 308,652                      |
| Charges for services:                      |                     |                     |                     |                              |
| Charges to other funds                     | 1,208,500           | 1,208,500           | 834,948             | (373,552)                    |
| User fees                                  | 2,363,000           | 2,363,000           | 2,379,716           | 16,716                       |
| Fines and forfeitures                      | 1,925,000           | 1,925,000           | 2,030,495           | 105,495                      |
| Licenses and permits:                      |                     |                     |                     |                              |
| Cable franchise fees                       | 600,000             | 600,000             | 575,307             | (24,693)                     |
| Business licenses                          | 34,500              | 34,500              | 36,795              | 2,295                        |
| Investment income                          | 70,000              | 70,000              | 40,582              | (29,418)                     |
| Other revenue                              | 170,021             | 170,021             | 123,421             | (46,600)                     |
| <b>Total revenue</b>                       | <b>22,082,851</b>   | <b>22,082,851</b>   | <b>22,359,001</b>   | <b>276,150</b>               |
| <b>Expenditures</b>                        |                     |                     |                     |                              |
| Current services:                          |                     |                     |                     |                              |
| General government:                        |                     |                     |                     |                              |
| Mayor and City Council                     | 49,213              | 49,213              | 45,722              | 3,491                        |
| Finance                                    | 316,708             | 324,708             | 324,594             | 114                          |
| Treasurer                                  | 134,462             | 134,462             | 128,183             | 6,279                        |
| Assessing                                  | 185,395             | 185,395             | 163,293             | 22,102                       |
| Clerk                                      | 190,359             | 190,359             | 181,270             | 9,089                        |
| Administration                             | 1,518,961           | 1,518,961           | 1,483,356           | 35,605                       |
| City hall                                  | 489,895             | 605,895             | 608,722             | (2,827)                      |
| Retiree healthcare                         | 3,197,500           | 3,197,500           | 2,636,048           | 561,452                      |
| District court                             | 1,738,949           | 1,738,949           | 1,739,039           | (90)                         |
| Public safety:                             |                     |                     |                     |                              |
| Police                                     | 5,536,543           | 5,616,543           | 5,625,711           | (9,168)                      |
| Fire                                       | 3,474,956           | 3,599,956           | 3,593,110           | 6,846                        |
| Public service                             | 1,602,208           | 1,657,208           | 1,679,945           | (22,737)                     |
| Recreation and culture:                    |                     |                     |                     |                              |
| Parks and recreation                       | 345,419             | 295,419             | 306,208             | (10,789)                     |
| Community center                           | 739,347             | 648,347             | 595,208             | 53,139                       |
| Historical                                 | 12,360              | 12,360              | 11,364              | 996                          |
| Debt service                               | 290,690             | 290,690             | 290,689             | 1                            |
| <b>Total expenditures</b>                  | <b>19,822,965</b>   | <b>20,065,965</b>   | <b>19,412,462</b>   | <b>653,503</b>               |
| <b>Excess of Revenue Over Expenditures</b> | <b>2,259,886</b>    | <b>2,016,886</b>    | <b>2,946,539</b>    | <b>929,653</b>               |
| <b>Other Financing (Uses) Sources</b>      |                     |                     |                     |                              |
| Transfers out                              | (5,192,695)         | (5,991,995)         | (5,991,995)         | -                            |
| Sale of capital assets                     | -                   | -                   | 10,250              | 10,250                       |
| <b>Total other financing uses</b>          | <b>(5,192,695)</b>  | <b>(5,991,995)</b>  | <b>(5,981,745)</b>  | <b>10,250</b>                |
| <b>Net Change in Fund Balance</b>          | <b>(2,932,809)</b>  | <b>(3,975,109)</b>  | <b>(3,035,206)</b>  | <b>939,903</b>               |
| <b>Fund Balance - Beginning of year</b>    | <b>7,615,777</b>    | <b>7,615,777</b>    | <b>7,615,777</b>    | <b>-</b>                     |
| <b>Fund Balance - End of year</b>          | <b>\$ 4,682,968</b> | <b>\$ 3,640,668</b> | <b>\$ 4,580,571</b> | <b>\$ 939,903</b>            |

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

|   | <b>Last Four Fiscal Years</b> |                              |                              |                              |
|---|-------------------------------|------------------------------|------------------------------|------------------------------|
|   | 2017                          | 2016                         | 2015                         | 2014                         |
| <b>Total Pension Liability</b>  |                               |                              |                              |                              |
| Service cost  | \$ 1,348,167                  | \$ 1,318,028                 | \$ 1,171,406                 | \$ 1,210,976                 |
| Interest  | 7,358,871                     | 7,273,210                    | 7,053,955                    | 6,724,409                    |
| Changes in benefit terms  | (42,368)                      | (655,066)                    | 279,525                      | (277,263)                    |
| Differences between expected and actual experience                              | 422,650                       | 316,565                      | 1,491,147                    | (2,874,762)                  |
| Changes in assumptions  | -                             | -                            | -                            | 6,922,280                    |
| Benefit payments, including refunds   | <u>(7,156,947)</u>            | <u>(6,931,182)</u>           | <u>(6,943,101)</u>           | <u>(7,013,015)</u>           |
| <b>Net Change in Total Pension Liability</b>                                    | 1,930,373                     | 1,321,555                    | 3,052,932                    | 4,692,625                    |
| <b>Total Pension Liability - Beginning of year</b>                              | <u>108,031,121</u>            | <u>106,709,566</u>           | <u>103,656,634</u>           | <u>98,964,009</u>            |
| <b>Total Pension Liability - End of year</b>                                    | <u><b>\$ 109,961,494</b></u>  | <u><b>\$ 108,031,121</b></u> | <u><b>\$ 106,709,566</b></u> | <u><b>\$ 103,656,634</b></u> |
| <b>Plan Fiduciary Net Position</b>  |                               |                              |                              |                              |
| Contributions - Employer  | \$ 2,659,008                  | \$ 2,641,242                 | \$ 2,699,151                 | \$ 5,028,314                 |
| Contributions - Member  | 448,132                       | 512,597                      | 404,395                      | 426,203                      |
| Net investment income   | 13,121,110                    | 4,649,658                    | 650,672                      | 5,059,609                    |
| Administrative expenses   | (47,674)                      | (26,857)                     | (78,030)                     | (49,565)                     |
| Benefit payments, including refunds   | (7,156,947)                   | (6,931,182)                  | (6,943,101)                  | (7,013,015)                  |
| Other   | <u>(6,319)</u>                | <u>(6,005)</u>               | <u>(1,172)</u>               | <u>5,308</u>                 |
| <b>Net Change in Plan Fiduciary Net Position</b>                                | 9,017,310                     | 839,453                      | (3,268,085)                  | 3,456,854                    |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                          | <u>83,408,540</u>             | <u>82,569,087</u>            | <u>85,837,172</u>            | <u>82,380,318</u>            |
| <b>Plan Fiduciary Net Position - End of year</b>                                | <u><b>\$ 92,425,850</b></u>   | <u><b>\$ 83,408,540</b></u>  | <u><b>\$ 82,569,087</b></u>  | <u><b>\$ 85,837,172</b></u>  |
| <b>City's Net Pension Liability - Ending</b>                                    | <u><b>\$ 17,535,644</b></u>   | <u><b>\$ 24,622,581</b></u>  | <u><b>\$ 24,140,479</b></u>  | <u><b>\$ 17,819,462</b></u>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>   | 84.05 %                       | 77.21 %                      | 77.38 %                      | 82.81 %                      |
| <b>Covered Employee Payroll</b>   | \$ 6,306,637                  | \$ 6,205,866                 | \$ 5,846,208                 | \$ 5,250,588                 |
| <b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b> | 278.05 %                      | 396.76 %                     | 412.93 %                     | 339.38 %                     |

Required Supplemental Information  
Schedule of Pension Plan Contributions

Last Ten Fiscal Years  
Years Ended June 30

|  | 2018                | 2017                | 2016                | 2015                | 2014                  | 2013                  | 2012                | 2011                | 2010                | 2009                |
|--|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution                                  | \$ 2,659,008        | \$ 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        |
| Contributions in relation to the actuarially determined contribution | 2,659,008           | 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           |
| <b>Contribution Excess (Deficiency)</b>                              | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 2,033,162</b> | <b>\$ (1,129,589)</b> | <b>\$ (2,722,071)</b> | <b>\$ -</b>         | <b>\$ 763,129</b>   | <b>\$ 278,530</b>   | <b>\$ 92,234</b>    |
| <b>Covered Employee Payroll</b>                                      | <b>\$ 6,306,637</b> | <b>\$ 6,205,866</b> | <b>\$ 5,846,208</b> | <b>\$ 5,250,588</b> | <b>\$ 5,800,000</b>   | <b>\$ 6,800,000</b>   | <b>\$ 7,100,000</b> | <b>\$ 7,700,000</b> | <b>\$ 9,200,000</b> | <b>\$ 9,100,000</b> |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>     | <b>42.16 %</b>      | <b>42.56 %</b>      | <b>46.17 %</b>      | <b>95.77 %</b>      | <b>38.01 %</b>        | <b>19.27 %</b>        | <b>41.86 %</b>      | <b>41.26 %</b>      | <b>27.67 %</b>      | <b>21.56 %</b>      |

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<br>Police and fire: Level percent of payroll, closed |
| Remaining amortization period | General (AFSCME): 15 years (out of 20)<br>Police and fire: 21 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 Court members                   |

**City of Allen Park, Michigan**

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**Required Supplemental Information  
Schedule of Pension Plan Investment Returns**

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**Last Two Plan Years  
Years Ended December 31**

|   | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 16.03 %     | 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**

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|   | <b>Last Four Plan Years</b>    |               |               |               |
|---|--------------------------------|---------------|---------------|---------------|
|   | <b>Plan Year Ended June 30</b> |               |               |               |
|   | <u>2017</u>                    | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
| City's proportion of the net pension liability  | 79.43957 %                     | 75.85075 %    | 78.53700 %    | 78.21488 %    |
| City's proportionate share of the net pension liability   | \$ 13,930,240                  | \$ 18,676,413 | \$ 18,959,205 | \$ 13,937,470 |
| City's covered employee payroll   | \$ 5,009,965                   | \$ 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 | 278.05 %                       | 331.14 %      | 335.84 %      | 296.05 %      |
| Plan fiduciary net position as a percentage of total pension liability                                  | 84.05 %                        | 77.71 %       | 77.38 %       | 82.81 %       |

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

|  | Last One Fiscal Year |
|--|----------------------|
|  | 2018                 |
| <b>Total OPEB Liability</b>  |                      |
| Service cost   | \$ 733,684           |
| Interest   | 3,438,175            |
| Changes in assumptions   | (285,488)            |
| Benefit payments, including refunds  | (2,442,993)          |
| <b>Net Change in Total OPEB Liability</b>                                  | 1,443,378            |
| <b>Total OPEB Liability - Beginning of year</b>                            | 49,604,595           |
| <b>Total OPEB Liability - End of year</b>                                  | <b>\$ 51,047,973</b> |
| <b>Plan Fiduciary Net Position</b>   |                      |
| Contributions - Employer   | \$ 2,942,993         |
| Net investment income  | 119,620              |
| Administrative expenses  | (7,525)              |
| Benefit payments, including refunds  | (2,442,993)          |
| <b>Net Change in Plan Fiduciary Net Position</b>                           | 612,095              |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                     | 1,125,833            |
| <b>Plan Fiduciary Net Position - End of year</b>                           | <b>\$ 1,737,928</b>  |
| <b>Net OPEB Liability - Ending</b>   | <b>\$ 49,310,045</b> |
| <b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b> | 3.40 %               |

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

**Required Supplemental Information  
Schedule of OPEB Investment Returns**

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**Last Two Fiscal Years  
Years Ended June 30**

|   | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 7.9 %       | 13.5 %      |

**City of Allen Park, Michigan**

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Required Supplemental Information  
Schedule of the City's Proportionate Share of the Net OPEB Liability  
City of Allen Park Retiree Healthcare Plan

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**Last Two Fiscal Years  
For the Plan Year Ended June 30**

|   | <u>2018</u>   | <u>2017</u>   |
|---|---------------|---------------|
| City's proportion of the net OPEB liability                         | 90.76752 %    | 90.76752 %    |
| City's proportionate share of the net OPEB liability                | \$ 44,787,507 | \$ 44,032,467 |
| Plan fiduciary net position as a percentage of total OPEB liability | 3.40 %        | 2.30 %        |

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Required Supplemental Information  
Schedule of OPEB Contributions

|  | <b>Last Nine Fiscal Years</b> |                       |                       |                       |                       |                       |                       |                       |                       |
|--|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <b>Years Ended June 30</b>    |                       |                       |                       |                       |                       |                       |                       |                       |
|  | 2018                          | 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          | \$ 5,319,708          | \$ 7,841,453          | \$ 7,841,453          |
| Contributions in relation to the actuarially determined contribution | 2,942,993                     | 3,198,255             | 3,565,360             | 2,908,544             | 2,392,414             | 3,154,563             | 3,146,929             | 3,195,442             | 2,941,916             |
| <b>Contribution Excess (Deficiency)</b>                              | <b>\$ 2,942,993</b>           | <b>\$ (2,650,312)</b> | <b>\$ (2,283,207)</b> | <b>\$ (3,046,949)</b> | <b>\$ (3,563,079)</b> | <b>\$ (5,496,940)</b> | <b>\$ (2,172,779)</b> | <b>\$ (4,646,011)</b> | <b>\$ (4,899,537)</b> |
| <b>Covered Employee Payroll</b>                                      | \$ 5,299,317                  | \$ 7,158,292          | \$ 7,158,292          | \$ 6,077,675          | \$ 6,077,675          | \$ 7,088,572          | \$ 7,088,572          | \$ 9,131,710          | \$ 9,131,710          |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>     | 55.54 %                       | 44.68 %               | 49.81 %               | 47.86 %               | 39.36 %               | 44.50 %               | 44.39 %               | 34.99 %               | 32.22 %               |

**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. |
| Other information             | There was no actuarial required contribution computed for fiscal year 2018                                       |

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## Other Supplemental Information

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Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2018

|   | Nonmajor Special Revenue Funds |                    |                   |                           |                   |                   | Nonmajor Debt Service Fund | Total               |
|---|--------------------------------|--------------------|-------------------|---------------------------|-------------------|-------------------|----------------------------|---------------------|
|   | Major Highway Fund             | Local Highway Fund | Building Fund     | Drug Law Enforcement Fund | Library Fund      | Rubbish Fund      | Community Center Debt Fund |                     |
| <b>Assets</b>                                   |                                |                    |                   |                           |                   |                   |                            |                     |
| Cash and investments                            | \$ 38,687                      | \$ 505,938         | \$ 291,160        | \$ 171,275                | \$ 46,480         | \$ 51,754         | \$ 185,072                 | \$ 1,290,366        |
| Receivables - Due from other governmental units | 326,951                        | 118,243            | -                 | -                         | 82,565            | -                 | -                          | 527,759             |
| Due from component units                        | -                              | -                  | -                 | -                         | 21                | 62                | -                          | 83                  |
| Due from other funds                            | -                              | -                  | -                 | -                         | 45,119            | 135,353           | 53,941                     | 234,413             |
| <b>Total assets</b>                             | <b>\$ 365,638</b>              | <b>\$ 624,181</b>  | <b>\$ 291,160</b> | <b>\$ 171,275</b>         | <b>\$ 174,185</b> | <b>\$ 187,169</b> | <b>\$ 239,013</b>          | <b>\$ 2,052,621</b> |
| <b>Liabilities</b>                              |                                |                    |                   |                           |                   |                   |                            |                     |
| Accounts payable                                | \$ 350,711                     | \$ 596,414         | \$ 33,388         | \$ 19,649                 | \$ 7,635          | \$ 650            | \$ -                       | \$ 1,008,447        |
| Accrued liabilities and other                   | -                              | -                  | 10,499            | -                         | 15,165            | -                 | -                          | 25,664              |
| <b>Total liabilities</b>                        | <b>350,711</b>                 | <b>596,414</b>     | <b>43,887</b>     | <b>19,649</b>             | <b>22,800</b>     | <b>650</b>        | <b>-</b>                   | <b>1,034,111</b>    |
| <b>Fund Balances</b>                            |                                |                    |                   |                           |                   |                   |                            |                     |
| Restricted:                                     |                                |                    |                   |                           |                   |                   |                            |                     |
| Roads   | 14,927                         | 27,767             | -                 | -                         | -                 | -                 | -                          | 42,694              |
| Police  | -                              | -                  | -                 | 151,626                   | -                 | -                 | -                          | 151,626             |
| Debt service                                    | -                              | -                  | -                 | -                         | -                 | -                 | 239,013                    | 239,013             |
| Building  | -                              | -                  | 247,273           | -                         | -                 | -                 | -                          | 247,273             |
| Library   | -                              | -                  | -                 | -                         | 151,385           | -                 | -                          | 151,385             |
| Rubbish   | -                              | -                  | -                 | -                         | -                 | 186,519           | -                          | 186,519             |
| <b>Total fund balances</b>                      | <b>14,927</b>                  | <b>27,767</b>      | <b>247,273</b>    | <b>151,626</b>            | <b>151,385</b>    | <b>186,519</b>    | <b>239,013</b>             | <b>1,018,510</b>    |
| <b>Total liabilities and fund balances</b>      | <b>\$ 365,638</b>              | <b>\$ 624,181</b>  | <b>\$ 291,160</b> | <b>\$ 171,275</b>         | <b>\$ 174,185</b> | <b>\$ 187,169</b> | <b>\$ 239,013</b>          | <b>\$ 2,052,621</b> |

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

Year Ended June 30, 2018

|  | Nonmajor Special Revenue Funds |                    |                   |                           |                   |                   | Nonmajor Debt Service Fund | Total               |
|--|--------------------------------|--------------------|-------------------|---------------------------|-------------------|-------------------|----------------------------|---------------------|
|  | Major Highway Fund             | Local Highway Fund | Building Fund     | Drug Law Enforcement Fund | Library Fund      | Rubbish Fund      | Community Center Debt Fund |                     |
| <b>Revenue</b>                                     |                                |                    |                   |                           |                   |                   |                            |                     |
| Property taxes                                     | \$ -                           | \$ 1,395,516       | \$ -              | \$ -                      | \$ 578,321        | \$ 1,734,993      | \$ 442,268                 | \$ 4,151,098        |
| Intergovernmental - State and local sources        | 1,911,261                      | 881,580            | -                 | -                         | 137,952           | 135,353           | 53,941                     | 3,120,087           |
| Charges for services                               | -                              | -                  | 715,950           | -                         | -                 | -                 | -                          | 715,950             |
| Fines and forfeitures                              | -                              | -                  | -                 | 88,463                    | 11,404            | -                 | -                          | 99,867              |
| Investment income                                  | -                              | -                  | 1,387             | -                         | -                 | -                 | -                          | 1,387               |
| Other revenue                                      | -                              | 102                | -                 | 3,100                     | -                 | 1,394             | -                          | 4,596               |
| <b>Total revenue</b>                               | <b>1,911,261</b>               | <b>2,277,198</b>   | <b>717,337</b>    | <b>91,563</b>             | <b>727,677</b>    | <b>1,871,740</b>  | <b>496,209</b>             | <b>8,092,985</b>    |
| <b>Expenditures</b>                                |                                |                    |                   |                           |                   |                   |                            |                     |
| Current services:                                  |                                |                    |                   |                           |                   |                   |                            |                     |
| General government                                 | -                              | -                  | 662,339           | -                         | -                 | -                 | -                          | 662,339             |
| Public safety                                      | -                              | -                  | -                 | 265,488                   | -                 | -                 | -                          | 265,488             |
| Public works                                       | 1,777,289                      | 3,663,069          | -                 | -                         | -                 | 1,730,076         | -                          | 7,170,434           |
| Recreation and culture                             | -                              | -                  | -                 | -                         | 671,081           | -                 | -                          | 671,081             |
| Debt service:                                      |                                |                    |                   |                           |                   |                   |                            |                     |
| Principal  | -                              | -                  | -                 | -                         | -                 | -                 | 200,000                    | 200,000             |
| Interest and fiscal charges                        | -                              | -                  | -                 | -                         | -                 | -                 | 238,049                    | 238,049             |
| <b>Total expenditures</b>                          | <b>1,777,289</b>               | <b>3,663,069</b>   | <b>662,339</b>    | <b>265,488</b>            | <b>671,081</b>    | <b>1,730,076</b>  | <b>438,049</b>             | <b>9,207,391</b>    |
| <b>Excess of Revenue Over (Under) Expenditures</b> | <b>133,972</b>                 | <b>(1,385,871)</b> | <b>54,998</b>     | <b>(173,925)</b>          | <b>56,596</b>     | <b>141,664</b>    | <b>58,160</b>              | <b>(1,114,406)</b>  |
| <b>Other Financing Sources (Uses)</b>              |                                |                    |                   |                           |                   |                   |                            |                     |
| Transfers in                                       | -                              | 1,360,000          | -                 | -                         | -                 | -                 | -                          | 1,360,000           |
| Transfers out                                      | (610,000)                      | -                  | (700,000)         | (103,460)                 | -                 | -                 | -                          | (1,413,460)         |
| <b>Total other financing (uses) sources</b>        | <b>(610,000)</b>               | <b>1,360,000</b>   | <b>(700,000)</b>  | <b>(103,460)</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>                   | <b>(53,460)</b>     |
| <b>Net Change in Fund Balances</b>                 | <b>(476,028)</b>               | <b>(25,871)</b>    | <b>(645,002)</b>  | <b>(277,385)</b>          | <b>56,596</b>     | <b>141,664</b>    | <b>58,160</b>              | <b>(1,167,866)</b>  |
| <b>Fund Balances - Beginning of year</b>           | <b>490,955</b>                 | <b>53,638</b>      | <b>892,275</b>    | <b>429,011</b>            | <b>94,789</b>     | <b>44,855</b>     | <b>180,853</b>             | <b>2,186,376</b>    |
| <b>Fund Balances - End of year</b>                 | <b>\$ 14,927</b>               | <b>\$ 27,767</b>   | <b>\$ 247,273</b> | <b>\$ 151,626</b>         | <b>\$ 151,385</b> | <b>\$ 186,519</b> | <b>\$ 239,013</b>          | <b>\$ 1,018,510</b> |

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

**June 30, 2018**

|   | <u>Pension Trust<br/>Fund -<br/>December 31,<br/>2017</u> | <u>Retiree<br/>Healthcare<br/>Fund</u> | <u>Total Fiduciary<br/>Funds</u> |
|---|---|--|----------------------------------|
| <b>Assets</b>   |   |  |                                  |
| Cash and cash equivalents   | \$ 1,409,896  | \$ 7,129                               | \$ 1,417,025                     |
| Investments:  |   |  |                                  |
| Treasury bonds  | 7,234,542   | -                                      | 7,234,542                        |
| Agency securities   | 1,124,908   | -                                      | 1,124,908                        |
| Other fixed income  | 200,326   | -                                      | 200,326                          |
| Mutual funds - Fixed income   | 4,046,550   | 482,080                                | 4,528,630                        |
| Mortgage securities   | 293,045   | -                                      | 293,045                          |
| Stocks  | 12,108,805  | -                                      | 12,108,805                       |
| Corporate bonds   | 11,525,389  | -                                      | 11,525,389                       |
| ETF - Equity  | 13,755,591  | 257,937                                | 14,013,528                       |
| Mutual funds - Equity   | 40,508,837  | 990,393                                | 41,499,230                       |
| Receivables - Accrued interest  | 217,961   | 360                                    | 218,321                          |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits</b> | <b><u>\$ 92,425,850</u></b>                               | <b><u>\$ 1,737,899</u></b>             | <b><u>\$ 94,163,749</u></b>      |

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

**Year Ended June 30, 2018**

|   | <u>Pension Trust<br/>Fund -<br/>December 31,<br/>2017</u> | <u>Retiree<br/>Healthcare<br/>Fund</u> | <u>Total Fiduciary<br/>Funds</u> |
|---|---|--|----------------------------------|
| <b>Additions</b>  |   |  |                                  |
| Investment income:  |   |  |                                  |
| Interest and dividends  | \$ 2,197,111  | \$ 32,240                              | \$ 2,229,351                     |
| Net increase in fair value of investments   | 11,061,688  | 87,380                                 | 11,149,068                       |
| Investment-related expenses   | <u>(128,516)</u>  | <u>(7,165)</u>                         | <u>(135,681)</u>                 |
| Total investment income   | 13,130,283  | 112,455                                | 13,242,738                       |
| Contributions:  |   |  |                                  |
| Employer  | 2,659,008   | 2,942,993                              | 5,602,001                        |
| Employee  | <u>448,132</u>  | <u>-</u>                               | <u>448,132</u>                   |
| Total contributions   | <u>3,107,140</u>  | <u>2,942,993</u>                       | <u>6,050,133</u>                 |
| Total additions   | 16,237,423  | 3,055,448                              | 19,292,871                       |
| <b>Deductions</b>   |   |  |                                  |
| Benefit payments  | 7,156,947   | 2,442,993                              | 9,599,940                        |
| Administrative expenses   | <u>63,166</u>   | <u>360</u>                             | <u>63,526</u>                    |
| Total deductions  | <u>7,220,113</u>  | <u>2,443,353</u>                       | <u>9,663,466</u>                 |
| <b>Net Increase in Net Position Held in Trust</b>   | 9,017,310   | 612,095                                | 9,629,405                        |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b> | <u>83,408,540</u>   | <u>1,125,804</u>                       | <u>84,534,344</u>                |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>       | <u><b>\$ 92,425,850</b></u>                               | <u><b>\$ 1,737,899</b></u>             | <u><b>\$ 94,163,749</b></u>      |

Other Supplemental Information  
Combining Statement of Assets and Liabilities  
Agency Funds

**June 30, 2018**

|                                   | Tax Collection<br>Fund | Trust and<br>Agency Fund | Total Agency<br>Funds |
|-----------------------------------|------------------------|--------------------------|-----------------------|
| <b>Assets</b>                     |                        |                          |                       |
| Cash and cash equivalents         | \$ 32                  | \$ 323,328               | \$ 323,360            |
| Prepaid expenses and other assets | -                      | 3,637                    | 3,637                 |
| Total assets                      | <b>\$ 32</b>           | <b>\$ 326,965</b>        | <b>\$ 326,997</b>     |
| <b>Liabilities</b>                |                        |                          |                       |
| Accounts payable                  | \$ -                   | \$ 30,171                | \$ 30,171             |
| Due to other governmental units   | 32                     | -                        | 32                    |
| Accrued liabilities and other     | -                      | 296,794                  | 296,794               |
| Total liabilities                 | <b>\$ 32</b>           | <b>\$ 326,965</b>        | <b>\$ 326,997</b>     |