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# City of Taylor, Michigan

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**Financial Report  
with Supplemental Information  
June 30, 2019**

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan (the "City") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Taylor, Michigan's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Taylor Housing Commission (a discretely presented component unit), which represents 15 percent of assets and 46 percent of revenue of the discretely presented component units of the City of Taylor, Michigan as of and for the year ended June 30, 2019. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Taylor Housing Commission, is based solely on the report of the other auditor. The other auditor's report, dated November 1, 2019, expressed an unmodified opinion on the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The District Court Funds of District No. 23 were not audited under *Government Auditing Standards*.

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

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

### *Opinions*

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of June 30, 2019 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  
Members of the City Council  
City of Taylor, Michigan

***Emphasis of Matter***

As explained in Note 15, the financial statements include investments valued at \$35,536,901 (approximately 22 percent of the aggregate remaining fund information investments) at June 30, 2019, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund manager of the retirement system investments for the Police and Fire Retirement System. Our opinion has not been modified with respect to this matter.

***Other Matters***

***Required Supplemental Information***

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

***Other Information***

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

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the City of Taylor, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taylor, Michigan's internal control over financial reporting and compliance.



December 16, 2019

Our discussion and analysis of the City of Taylor, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements.

In the City's General Fund, the main operating fund of the City, revenue decreased by approximately \$1,356,000 from 2018, a decrease of 3.13 percent. The decrease is related to federal grant revenue, which decreased by \$1,819,000. The SAFER fire grant expired during fiscal year 2018, which is the reason for the decrease.

- Property tax-related revenue, which is the largest source of revenue, increased in the current year by \$37,000. The City's tax revenue will continue to be a challenge due to taxable valuation limitations set forth in Proposal A and the Headlee Amendment. Another potential concern is the uncertainty of future personal property tax reimbursements from the Local Community Stabilization Authority.
- State-shared revenue was approximately \$8.3 million and our second largest revenue source. Constitutional and statutory revenue sharing increased by approximately \$238,000.
- Other fines and forfeitures revenue increased by approximately \$1.0 million from the prior year amount of \$7.1 million to approximately \$8.1 million for the year ended June 30, 2019. The increase can be attributable to increase in fees, ordinance enforcement, and traffic enforcement. During the year, the City resumed ALS transporting services, which increased ALS revenue by approximately \$1,000,000.
- Other revenue decreased by approximately \$1.6 million. A \$464,000 decrease in one-time land sales, a \$188,000 decrease in insurance refunds, and a \$250,000 decrease in local contribution from TCDC were the main reasons for the decrease.

General Fund expenditures, excluding transfers out, increased by approximately \$2.0 million in the current year. Public safety expenditures increased by approximately \$1.1 million, which was related to additional police and fire personnel and new police body and car cameras. One-time capital outlay expenditures increased by approximately \$747,000. One-time purchases included fire equipment/vehicles and new citywide computer technology.

The fund balance of the General Fund (the cumulative difference between revenue and expenditures) shows that the annual revenue was sufficient to pay for all expenditures. The unassigned fund balance at June 30, 2019 was a surplus of \$8,193,719. The increase in unassigned fund balance indicates that the City continues to move in the right direction in strengthening the modified accrual balance sheet. The unassigned fund balance is approximately 20 percent of annual operating expenditures. Best practices and the City's auditors state that, in order to achieve financial stability, the City should have an unassigned fund balance of 15 to 30 percent of annual operating expenditures. Even though the City has increased its unassigned fund balance over the past three years, because of the limits on the City's ability to increase revenue, it is imperative that management's focus be on maintaining a structural surplus and only use fund balance reserve for capital or one-time expenditures.

The Golf Courses Fund's operating expenditures exceeded operating revenue, which resulted in a \$600,000 transfer from the General Fund to prevent the fund from going into a state-defined deficit. Constant review and evaluation of golf course operations are imperative to allow for timely adjustments that directly impact the golf courses' bottom lines. In an effort to increase revenue at the golf courses, the City has upgraded the courses and facilities and plans to implement new marketing strategies to solicit more golf rounds, golf outings, and other events.

Total net position related to the City's governmental activities at the end of the year was a deficit of approximately \$(129) million, a \$91 million decrease from the prior year's deficit of approximately \$(219) million in net position. The net decrease is mainly due to the decrease in the net OPEB liability. The City began to prefund OPEB liabilities by depositing \$3,000,000 into an OPEB trust that will accumulate earnings. The City has made great strides in addressing the future increases of the OPEB obligation by mandating all newly hired and future city employees participate in a health savings account, instead of the more costly retiree healthcare insurance. Also, for the most part, all future retirees eligible for retiree health care are now required to pay 20 percent cost share.

***Overview of the Financial Statements***

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

**Governmental-Wide Financial Statements**

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

**Fund Financial Statements**

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's General Fund budget and the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Other supplemental information is also presented in the form of major fund budget information, combining statements for nonmajor governmental funds, and combining statements for fiduciary funds.

**The City of Taylor, Michigan as a Whole**

The following table shows, in a condensed format, the net position as of June 30, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 32,457,850	\$ 32,006,574	\$ 33,015,189	\$ 37,498,709	\$ 65,473,039	\$ 69,505,283
Capital assets	166,441,791	169,102,759	152,363,527	142,429,043	318,805,318	311,531,802
Total assets	198,899,641	201,109,333	185,378,716	179,927,752	384,278,357	381,037,085
<b>Deferred Outflows of Resources</b>	2,986,533	2,519,426	804,808	-	3,791,341	2,519,426
<b>Liabilities</b>						
Current liabilities	5,945,094	10,466,767	3,662,210	3,043,349	9,607,304	13,510,116
Long-term liabilities	252,466,027	379,836,053	60,864,521	61,161,219	313,330,548	440,997,272
Total liabilities	258,411,121	390,302,820	64,526,731	64,204,568	322,937,852	454,507,388
<b>Deferred Inflows of Resources</b>	72,099,508	32,460,407	6,867,294	421,690	78,966,802	32,882,097
<b>Net Position</b>						
Net investment in capital assets	158,684,742	161,080,487	125,495,553	121,798,436	284,180,295	282,878,923
Restricted	11,743,118	12,088,053	6,730,888	6,603,043	18,474,006	18,691,096
Unrestricted (deficit)	(299,052,315)	(392,303,008)	(17,436,942)	(13,099,985)	(316,489,257)	(405,402,993)
Total net position	<u>\$ (128,624,455)</u>	<u>\$ (219,134,468)</u>	<u>\$ 114,789,499</u>	<u>\$ 115,301,494</u>	<u>\$ (13,834,956)</u>	<u>\$ (103,832,974)</u>

The City's combined net position totaled a deficit of approximately \$(13.8) million, a significant decrease from the prior year. Total net position related to the City's governmental activities at the end of the year was a deficit of approximately \$(129) million, a \$91 million decrease from the prior year's deficit of approximately \$(219) million in net position. The net increase is mainly due to the decrease in the net OPEB liability. The City began to prefund OPEB liabilities by depositing \$3,000,000 into an OPEB trust that will accumulate earnings. The City has made great strides in addressing the future increases of the OPEB obligation by mandating all newly hired and future city employees participate in a health savings account, instead of the more costly retiree healthcare insurance. Also, for the most part, all future retirees eligible for retiree health care are now required to pay a 20 percent cost share.

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 18,376,164	\$ 16,432,519	\$ 21,394,578	\$ 25,270,536	\$ 39,770,742	\$ 41,703,055
Operating grants and contributions	9,572,875	11,106,842	-	-	9,572,875	11,106,842
Capital grants and contributions	2,007,396	2,817,333	209,520	698,543	2,216,916	3,515,876
General revenue:						
Property taxes	26,393,164	25,882,655	2,980,173	4,301,363	29,373,337	30,184,018
State-shared revenue	8,132,500	8,814,339	-	-	8,132,500	8,814,339
Unrestricted investment earnings	252,685	87,816	371,690	150,918	624,375	238,734
Miscellaneous revenue:						
Cable franchise fees	206,114	205,516	-	-	206,114	205,516
Sale of capital assets	-	-	260,977	-	260,977	-
State grant	6,907,179	8,110,095	71,951	1,723,006	6,979,130	9,833,101
<b>Total revenue</b>	<b>71,848,077</b>	<b>73,457,115</b>	<b>25,288,889</b>	<b>32,144,366</b>	<b>97,136,966</b>	<b>105,601,481</b>
<b>Program Expenses</b>						
General government	(5,882,033)	11,363,170	-	-	(5,882,033)	11,363,170
Employee benefits	177,456	-	-	-	177,456	-
Public safety	(26,923,109)	19,200,990	-	-	(26,923,109)	19,200,990
Public works and capital projects	12,168,123	21,545,362	-	-	12,168,123	21,545,362
Community development	321,989	247,528	-	-	321,989	247,528
Community and economic development	121,667	1,916,893	-	-	121,667	1,916,893
Recreation and culture	412,391	5,148,270	-	-	412,391	5,148,270
Capital outlay	250	-	-	-	250	-
Interest on long-term debt	341,330	387,017	-	-	341,330	387,017
Water	-	-	8,168,942	10,892,809	8,168,942	10,892,809
Sewer	-	-	9,539,435	10,088,409	9,539,435	10,088,409
Golf Courses	-	-	6,083,445	3,163,687	6,083,445	3,163,687
Ecorse Creek	-	-	251,123	230,974	251,123	230,974
Loss on sewer system transfer	-	-	2,357,939	-	2,357,939	-
<b>Total program expenses</b>	<b>(19,261,936)</b>	<b>59,809,230</b>	<b>26,400,884</b>	<b>24,375,879</b>	<b>7,138,948</b>	<b>84,185,109</b>
Transfers	(600,000)	(379,098)	600,000	400,000	-	20,902
<b>Change in Net Position</b>	<b>90,510,013</b>	<b>13,268,787</b>	<b>(511,995)</b>	<b>8,168,487</b>	<b>89,998,018</b>	<b>21,437,274</b>
<b>Net Position - Beginning of year</b>	<b>(219,134,468)</b>	<b>(232,403,255)</b>	<b>115,301,494</b>	<b>107,133,007</b>	<b>(103,832,974)</b>	<b>(125,270,248)</b>
<b>Net Position - End of year</b>	<b>\$ (128,624,455)</b>	<b>\$ (219,134,468)</b>	<b>\$ 114,789,499</b>	<b>\$ 115,301,494</b>	<b>\$ (13,834,956)</b>	<b>\$ (103,832,974)</b>

#### **Governmental Activities**

The City's total governmental revenue decreased from approximately \$73.5 million to approximately \$71.8 million. The City's total governmental expenses decreased by approximately \$79 million, which is attributable to the decrease in the City's net OPEB obligation.

#### **Business-type Activities**

The City's business-type activities consist of the Water, Sewer, Ecorse Creek, and Golf Course enterprise funds. The City provides water to residents from the Detroit Water System. The City also provides sewage treatment through a sewage treatment plant owned by the Downriver Utility Waste Authority (DUWA), which is governed by the 13 downriver communities. The City operates two outstanding golf courses. The Lakes of Taylor Golf Club is a championship caliber golf course designed to challenge golfers at every level. Taylor Meadows Golf Club is a links-style course, challenging yet still player friendly. Both courses also provide food service and pro shop operations as well. The Sewer Fund accounts for the activity related to the City's participation in the Downriver Sewer System, including the tax levy mandated to pay for the City's share of debt issued by Wayne County, Michigan to pay for the recent improvements to the system. The EPA levy is adjusted annually based on debt service for the upcoming year, less any credits available at Wayne County, Michigan.

For all business-type activities in 2019, total revenue decreased by approximately \$6.9 million, and total expenses increased by approximately \$2.0 million. Approximately \$3.5 million of the decrease in revenue is related to a one-time adjustment to county EPA judgment sewer investment, which occurred during the prior year. A total of \$1.4 million of the revenue decrease was related to a prior year SAW grant that was not available during the current year. A decrease in the annual EPA judgement debt resulted in approximately \$1.3 million decrease in judgment levy tax revenue. The increase in expenditures is related to the capital loss associated with the transfer of the sewer system from the county to DUWA.

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

Our analysis of the City's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Taylor, Michigan as a whole. The City creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as bond projects. The City's major governmental funds for 2019 are the General Fund, the Police and Fire Retirement Fund, and the Act 179 Rubbish Fund.

The General Fund pays for most of the City's governmental services. The most significant are public safety, which incurred expenses of approximately \$16.8 million, and public works, which incurred expenses of approximately \$4.3 million in 2019. Employee benefit expenses accounted for approximately another \$5.7 million.

#### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account changes in estimated revenue and expenditures. Overall, the General Fund's revenue budget was increased during the year by a net amount of approximately \$2.4 million. Approximately \$1.5 million of the increase was due to increase in court fines and forfeitures. Approximately \$300,000 of the increase was related to more than anticipated charges for services attributable to ALS medical transporting. The remainder of the increase is related to one-time land sales that were not originally budgeted.

The City's expenditure budget was increased by approximately \$2.4 million during the fiscal year. The major budget adjustment was related to fire equipment and vehicles, which increased by approximately \$1.0 million during the year. Debt service budget increased based on new capital leases issued during the year for the new technology.

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

At the end of 2019, the City, including its component units, had approximately \$334 million (net of depreciation) invested in a broad range of capital assets, including buildings, roads, water and sewer lines, parks, and machinery and equipment. The City finances most of its capital improvements through the issuance of long-term debt.

The City's investment in capital assets, net of related debt, increased from approximately \$282.9 million to approximately \$284.2 million. The component units' investment in capital assets, net of related debt, decreased from \$15.7 million to \$15.6 million. The City's (including component units) total debt, including the recorded OPEB liability, net pension liability, compensated absences, and nonexchange financial guarantees, was approximately \$323.1 million, including approximately \$18.0 million of component unit debt. Expected fiscal year 2020 debt service payments on all interest-bearing long-term obligations inclusive of interest are approximately \$10.8 million for the City and component units in total. The overall debt, while manageable and within legal limits, should be monitored and, when possible, reduced to ensure long-term financial stability of the City.

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

Like most other communities in Michigan, particularly southeast Michigan, the City continues to provide necessary services with limited revenue. In the five years leading up to December 31, 2013, the City of Taylor, Michigan lost significant taxable value. Taxable values are expected to remain stagnant for fiscal year 2020. Because of the housing market collapse, the tax capture revenue to pay the debt on the Island Lakes (Midtown Basin) Brownfield bonds is much less than anticipated when the bonds were sold in 2005, and the developer's guarantee of support has been insufficient. The City had to budget \$268,000 from the General Fund in fiscal year 2019 to cover likely shortfalls in available debt service funding for the Island Lakes bonds. Current projections are that the shortfall between taxes captured and debt service that must be paid by the City could range from \$160,000 to \$268,000 annually.

Municipal revenue opportunities are systematically limited by state law and the current economic conditions, so the General Fund budget continues to depend on uncertain revenue, such as state-shared revenue, cable franchise fees, court fines, and charges for services. With revenue limited, the City understands the need to continue to control expenditure budgets very closely. Due to the reduction of the number of employees, limiting wage increases, implementing co-pay arrangements for health insurance, and conservative spending, the City closed out the fiscal year ended June 30, 2019 with revenue exceeding expenditures in the General Fund by \$1,713,763 and a positive unassigned fund balance that totaled \$8,193,719.

The City's OPEB liability is high. The City has filed a correction plan for underfunded status with the State of Michigan and is committed to reduce OPEB costs. The City started to prefund OPEB liabilities during the current fiscal year. The City has also met with healthcare providers to explore different opportunities to begin addressing the liability.

#### ***Contacting the City's Management***

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

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 19,187,863	\$ 17,723,822	\$ 36,911,685	\$ 13,926,280
Receivables:				
Property taxes	2,133,325	215,096	2,348,421	-
Special assessments receivable	261,656	-	261,656	-
Customers	-	5,851,908	5,851,908	-
Other	3,422,640	106,763	3,529,403	804,217
Due from other governmental units	3,444,371	9,461	3,453,832	-
Due from component units	2,934,215	1,794,392	4,728,607	558,090
Due from primary government	-	-	-	477,940
Internal balances (Note 6)	(904,887)	904,887	-	-
Inventory	-	267,062	267,062	-
Prepaid expenses and other assets	1,663,890	23,600	1,687,490	17,132
Current portion of restricted assets (Note 8)	-	3,318,898	3,318,898	-
Due from other governmental units	-	-	-	1,608,878
Restricted assets (Note 8)	-	2,799,300	2,799,300	-
Other receivables	126,950	-	126,950	-
Properties held for sale	187,827	-	187,827	-
Capital assets: (Note 5)				
Assets not subject to depreciation	31,555,060	3,407,829	34,962,889	14,916,220
Assets subject to depreciation - Net	134,886,731	148,955,698	283,842,429	655,529
<b>Total assets</b>	<b>198,899,641</b>	<b>185,378,716</b>	<b>384,278,357</b>	<b>32,964,286</b>
<b>Deferred Outflows of Resources</b>				
Other deferred outflows	-	-	-	29,003
Pension deferred outflows (Notes 4 and 13)	2,946,941	800,600	3,747,541	-
Deferred OPEB costs (Note 10)	39,592	4,208	43,800	-
<b>Total deferred outflows of resources</b>	<b>2,986,533</b>	<b>804,808</b>	<b>3,791,341</b>	<b>29,003</b>
<b>Liabilities</b>				
Accounts payable	2,622,924	2,607,973	5,230,897	423,186
Due to other governmental units	494,299	164,324	658,623	17,711
Due to component units	248,973	228,967	477,940	558,091
Due to primary government	-	-	-	4,728,607
Accrued liabilities and other	2,529,837	657,404	3,187,241	320,252
Unearned revenue	49,061	3,542	52,603	743,673
Tenant security deposits	-	-	-	37,329
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences (Note 7)	924,844	77,493	1,002,337	-
Liabilities payable from restricted assets	-	3,313,896	3,313,896	-
Nonexchange financial guarantee (Note 7)	292,703	227,298	520,001	-
Current portion of bonds and contracts payable (Note 7)	1,934,539	330,952	2,265,491	3,377,357
Due in more than one year:				
Compensated absences (Note 7)	2,158,374	128,160	2,286,534	-
Workers' compensation (Notes 7 and 9)	518,690	-	518,690	-
Net pension liability (Note 13)	100,880,191	14,024,145	114,904,336	56,258
Net OPEB liability (Note 10)	137,808,879	13,771,121	151,580,000	-
Long-term debt - Net of current portion (Note 7)	5,822,510	26,537,022	32,359,532	14,602,302
Nonexchange financial guarantee	2,125,297	2,454,434	4,579,731	-
<b>Total liabilities</b>	<b>258,411,121</b>	<b>64,526,731</b>	<b>322,937,852</b>	<b>24,864,766</b>

Statement of Net Position (Continued)

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pension (Notes 4 and 13)	\$ 11,332,565	\$ -	\$ 11,332,565	\$ -
Deferred inflows related to OPEB (Note 10)	60,766,943	6,867,294	67,634,237	-
Total deferred inflows of resources	72,099,508	6,867,294	78,966,802	-
<b>Net Position</b>				
Net investment in capital assets	158,684,742	125,495,553	284,180,295	15,571,749
Restricted:				
Roads	4,100,448	-	4,100,448	-
Drug forfeiture	871,711	-	871,711	-
Library	1,173,820	-	1,173,820	-
Special millage	3,218,678	-	3,218,678	-
Grants	923,073	-	923,073	-
Debt service	46,413	6,118,198	6,164,611	-
Sewer grant expenditures	-	612,690	612,690	-
HAP restricted	-	-	-	314,603
Building	1,408,975	-	1,408,975	-
Unrestricted	(299,052,315)	(17,436,942)	(316,489,257)	(7,757,829)
Total net position	<u>\$ (128,624,455)</u>	<u>\$ 114,789,499</u>	<u>\$ (13,834,956)</u>	<u>\$ 8,128,523</u>

# City of Taylor, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ (5,882,033)	\$ 9,480,451	\$ 17,951	\$ 8,806
District court	177,456	-	288,366	-
Public safety	(26,923,109)	4,317,699	866,410	-
Public works	12,168,123	1,698,282	7,103,643	1,097,490
Health and welfare	321,989	-	162,523	-
Community and economic development	121,667	838,704	879,655	-
Recreation and culture	412,391	2,041,028	254,327	901,100
Capital outlay	250	-	-	-
Interest on long-term debt	341,330	-	-	-
<b>Total governmental activities</b>	<b>(19,261,936)</b>	<b>18,376,164</b>	<b>9,572,875</b>	<b>2,007,396</b>
Business-type activities:				
Water	8,168,942	10,430,363	-	71,980
Sewer	9,539,435	7,550,725	-	71,980
Golf Courses	6,083,445	3,000,032	-	65,560
Nonmajor Enterprise	251,123	413,458	-	-
<b>Total business-type activities</b>	<b>24,042,945</b>	<b>21,394,578</b>	<b>-</b>	<b>209,520</b>
<b>Total primary government</b>	<b>\$ 4,781,009</b>	<b>\$ 39,770,742</b>	<b>\$ 9,572,875</b>	<b>\$ 2,216,916</b>
<b>Component units</b>	<b>\$ 11,644,411</b>	<b>\$ 699,650</b>	<b>\$ 7,294,903</b>	<b>\$ -</b>

General revenue:  
 Taxes - Property taxes  
 Unrestricted state-shared revenue  
 Unrestricted investment income  
 Cable franchise fees  
 Gain on sale of capital assets  
 Loss on sewer system transfer  
 Other miscellaneous income

Total general revenue

Transfers

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year

# Statement of Activities

**Year Ended June 30, 2019**

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ 15,389,241	\$ -	\$ 15,389,241	\$ -	
110,910	-	110,910	-	
32,107,218	-	32,107,218	-	
(2,268,708)	-	(2,268,708)	-	
(159,466)	-	(159,466)	-	
1,596,692	-	1,596,692	-	
2,784,064	-	2,784,064	-	
(250)	-	(250)	-	
(341,330)	-	(341,330)	-	
49,218,371	-	49,218,371	-	
-	2,333,401	2,333,401	-	
-	(1,916,730)	(1,916,730)	-	
-	(3,017,853)	(3,017,853)	-	
-	162,335	162,335	-	
-	(2,438,847)	(2,438,847)	-	
49,218,371	(2,438,847)	46,779,524	-	
-	-	-	(3,649,858)	
26,393,164	2,980,173	29,373,337	7,491,131	
8,132,500	-	8,132,500	1,033,801	
252,685	371,690	624,375	138,790	
206,114	-	206,114	-	
-	260,977	260,977	-	
-	(2,357,939)	(2,357,939)	-	
6,907,179	71,951	6,979,130	256,763	
41,891,642	1,326,852	43,218,494	8,920,485	
(600,000)	600,000	-	-	
90,510,013	(511,995)	89,998,018	5,270,627	
(219,134,468)	115,301,494	(103,832,974)	2,857,896	
<b>\$ (128,624,455)</b>	<b>\$ 114,789,499</b>	<b>\$ (13,834,956)</b>	<b>\$ 8,128,523</b>	

Governmental Funds  
Balance Sheet

June 30, 2019

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
<b>Assets</b>					
Cash and investments (Note 3)	\$ 11,140,489	\$ 97,899	\$ 102,887	\$ 7,846,588	\$ 19,187,863
Receivables - Net:					
Property taxes	999,553	294,739	590,750	248,283	2,133,325
Special assessments receivable	261,656	-	-	-	261,656
Other	3,218,159	204,481	-	-	3,422,640
Due from other governmental units	2,015,121	-	-	1,429,250	3,444,371
Due from component units (Note 6)	235,957	656,563	1,288,850	752,845	2,934,215
Due from other funds (Note 6)	2,089,459	11,281	-	3,700,591	5,801,331
Prepaid expenses and other assets	1,641,809	-	-	18,004	1,659,813
Other receivables	126,950	-	-	-	126,950
Properties held for sale	-	-	-	187,827	187,827
<b>Total assets</b>	<b>\$ 21,729,153</b>	<b>\$ 1,264,963</b>	<b>\$ 1,982,487</b>	<b>\$ 14,183,388</b>	<b>\$ 39,159,991</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,006,261	\$ 120,649	\$ 1,980	\$ 1,494,034	\$ 2,622,924
Due to other governmental units	163,945	85,113	170,652	74,589	494,299
Due to component units (Note 6)	246,513	-	-	2,460	248,973
Due to other funds (Note 6)	2,377,889	350,876	347,166	3,630,287	6,706,218
Accrued liabilities and other	2,342,046	61,465	19,036	60,567	2,483,114
Unearned revenue	-	-	-	49,061	49,061
<b>Total liabilities</b>	<b>6,136,654</b>	<b>618,103</b>	<b>538,834</b>	<b>5,310,998</b>	<b>12,604,589</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>	<b>2,036,073</b>	<b>34,105</b>	<b>-</b>	<b>63,374</b>	<b>2,133,552</b>
<b>Fund Balances</b>					
Nonspendable - Prepaid expenses	1,591,699	-	-	18,004	1,609,703
Restricted:					
Roads	-	-	-	4,100,448	4,100,448
Drug forfeiture	-	-	-	871,711	871,711
Debt service	-	-	-	46,413	46,413
Grants	406,788	-	-	139,265	546,053
Special millage	-	612,755	1,443,653	1,128,165	3,184,573
Building	-	-	-	1,390,971	1,390,971
Library	-	-	-	1,173,820	1,173,820
Assigned for capital projects	3,364,220	-	-	-	3,364,220
Unassigned	8,193,719	-	-	(59,781)	8,133,938
<b>Total fund balances</b>	<b>13,556,426</b>	<b>612,755</b>	<b>1,443,653</b>	<b>8,809,016</b>	<b>24,421,850</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 21,729,153</b>	<b>\$ 1,264,963</b>	<b>\$ 1,982,487</b>	<b>\$ 14,183,388</b>	<b>\$ 39,159,991</b>

**Governmental Funds**

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

**June 30, 2019**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 24,421,850</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	166,441,791
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	2,133,552
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(7,757,049)
Accrued interest is not due and payable in the current period and is not reported in the funds	(46,723)
Prepaid interest on long-term debt is not reported in the funds	4,077
Nonexchange financial guarantee	(2,418,000)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(3,083,218)
Pension benefits	(109,265,815)
Retiree healthcare benefits	(198,536,230)
Workers' compensation claims	<u>(518,690)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (128,624,455)</u></u></b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 10,682,190	\$ 4,313,538	\$ 8,647,207	\$ 4,389,423	\$ 28,032,358
Charges for services	4,590,062	643,532	-	-	5,233,594
Intergovernmental:					
Federal grants	486,769	-	-	751,708	1,238,477
State-shared revenue and grants	8,259,896	47,059	94,352	7,528,538	15,929,845
Licenses and permits	1,438,799	-	-	2,057,795	3,496,594
Fines and forfeitures	8,094,814	-	-	30,033	8,124,847
Rental income	1,007,420	-	-	-	1,007,420
Interest income	109,262	15,313	66,990	62,159	253,724
DMA/911 and other revenue	7,303,957	-	-	467,374	7,771,331
<b>Total revenue</b>	<b>41,973,169</b>	<b>5,019,442</b>	<b>8,808,549</b>	<b>15,287,030</b>	<b>71,088,190</b>
<b>Expenditures</b>					
Current services:					
General government	8,816,960	-	-	-	8,816,960
Employee benefits	5,692,373	-	10,392,008	177,456	16,261,837
Public safety	16,821,543	-	-	-	16,821,543
Public works and capital projects	4,301,491	5,244,373	-	8,318,237	17,864,101
Community development	706,956	-	-	537,506	1,244,462
Recreation and culture	2,845,362	-	-	1,052,138	3,897,500
Capital outlay	1,246,100	5,900	-	2,313,461	3,565,461
Debt service:					
Principal	614,109	205,000	-	1,215,000	2,034,109
Interest and fiscal charges	54,908	24,474	-	282,479	361,861
<b>Total expenditures</b>	<b>41,099,802</b>	<b>5,479,747</b>	<b>10,392,008</b>	<b>13,896,277</b>	<b>70,867,834</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>873,367</b>	<b>(460,305)</b>	<b>(1,583,459)</b>	<b>1,390,753</b>	<b>220,356</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	-	-	-	4,096,156	4,096,156
Transfers out (Note 6)	(1,015,537)	-	-	(3,680,619)	(4,696,156)
Face value of debt issue	1,855,933	-	-	-	1,855,933
<b>Total other financing sources</b>	<b>840,396</b>	<b>-</b>	<b>-</b>	<b>415,537</b>	<b>1,255,933</b>
<b>Net Change in Fund Balances</b>	<b>1,713,763</b>	<b>(460,305)</b>	<b>(1,583,459)</b>	<b>1,806,290</b>	<b>1,476,289</b>
<b>Fund Balances - Beginning of year</b>	<b>11,842,663</b>	<b>1,073,060</b>	<b>3,027,112</b>	<b>7,002,726</b>	<b>22,945,561</b>
<b>Fund Balances - End of year</b>	<b>\$ 13,556,426</b>	<b>\$ 612,755</b>	<b>\$ 1,443,653</b>	<b>\$ 8,809,016</b>	<b>\$ 24,421,850</b>

**Governmental Funds**

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

**Year Ended June 30, 2019**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$</b>	<b>1,476,289</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		7,077,078
Depreciation expense		(9,608,934)
Net book value of assets disposed of		(129,112)
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		372,931
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position		(1,855,933)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		2,034,108
Interest expense is recognized in the government-wide statements as it accrues		16,618
Amortization of bond premium liabilities and deferred costs of financing are reported as expense in the governmental funds when issued		87,048
Changes in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment		(204,611)
Increase in estimated workers' compensation liability is recorded in the statement of activities		(105,967)
Changes in the net OPEB liability and the deferred inflows related to OPEB are not included in governmental funds		75,462,912
Governmental funds report expenditures for pension as they make contributions; in the statement of activities, the change in net pension liability does not require the use of current financial resources		15,708,509
Decrease in nonexchange financial guarantee		175,000
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>90,510,013</u></b>

Proprietary Funds  
Statement of Net Position

June 30, 2019

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
<b>Assets</b>					
Current assets:					
Cash and investments (Note 3)	\$ 4,210,893	\$ 10,513,468	\$ 393,972	\$ 2,605,489	\$ 17,723,822
Receivables:					
Property taxes	-	215,096	-	-	215,096
Customers	3,098,565	2,565,755	-	187,588	5,851,908
Other	11,887	-	94,876	-	106,763
Due from other governmental units	-	9,461	-	-	9,461
Due from component units	931,204	863,188	-	-	1,794,392
Due from other funds (Note 6)	793,406	406,453	31,587	5,239	1,236,685
Inventory	140,805	6,322	119,935	-	267,062
Prepaid expenses and other assets	10,288	10,288	3,024	-	23,600
Current portion of restricted assets (Note 8)	-	3,318,898	-	-	3,318,898
<b>Total current assets</b>	<b>9,197,048</b>	<b>17,908,929</b>	<b>643,394</b>	<b>2,798,316</b>	<b>30,547,687</b>
Noncurrent assets:					
Restricted assets (Note 8)	-	2,799,300	-	-	2,799,300
Capital assets: (Note 5)					
Assets not subject to depreciation	61,950	20,632	3,325,247	-	3,407,829
Assets subject to depreciation - Net	30,133,305	107,033,255	9,266,662	2,522,476	148,955,698
<b>Total noncurrent assets</b>	<b>30,195,255</b>	<b>109,853,187</b>	<b>12,591,909</b>	<b>2,522,476</b>	<b>155,162,827</b>
<b>Total assets</b>	<b>39,392,303</b>	<b>127,762,116</b>	<b>13,235,303</b>	<b>5,320,792</b>	<b>185,710,514</b>
<b>Deferred Outflows of Resources</b>					
Pension deferred outflows	560,420	240,180	-	-	800,600
Deferred OPEB costs	2,295	765	1,148	-	4,208
<b>Total deferred outflows of resources</b>	<b>562,715</b>	<b>240,945</b>	<b>1,148</b>	<b>-</b>	<b>804,808</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	818,679	1,523,745	146,557	118,992	2,607,973
Due to other governmental units	55,595	92,472	16,257	-	164,324
Due to component units	-	228,967	-	-	228,967
Due to other funds (Note 6)	16,800	314,998	-	-	331,798
Accrued liabilities and other	107,453	244,701	296,750	8,500	657,404
Unearned revenue	-	-	3,542	-	3,542
Current portion of compensated absences (Note 7)	54,759	22,118	616	-	77,493
Liabilities payable from restricted assets	-	3,313,896	-	-	3,313,896
Nonexchange financial guarantee	113,649	113,649	-	-	227,298
Current portion of bonds and contracts payable (Note 7)	49,006	-	105,903	176,043	330,952
<b>Total current liabilities</b>	<b>1,215,941</b>	<b>5,854,546</b>	<b>569,625</b>	<b>303,535</b>	<b>7,943,647</b>
Noncurrent liabilities:					
Compensated absences (Note 7)	72,218	27,693	28,249	-	128,160
Net pension liability (Note 13)	9,816,898	4,207,247	-	-	14,024,145
Net OPEB liability (Note 10)	7,511,514	2,503,845	3,755,762	-	13,771,121
Long-term debt - Net of current portion (Note 7)	45,940	25,187,657	285,684	1,017,741	26,537,022
Nonexchange financial guarantee	1,227,217	1,227,217	-	-	2,454,434
<b>Total noncurrent liabilities</b>	<b>18,673,787</b>	<b>33,153,659</b>	<b>4,069,695</b>	<b>1,017,741</b>	<b>56,914,882</b>
<b>Total liabilities</b>	<b>19,889,728</b>	<b>39,008,205</b>	<b>4,639,320</b>	<b>1,321,276</b>	<b>64,858,529</b>

Proprietary Funds  
Statement of Net Position (Continued)

June 30, 2019

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
<b>Deferred Inflows of Resources</b> - Deferred inflows related to OPEB	\$ 3,745,793	\$ 1,248,602	\$ 1,872,899	\$ -	\$ 6,867,294
<b>Net Position</b>					
Net investment in capital assets	30,100,309	81,866,230	12,200,322	1,328,692	125,495,553
Restricted:					
Debt service	-	6,118,198	-	-	6,118,198
Sewer grant expenditures	-	612,690	-	-	612,690
Unrestricted	(13,780,812)	(850,864)	(5,476,090)	2,670,824	(17,436,942)
Total net position	<b>\$ 16,319,497</b>	<b>\$ 87,746,254</b>	<b>\$ 6,724,232</b>	<b>\$ 3,999,516</b>	<b>\$ 114,789,499</b>

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

Year Ended June 30, 2019

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
<b>Operating Revenue</b>					
Water sales	\$ 8,984,013	\$ -	\$ -	\$ -	\$ 8,984,013
Sewage disposal charges	-	6,666,728	-	-	6,666,728
Charges for services	1,440,319	883,997	1,685,404	413,458	4,423,178
Sale of merchandise	-	-	1,252,171	-	1,252,171
Other	6,031	-	-	-	6,031
<b>Total operating revenue</b>	<b>10,430,363</b>	<b>7,550,725</b>	<b>2,937,575</b>	<b>413,458</b>	<b>21,332,121</b>
<b>Operating Expenses</b>					
Cost of water operations	5,462,758	-	-	-	5,462,758
Cost of sewage treatment	-	4,253,532	-	-	4,253,532
Ecorse Creek user charge system	-	-	-	156,462	156,462
Cost of sales	-	-	659,129	-	659,129
Cost of operating and maintenance	-	-	1,247,761	-	1,247,761
General and administrative	1,499,324	2,186,930	3,517,414	-	7,203,668
Other expenses	-	17,454	-	-	17,454
Depreciation and amortization	1,198,625	1,938,948	656,928	57,655	3,852,156
<b>Total operating expenses</b>	<b>8,160,707</b>	<b>8,396,864</b>	<b>6,081,232</b>	<b>214,117</b>	<b>22,852,920</b>
<b>Operating Income (Loss)</b>	<b>2,269,656</b>	<b>(846,139)</b>	<b>(3,143,657)</b>	<b>199,341</b>	<b>(1,520,799)</b>
<b>Nonoperating Revenue (Expenses)</b>					
Property tax revenue	-	2,980,173	-	-	2,980,173
Investment income	73,968	275,812	3,481	18,429	371,690
Loss on DUWA transfer	-	(2,357,939)	-	-	(2,357,939)
Interest expense	(8,235)	(913,604)	(2,213)	(37,006)	(961,058)
Brownfield debt guarantee	-	(228,967)	-	-	(228,967)
Gain on sale of assets	-	-	260,977	-	260,977
Other nonoperating revenue	-	-	62,457	-	62,457
State grant	-	71,951	-	-	71,951
<b>Total nonoperating revenue (expenses)</b>	<b>65,733</b>	<b>(172,574)</b>	<b>324,702</b>	<b>(18,577)</b>	<b>199,284</b>
<b>Income (Loss)</b>	<b>2,335,389</b>	<b>(1,018,713)</b>	<b>(2,818,955)</b>	<b>180,764</b>	<b>(1,321,515)</b>
<b>Donated Assets</b>	<b>71,980</b>	<b>71,980</b>	<b>65,560</b>	<b>-</b>	<b>209,520</b>
<b>Transfers In</b>	<b>-</b>	<b>-</b>	<b>600,000</b>	<b>-</b>	<b>600,000</b>
<b>Change in Net Position</b>	<b>2,407,369</b>	<b>(946,733)</b>	<b>(2,153,395)</b>	<b>180,764</b>	<b>(511,995)</b>
<b>Net Position - Beginning of year</b>	<b>13,912,128</b>	<b>88,692,987</b>	<b>8,877,627</b>	<b>3,818,752</b>	<b>115,301,494</b>
<b>Net Position - End of year</b>	<b>\$ 16,319,497</b>	<b>\$ 87,746,254</b>	<b>\$ 6,724,232</b>	<b>\$ 3,999,516</b>	<b>\$ 114,789,499</b>

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 10,337,923	\$ 7,579,811	\$ 2,990,627	\$ 417,911	\$ 21,326,272
Interfund activity - (Payments to) receipts from other funds	(1,012,761)	285,714	(156,913)	-	(883,960)
Payments to suppliers	(5,565,276)	(3,655,585)	(1,989,985)	(37,470)	(11,248,316)
Payments to employees	(2,575,686)	(887,192)	(1,243,887)	-	(4,706,765)
Payments to other funds	-	-	-	21,799	21,799
Other (receipts) payments	(6,462)	116,901	-	-	110,439
Retiree healthcare contributions	-	(3,000,000)	-	-	(3,000,000)
Net cash and cash equivalents provided by (used in) operating activities	1,177,738	439,649	(400,158)	402,240	1,619,469
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers from other funds	-	-	600,000	-	600,000
Brownfield debt guarantee	(71,980)	(71,980)	-	-	(143,960)
Net cash and cash equivalents (used in) provided by noncapital financing activities	(71,980)	(71,980)	600,000	-	456,040
<b>Cash Flows from Capital and Related Financing Activities</b>					
Issuance of bonds	-	-	447,658	-	447,658
Receipt of grants	-	143,931	-	-	143,931
Change in capital-related financing	-	6,015	-	-	6,015
Proceeds from sale of capital assets	-	-	63,223	-	63,223
Property taxes	-	3,009,269	-	-	3,009,269
Purchase of capital assets	(372,360)	(1,765,661)	(594,930)	-	(2,732,951)
Principal and interest paid on capital debt	(191,645)	(5,537,084)	(148,134)	(212,680)	(6,089,543)
Loss on DUWA transfer	-	(2,357,939)	-	-	(2,357,939)
Net cash and cash equivalents used in capital and related financing activities	(564,005)	(6,501,469)	(232,183)	(212,680)	(7,510,337)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	73,968	275,812	3,481	18,429	371,690
Insurance proceeds	-	-	30,218	-	30,218
Net cash and cash equivalents provided by investing activities	73,968	275,812	33,699	18,429	401,908
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	615,721	(5,857,988)	1,358	207,989	(5,032,920)
<b>Cash and Cash Equivalents - Beginning of year</b>	3,595,172	22,489,654	392,614	2,397,500	28,874,940
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 4,210,893</b>	<b>\$ 16,631,666</b>	<b>\$ 393,972</b>	<b>\$ 2,605,489</b>	<b>\$ 23,842,020</b>
<b>Classification of Cash and Cash Equivalents</b>					
Cash and investments	\$ 4,210,893	\$ 10,513,468	\$ 393,972	\$ 2,605,489	\$ 17,723,822
Restricted assets	-	2,799,300	-	-	2,799,300
Current portion of restricted assets	-	3,318,898	-	-	3,318,898
Total cash and cash equivalents	<b>\$ 4,210,893</b>	<b>\$ 16,631,666</b>	<b>\$ 393,972</b>	<b>\$ 2,605,489</b>	<b>\$ 23,842,020</b>

Proprietary Funds  
Statement of Cash Flows (Continued)

Year Ended June 30, 2019

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 2,269,656	\$ (846,139)	\$ (3,143,657)	\$ 199,341	\$ (1,520,799)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,198,625	1,938,948	656,928	57,655	3,852,156
Changes in assets and liabilities:					
Receivables	(98,902)	145,987	52,964	4,453	104,502
Due to and from other funds	(1,012,761)	285,714	(156,913)	21,799	(862,161)
Inventories	16,925	-	6,282	-	23,207
Prepaid and other assets	(10,288)	(10,288)	(3,024)	-	(23,600)
Other accrued liabilities	2,086	(28,454)	13,243	-	(13,125)
Accounts payable	(109,155)	620,174	(86,265)	118,992	543,746
Net pension or OPEB liability and deferrals	(1,078,448)	(1,666,293)	2,260,284	-	(484,457)
Total adjustments	(1,091,918)	1,285,788	2,743,499	202,899	3,140,268
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 1,177,738</u>	<u>\$ 439,649</u>	<u>\$ (400,158)</u>	<u>\$ 402,240</u>	<u>\$ 1,619,469</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2019, Wayne County, Michigan used \$3,886,068 of deposits held on behalf of the City to retire debt and pay interest costs. Interest income totaling \$57,067 was earned on funds held at Wayne County, Michigan. The Downriver Utility Wastewater Authority issued new debt on behalf of the City in the amount of \$10,764,147. The debt proceeds are being used for the construction of various improvements that are capitalized by the City. The investment in the Downriver Sewage Disposal System was written down to zero. See Note 1 - Downriver Sewage Disposal System for additional information.

Fiduciary Funds  
Statement of Fiduciary Net Position

June 30, 2019

	Pension and Other Employee Benefit Plans*	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 8,577,879	\$ 5,757,214
Investments:		
U.S. government securities	4,803,039	-
Agency securities	2,411,519	-
Common and preferred stocks	67,265,639	-
Corporate bonds	5,924,913	-
Real estate	288,358	-
Mutual funds	39,420,781	-
Partnerships	38,273,592	-
Receivables	323,481	22,172
Total assets	167,289,201	\$ 5,779,386
<b>Liabilities</b>		
Due to other governmental units	-	\$ 3,559,095
Other current liabilities	-	2,220,291
Total liabilities	-	\$ 5,779,386
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 167,289,201</b>	

\*Balances are as of December 31, 2018 for the General Employees' Retirement System and as of June 30, 2019 for the Police and Fire Retirement System.

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	Pension and Other Employee Benefit Plans*
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 6,500,588
Net decrease in fair value of investments	(891,176)
Investment-related expenses	(605,418)
Net investment income	5,003,994
Contributions:	
Employer contributions	10,545,174
Employee contributions	867,804
Total contributions	11,412,978
Total additions	16,416,972
<b>Deductions</b>	
Benefit payments	19,789,235
Administrative expenses	122,820
Total deductions	19,912,055
<b>Net Decrease in Net Position Held in Trust</b>	(3,495,083)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	170,784,284
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 167,289,201</b>

\*Balances are as of December 31, 2018 for the General Employees' Retirement System and as of June 30, 2019 for the Police and Fire Retirement System.

Component Units  
Statement of Net Position

June 30, 2019

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
<b>Assets</b>						
Cash and investments (Note 3)	\$ 769,321	\$ 8,457,609	\$ 790,109	\$ 391,131	\$ 3,518,110	\$ 13,926,280
Accounts receivable	-	-	743,673	-	60,544	804,217
Due from component units	-	-	513,457	44,633	-	558,090
Due from primary government	-	835	475,479	1,626	-	477,940
Prepaid expenses and other assets	-	-	-	-	17,132	17,132
Due from other governmental units	-	1,608,878	-	-	-	1,608,878
Capital assets: (Note 5)						
Assets not subject to depreciation	17,745	13,191,914	77,187	869,375	759,999	14,916,220
Assets subject to depreciation - Net	-	-	-	-	655,529	655,529
<b>Total assets</b>	<b>787,066</b>	<b>23,259,236</b>	<b>2,599,905</b>	<b>1,306,765</b>	<b>5,011,314</b>	<b>32,964,286</b>
<b>Deferred Outflows of Resources</b>	-	-	-	-	29,003	29,003
<b>Liabilities</b>						
Accounts payable	-	355,157	140	2,453	65,436	423,186
Due to other governmental units	17,711	-	-	-	-	17,711
Due to component units	76,937	80,754	-	400,400	-	558,091
Due to primary government	3,652	4,724,075	880	-	-	4,728,607
Accrued liabilities and other	-	36,671	252,625	-	30,956	320,252
Unearned revenue	-	-	743,673	-	-	743,673
Tenant security deposits	-	-	-	-	37,329	37,329
Noncurrent liabilities:						
Due within one year (Note 7)	-	2,641,835	735,522	-	-	3,377,357
Due in more than one year (Note 7)	-	3,171,835	11,430,467	-	56,258	14,658,560
<b>Total liabilities</b>	<b>98,300</b>	<b>11,010,327</b>	<b>13,163,307</b>	<b>402,853</b>	<b>189,979</b>	<b>24,864,766</b>
<b>Net Position</b>						
Net investment in capital assets	17,745	13,191,914	77,187	869,375	1,415,528	15,571,749
Restricted - HAP payment	-	-	-	-	314,603	314,603
Unrestricted	671,021	(943,005)	(10,640,589)	34,537	3,120,207	(7,757,829)
<b>Total net position</b>	<b>\$ 688,766</b>	<b>\$ 12,248,909</b>	<b>\$ (10,563,402)</b>	<b>\$ 903,912</b>	<b>\$ 4,850,338</b>	<b>\$ 8,128,523</b>

\*Balances are as of March 31, 2019 for the Housing Commission.

# City of Taylor, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Local Development Financing Authority	\$ -	\$ -	\$ -	\$ -
Tax Increment Financing Authority	3,717,288	-	-	-
Brownfield Redevelopment Authority	543,922	-	228,967	-
Downtown Development Authority	73,682	-	-	-
Housing Commission	7,309,519	699,650	7,065,936	-
<b>Total component units</b>	<b>\$ 11,644,411</b>	<b>\$ 699,650</b>	<b>\$ 7,294,903</b>	<b>\$ -</b>

General revenue:

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

Total general revenue

Transfers

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year

\*Balances are as of March 31, 2019 for the Housing Commission.

Component Units  
Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position					
Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(3,717,288)	-	-	-	(3,717,288)
-	-	(314,955)	-	-	(314,955)
-	-	-	(73,682)	-	(73,682)
-	-	-	-	456,067	456,067
-	(3,717,288)	(314,955)	(73,682)	456,067	(3,649,858)
30,337	6,596,341	374,384	490,069	-	7,491,131
-	1,033,801	-	-	-	1,033,801
5,695	106,741	9,972	2,341	14,041	138,790
-	10,252	246,511	-	-	256,763
36,032	7,747,135	630,867	492,410	14,041	8,920,485
-	(80,754)	481,154	(400,400)	-	-
36,032	3,949,093	797,066	18,328	470,108	5,270,627
652,734	8,299,816	(11,360,468)	885,584	4,380,230	2,857,896
<b>\$ 688,766</b>	<b>\$ 12,248,909</b>	<b>\$ (10,563,402)</b>	<b>\$ 903,912</b>	<b>\$ 4,850,338</b>	<b>\$ 8,128,523</b>

**Note 1 - Significant Accounting Policies**

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

***Reporting Entity***

The City of Taylor, Michigan is governed by an elected seven-member City Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

**Blended Component Units**

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

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

**Discretely Presented Component Units**

The following component units are reported within the component unit columns to emphasize that they are legally separate from the City.

***Downtown Development Authority***

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

***Local Development Financing Authority and Tax Increment Financing Authority***

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

***Brownfield Redevelopment Authority***

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

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

*Housing Commission*

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

**Jointly Governed Organization**

*Downriver Sewage Disposal System*

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

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

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

In addition to transferring the treatment plant, distribution system, and other capital assets with a net book value of approximately \$190 million, the County also transferred approximately \$40 million of cash. In exchange for these assets, DUWA is obligated for the exchanged SRF debt in the principal amount of approximately \$62 million, the new 2018 Senior Lien debt issuance with a face amount of \$55 million, and the \$3.5 million remaining transfer obligation. All DUWA debt is revenue bond debt that will be paid by the communities through rates and charges.

The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer funds. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial statements for the joint venture can be obtained from the administrative offices at 25605 Northline Road, Taylor, MI 48180.

As a result of the transfer of the Downriver Sewage Disposal System asset to DUWA, the City reduced the investment in joint ventures to zero. The loss on the transfer of asset of \$2,357,939 was recorded during the year ended June 30, 2019.

***Accounting and Reporting Principles***

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

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

***Report Presentation***

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

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

***Fund Accounting***

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

**Governmental Funds**

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

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

**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) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as "major" enterprise funds:

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

**Fiduciary Funds**

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

- The Pension Trust Fund accounts for the activities of the City's two defined benefit pension plans, including the Police and Fire Retirement System and the General Employees' Retirement System. The General Employees' Retirement System has a calendar year end of December 31, 2018. Therefore, the General Employees' Retirement System is included in this report as of December 31, 2018. The plans accumulate resources for pension benefit payments to qualified employees.
- The agency funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City's agency funds include the Tax Receiving Fund, the Agency Fund, and the 23rd District Court Fund.

**Interfund Activity**

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

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

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

***Basis of Accounting***

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

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

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

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

***Specific Balances and Transactions***

**Cash and Cash Equivalents**

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

**Inventories and Prepaid Items**

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

**Restricted Assets**

Restricted assets consist of deposits held by others for the construction and debt service of the City's sewer lines. The restricted assets result mainly from unspent proceeds related to the issuance of debt and funds from dedicated tax levies. Net position has been reserved for restricted assets. In the Water and Sewer funds, restricted assets relate to reserves held at Downriver Utility Wastewater Authority (DUWA), a joint venture of the City and for EPA tax levy funds held with the County.

**Capital Assets**

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

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

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

	Depreciable Life - Years
Roads and sidewalks	10-65
Buildings	15-50
Sanitary sewer system	15-50
Water mains and meters	15-67
Improvements other than buildings	20
Vehicles	4-10
Machinery and equipment	2-20
Furniture and fixtures	10-20

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as "other financing sources," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt, as well as compensated absences. The General Employees' Retirement System and the Police and Fire Retirement Funds will generally be used to liquidate pension liabilities. The General, Water, and Sewer funds will generally be used to liquidate the OPEB plan liabilities.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions and OPEB.

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

**Net Position Flow Assumption**

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

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

**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.

**Property Tax Revenue**

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

The City's 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the City totaled \$1,299,017,768 (a portion of which is abated and a portion of which is captured by the TIFA, BRDA, LDFA, and DDA), on which taxes levied consisted of 8.4211 mills for operating purposes, 0.8862 mills for library services, 8.2048 mills for public safety pension, 1.4331 mills for disposal authority, 2.6591 mills for garbage and rubbish services, 0.0370 mills for publicity services, 2.7000 mills for the building authority, and 2.7547 mills for EPA debt. This resulted in approximately \$8,900,000 for operating purposes, \$939,000 for library services, \$8,559,000 for public safety pension, \$1,495,000 for disposal authority, \$2,774,000 for garbage and rubbish services, \$39,000 for publicity services, \$3,395,000 for the building authority, and \$2,917,000 for EPA debt. These amounts are recognized in the respective General Fund, special revenue funds, debt service funds, and enterprise funds financial statements as tax revenue.

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

**Pension**

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**Other Postemployment Benefit Costs**

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

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

**Compensated Absences (Vacation and Sick Leave)**

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

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer funds is charges to customers for sales and services. The Water and Sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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

***Upcoming Accounting Pronouncements***

In January 2017, the Governmental Accounting Standards Board (GASB) 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 GASB issued 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 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.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the City's financial statements for the June 30, 2022 fiscal year.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including December 16, 2019, which is the date the financial statements were available to be issued.

On October 16, 2019, the City issued \$4,950,000 of City of Taylor Building Authority Limited Tax General Obligation Bonds. The bonds are payable through September 2029, with principal payments ranging from \$455,000 to \$535,000 and an interest rate of 1.79 percent.

## Note 2 - Stewardship, Compliance, and Accountability

### *Budgetary Information*

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

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

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

The amount of encumbrances outstanding at June 30, 2019 has not been calculated. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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.

### *Fund Deficits*

On the modified accrual basis, the Community Development Block Grant Fund has an unassigned fund balance deficit at June 30, 2019. The component units are presented on the full accrual basis in the basic financial statements, resulting in deficits on that basis in the Tax Increment Financing Authority. The Golf Courses and Water funds also have an unrestricted net deficit as of June 30, 2019.

## Note 3 - Deposits and Investments

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

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

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

**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 \$43,565,105 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$9,158,133 of bank deposits that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity; U.S. Treasury bills and U.S. Treasury notes or bonds must mature within one year. The General Employees' Retirement System does not restrict investment maturities other than fixed-income portfolios, which can only be purchased with less than a 20-year maturity.

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

General Employees' Retirement System	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Corporate bonds	\$ 2,333,433	\$ 313,281	\$ 1,811,589	\$ 208,563	\$ -
U.S. government securities	2,160,360	-	-	2,160,360	-
Agency securities	1,990,598	1,990,598	-	-	-
Total	<u>\$ 6,484,391</u>	<u>\$ 2,303,879</u>	<u>\$ 1,811,589</u>	<u>\$ 2,368,923</u>	<u>\$ -</u>

  

Police and Fire Retirement System	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Corporate bonds	\$ 3,591,480	\$ 382,113	\$ 2,481,125	\$ 703,019	\$ 25,223
U.S. government securities	2,642,679	-	2,000,174	642,505	-
Agency securities	420,921	-	-	155,970	264,951
Total	<u>\$ 6,655,080</u>	<u>\$ 382,113</u>	<u>\$ 4,481,299</u>	<u>\$ 1,501,494</u>	<u>\$ 290,174</u>

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

**Credit Risk**

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

Investment	Fair Value	Rating	Rating Organization
<b>General Employees' Retirement System</b>			
Corporate bonds	\$ 843,105	A1	Moody's
Corporate bonds	868,109	A2	Moody's
Corporate bonds	415,503	A3	Moody's
Corporate bonds	206,716	AA1	Moody's
Agency securities	1,465,808	AAA	Moody's
Agency securities	524,790	N/A	Moody's
U.S. government securities	2,160,360	AAA	Moody's
<b>Police and Fire Retirement System</b>			
Corporate bonds	210,609	A1	Moody's
Corporate bonds	175,829	A2	Moody's
Corporate bonds	413,856	A3	Moody's
Corporate bonds	118,268	AA2	Moody's
Corporate bonds	82,506	AA3	Moody's
Corporate bonds	739,595	AAA	Moody's
Corporate bonds	87,713	BA1	Moody's
Corporate bonds	39,319	BA2	Moody's
Corporate bonds	103,901	BA3	Moody's
Corporate bonds	557,804	BAA1	Moody's
Corporate bonds	561,743	BAA2	Moody's
Corporate bonds	370,722	BAA3	Moody's
Corporate bonds	129,615	Not rated	Moody's
Agency securities	155,970	AAA	Moody's
Agency securities	264,951	Not rated	Moody's
U.S. government securities	2,547,771	AAA	Moody's
U.S. government securities	94,908	Not rated	Moody's

**Risks and Uncertainties**

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

**Alternative Investment Valuation**

Approximately 24 percent of the Police and Fire Retirement System's assets and 15 percent of the General Employees' Retirement System is not publicly traded and, therefore, does not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

June 30, 2019

**Note 4 - Deferred Inflows/Outflows of Resources**

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

	Governmental Activities	Business-type Activities
Pension deferrals	\$ 2,946,941	\$ 800,600
OPEB deferrals	39,592	4,208

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

	Governmental Funds	Business-type Activities	Governmental Activities
Special assessments - Unavailable	\$ 236,298	\$ -	\$ -
Grant revenue - Unavailable	377,020	-	-
Other unavailable revenue	1,520,234	-	-
Pension deferrals	-	-	11,332,565
OPEB deferrals	-	6,837,294	64,615,006
<b>Total deferred inflows</b>	<b>\$ 2,133,552</b>	<b>\$ 6,837,294</b>	<b>\$ 75,947,571</b>

**Note 5 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 29,362,453	\$ -	\$ -	\$ (87,826)	\$ 29,274,627
Construction in progress	863,925	(337,314)	1,792,640	(38,818)	2,280,433
Subtotal	30,226,378	(337,314)	1,792,640	(126,644)	31,555,060
Capital assets being depreciated:					
Buildings and improvements	84,502,301	301,049	833,029	-	85,636,379
Machinery and equipment	39,390,498	-	3,171,804	(1,204,127)	41,358,175
Other improvements	20,634,970	-	334,188	-	20,969,158
Roads and sidewalks	267,259,594	36,265	945,417	-	268,241,276
Subtotal	411,787,363	337,314	5,284,438	(1,204,127)	416,204,988
Accumulated depreciation:					
Buildings and improvements	37,988,920	-	1,853,626	-	39,842,546
Machinery and equipment	31,262,624	-	1,620,615	(1,201,659)	31,681,580
Other improvements	17,392,189	-	406,373	-	17,798,562
Roads and sidewalks	186,267,249	-	5,728,320	-	191,995,569
Subtotal	272,910,982	-	9,608,934	(1,201,659)	281,318,257
Net capital assets being depreciated	138,876,381	337,314	(4,324,496)	(2,468)	134,886,731
Net capital assets	<u>\$ 169,102,759</u>	<u>\$ -</u>	<u>\$ (2,531,856)</u>	<u>\$ (129,112)</u>	<u>\$ 166,441,791</u>

June 30, 2019

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

***Business-type Activities***

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 3,358,372	\$ -	\$ -	\$ -	\$ 3,358,372
Construction in progress	519,467	(3,024,426)	2,558,782	(4,366)	49,457
Subtotal	3,877,839	(3,024,426)	2,558,782	(4,366)	3,407,829
Capital assets being depreciated:					
Water mains and meters	48,245,934	293,868	52,955	(95,585)	48,497,172
Sanitary sewer system	130,415,157	2,710,692	10,287,823	(6,015)	143,407,657
Buildings and improvements	11,343,044	-	-	-	11,343,044
Machinery and equipment	3,408,625	-	843,847	(511,068)	3,741,404
Vehicles	717,503	-	-	-	717,503
Furniture and fixtures	1,222,199	-	76,989	-	1,299,188
Land improvements	10,466,838	19,866	50,060	-	10,536,764
Intangible ECPAD improvement	2,882,728	-	-	-	2,882,728
Subtotal	208,702,028	3,024,426	11,311,674	(612,668)	222,425,460
Accumulated depreciation:					
Water and sewer lines	17,973,940	-	1,113,132	(85,379)	19,001,693
Sanitary sewer system	34,641,615	-	1,899,643	-	36,541,258
Buildings and improvements	4,530,720	-	248,786	-	4,779,506
Machinery and equipment	2,624,067	-	277,503	(447,844)	2,453,726
Vehicles	424,902	-	45,158	-	470,060
Furniture and equipment	1,113,610	-	20,943	-	1,134,553
Land improvements	8,539,373	-	189,336	-	8,728,709
Intangible ECPAD improvement	302,597	-	57,655	-	360,252
Subtotal	70,150,824	-	3,852,156	(533,223)	73,469,757
Net capital assets being depreciated	138,551,204	3,024,426	7,459,518	(79,445)	148,955,703
Net capital assets	\$ 142,429,043	\$ -	\$ 10,018,300	\$ (83,811)	\$ 152,363,532

June 30, 2019

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

**Component Unit**

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated	\$ 14,916,220	\$ -	\$ -	\$ 14,916,220
Capital assets being depreciated:				
Buildings and improvements	2,777,621	-	-	2,777,621
Furniture, equipment, and machinery	290,050	-	-	290,050
Furniture, equipment, and machinery - Administration	292,307	-	-	292,307
Improvements	2,375,534	-	-	2,375,534
Infrastructure	66,298	18,628	-	84,926
Subtotal	5,801,810	18,628	-	5,820,438
Accumulated depreciation	5,057,327	107,582	-	5,164,909
Net capital assets being depreciated	744,483	(88,954)	-	655,529
Net capital assets	<u>\$ 15,660,703</u>	<u>\$ (88,954)</u>	<u>\$ -</u>	<u>\$ 15,571,749</u>

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

Governmental activities:	
General government	\$ 785,309
Public safety	1,093,550
Public works	6,110,972
Economic development	197,902
Recreation and culture	1,421,201
Total governmental activities	<u>\$ 9,608,934</u>
Business-type activities:	
Water	\$ 1,198,625
Sewer	1,938,948
Ecorse Creek	57,655
Golf	656,928
Total business-type activities	<u>\$ 3,852,156</u>

**Construction Commitments**

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

	Spent to Date	Remaining Commitment
Governmental activities	\$ 1,706,663	\$ 863,125
Business-type activities	3,318	2,929,446
Component units	352,157	898,909
Total	<u>\$ 2,062,138</u>	<u>\$ 4,691,480</u>

June 30, 2019

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Police and Fire Retirement Fund	\$ 347,166
	Act 179 Rubbish Fund	350,876
	Other nonmajor governmental funds	1,391,417
	Total General Fund	2,089,459
Other nonmajor governmental funds	General Fund	1,461,576
	Water Fund	280
	Other nonmajor governmental funds	2,238,735
	Total other nonmajor governmental funds	3,700,591
Sewer Fund	General Fund	406,453
Ecorse Creek Fund	Water Fund	5,239
Golf Courses Fund	General Fund	31,452
	Other nonmajor governmental funds	135
	Total Golf Courses Fund	31,587
Act 179 Rubbish Fund	Water Fund	11,281
Water Fund	General Fund	478,408
	Sewer Fund	314,998
	Total Water Fund	793,406
Total		<u>\$ 7,038,016</u>

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

Receivable	Payable	Amount
General Fund	Tax Increment Financing Authority	\$ 235,957
Act 179 Rubbish Fund	Tax Increment Financing Authority	656,563
Police and Fire Retirement Fund	Tax Increment Financing Authority	1,288,850
Tax Increment Financing Authority	Other nonmajor governmental funds	835
Downtown Development Authority	Other nonmajor governmental funds	1,626
Brownfield Redevelopment Authority	Sewer Fund	228,967
	General Fund	246,512
Total Brownfield Redevelopment Authority		475,479
Other nonmajor governmental funds	Tax Increment Financing Authority	748,313
	Local Development Financing Authority	3,652
	Brownfield Redevelopment Authority	880
Total other nonmajor governmental funds		752,845
Sewer Fund	Tax Increment Financing Authority	863,188
Water Fund	Tax Increment Financing Authority	931,204
Total		<u>\$ 5,206,547</u>

June 30, 2019

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

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	Local Streets Fund	\$ 186,000
	Building Department Fund	229,537
	Golf Courses Fund	600,000
	Total General Fund	1,015,537
Major Streets Fund	Local Streets Fund	2,250,000
	2008 Transportation Bond Debt Fund	357,850
	Total Major Streets Fund	2,607,850
Building and Grounds	Building Authority Debt Fund	1,072,769
	Total	<u>\$ 4,696,156</u>

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

June 30, 2019

**Note 7 - Long-term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:						
Direct borrowings and direct placements:						
2011 Installment purchase contract trash notes - Amount of issue - \$1,880,000	3.83%	\$ 639,000	\$ -	\$ (205,000)	\$ 434,000	\$ 213,000
Dell Capital Lease - Amount of issue - \$49,506	6.83%	16,479	-	(16,479)	-	-
Caterpillar Excavator Equipment Lease Purchase - Amount of issue - \$84,942	2.39%	53,890	-	(15,058)	38,832	38,832
Wells Fargo Copier Capital Lease - Amount of issue - \$163,830	6.09%	155,171	-	(29,652)	125,519	31,509
Wells Fargo Copier Capital Lease - Amount of issue - \$49,821	6.09%	47,188	-	(9,017)	38,171	9,582
Dell Capital Lease - Amount of issue - \$266,502	5.47%	-	266,502	(26,792)	239,710	48,296
Dell Capital Lease - Amount of issue - \$680,911	5.44%	-	680,911	(68,448)	612,463	123,479
PNC Equipment Finance Capital Lease - Amount of issue - \$908,520	3.55%	-	908,520	(120,481)	788,039	296,518
PNC Equipment Note - Amount of issue - \$1,236,481	2.34%	738,783	-	(247,642)	491,141	253,500
VDI Desktop Storage Replacement - Amount of issue - \$380,977	3.24%	80,539	-	(80,539)	-	-
		<u>1,731,050</u>	<u>1,855,933</u>	<u>(819,108)</u>	<u>2,767,875</u>	<u>1,014,716</u>
Total direct borrowings and direct placements principal outstanding						
Other debt:						
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	2.00%	505,000	-	(75,000)	430,000	80,000
2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000	3.25%-5.25%	340,000	-	(340,000)	-	-
2015 Building Authority Refunding Bonds - \$6,965,000	2.00%-5.00%	4,945,000	-	(735,000)	4,210,000	765,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	3.00%-4.40%	65,000	-	(65,000)	-	-
		<u>5,855,000</u>	<u>-</u>	<u>(1,215,000)</u>	<u>4,640,000</u>	<u>845,000</u>
Total other debt principal outstanding						
Unamortized bond premiums		<u>436,222</u>	<u>-</u>	<u>(87,048)</u>	<u>349,174</u>	<u>74,823</u>
		<u>8,022,272</u>	<u>1,855,933</u>	<u>(2,121,156)</u>	<u>7,757,049</u>	<u>1,934,539</u>
Total bonds and contracts payable						
Workers' compensation claims		412,723	295,210	(189,243)	518,690	-
Nonexchange financial guarantee		2,593,000	-	(175,000)	2,418,000	292,703
Compensated absences		2,878,607	961,924	(757,313)	3,083,218	924,844
		<u>412,723</u>	<u>295,210</u>	<u>(189,243)</u>	<u>518,690</u>	<u>-</u>
		<u>2,593,000</u>	<u>-</u>	<u>(175,000)</u>	<u>2,418,000</u>	<u>292,703</u>
		<u>2,878,607</u>	<u>961,924</u>	<u>(757,313)</u>	<u>3,083,218</u>	<u>924,844</u>
		<u>5,884,330</u>	<u>1,257,134</u>	<u>(1,121,556)</u>	<u>5,920,908</u>	<u>1,217,547</u>
Total governmental activities long-term debt						
		<u>\$ 13,906,602</u>	<u>\$ 3,113,067</u>	<u>\$ (3,242,712)</u>	<u>\$ 13,776,957</u>	<u>\$ 3,152,086</u>

June 30, 2019

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

***Business-type Activities***

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:						
Direct borrowings and direct placements:						
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$60,010,808	Various	\$ 11,032,314	\$ 3	\$ (3,590,514)	\$ 7,441,803	\$ 2,648,866
Downriver Utility Wastewater Authority Bonds - Amount of issue - \$25,651,802	Various	11,432,682	10,764,147	(1,137,080)	21,059,749	665,030
Series 2009A - ECPAD 1 CWRF - Amount of issue - \$3,717,000	2.50%	904,402	-	(104,650)	799,752	104,650
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$236,021	3.10%	46,266	-	(46,266)	-	-
Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$222,299	3.10%	43,580	-	(43,580)	-	-
PNC Equipment Note - Amount of issue - \$239,033	2.34%	142,820	-	(47,878)	94,942	49,006
ECPAD 1 Taylor/Pelham Basin Series 2014 - Amount of issue - \$722,172	5.75%	464,057	-	(70,020)	394,037	71,393
Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$217,128	4.35%	-	217,128	(27,196)	189,932	51,366
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$230,530	4.35%	-	230,530	(28,875)	201,655	54,537
Total direct borrowings and direct placements principal outstanding		24,066,121	11,211,808	(5,096,059)	30,181,870	3,644,848
Other debt - Series 2004 - Water and Sewer - Amount of issue - \$1,655,000	3.00%-4.40%	155,000	-	(155,000)	-	-
Total bonds and contracts payable		24,221,121	11,211,808	(5,251,059)	30,181,870	3,644,848
Nonexchange financial guarantee		2,825,691	-	(143,959)	2,681,732	227,298
Compensated absences		193,888	54,911	(43,146)	205,653	77,493
Total business-type activities long-term debt		<u>\$ 27,240,700</u>	<u>\$ 11,266,719</u>	<u>\$ (5,438,164)</u>	<u>\$ 33,069,255</u>	<u>\$ 3,949,639</u>

June 30, 2019

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

**Component Unit**

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:						
Other debt:						
TIFA:						
2013 Refunding - Series A - Amount of issue - \$15,995,000	2.00%-3.25%	\$ 3,735,000	\$ -	\$ (2,725,000)	\$ 1,010,000	\$ 1,010,000
2013 Refunding - Series B - Amount of issue - \$4,680,000	4.00%	4,680,000	-	-	4,680,000	1,570,000
Brownfield:						
2017 Refunding - Series A - Amount of issue - \$1,915,000	2.10%-4.45%	1,660,000	-	(270,000)	1,390,000	275,000
2017 Refunding - Series B - Amount of issue - \$2,045,000	2.10%-4.05%	1,865,000	-	(185,000)	1,680,000	195,000
Brownfield Redevelopment Tax Increment Bonds, Series 2015	2.00%-5.00%	9,035,000	-	(240,000)	8,795,000	245,000
Total other debt principal outstanding		20,975,000	-	(3,420,000)	17,555,000	3,295,000
TIFA - Bond premium		185,504	-	(61,834)	123,670	61,835
Brownfield - Bond premium		321,511	-	(20,522)	300,989	20,522
Total component unit long-term debt		<u>\$ 21,482,015</u>	<u>\$ -</u>	<u>\$ (3,502,356)</u>	<u>\$ 17,979,659</u>	<u>\$ 3,377,357</u>

**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					
	Direct Borrowings and Direct Placements		Other Debt		Total	
	Principal*	Interest	Principal	Interest		
2020	\$ 1,014,716	\$ 101,518	\$ 845,000	\$ 229,025	\$ 2,190,259	
2021	990,895	63,564	880,000	186,975	2,121,434	
2022	422,212	29,146	925,000	143,056	1,519,414	
2023	234,747	13,478	970,000	96,900	1,315,125	
2024	105,305	2,167	1,020,000	48,506	1,175,978	
2025-2029	-	-	-	-	-	
Thereafter	-	-	-	-	-	
Total	<u>\$ 2,767,875</u>	<u>\$ 209,873</u>	<u>\$ 4,640,000</u>	<u>\$ 704,462</u>	<u>\$ 8,322,210</u>	
Years Ending June 30	Business-type Activities			Component Unit Activities		
	Direct Borrowings and Direct Placements		Total	Other Debt		Total
	Principal	Interest		Principal*	Interest	
2020	\$ 3,644,848	\$ 1,010,072	\$ 4,654,920	\$ 3,295,000	\$ 717,834	\$ 4,012,834
2021	3,808,373	917,669	4,726,042	3,845,000	600,235	4,445,235
2022	1,497,848	840,053	2,337,901	685,000	451,517	1,136,517
2023	1,489,321	788,026	2,277,347	725,000	425,366	1,150,366
2024	2,059,245	737,346	2,796,591	785,000	392,417	1,177,417
2025-2029	7,060,811	2,924,626	9,985,437	4,035,000	1,481,601	5,516,601
Thereafter	10,621,424	3,355,071	13,976,495	4,185,000	640,925	4,825,925
Total	<u>\$ 30,181,870</u>	<u>\$ 10,572,863</u>	<u>\$ 40,754,733</u>	<u>\$ 17,555,000</u>	<u>\$ 4,709,895</u>	<u>\$ 22,264,895</u>

\*Balances exclude bond premium

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

***Bond Refunding***

In conjunction with the issuance of \$20,675,000 for the Tax Increment Financing Authority (TIFA) bond Series 2013A and Series 2013B, the component unit is required to maintain debt service reserves in the amount of \$569,000. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage commensurate with this reserve balance amount. In addition to the reserves and in conjunction with the above debt issue, the City has agreed to certain covenants, including, but not limited to, restriction on amendments to the TIFA plan districts and continued compliance with the State of Michigan regulations and statutes affecting the TIFA bond indenture.

***Defeased Debt***

In 2017, the City defeased \$3.8 million of bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the current year defeased bonds and balance of prior year defeased bonds are not included in the basic financial statements. At June 30, 2019, approximately \$16.8 million of bonds outstanding are considered defeased.

***Nonexchange Financial Guarantee***

In 2005, the City pledged its full faith and credit on bonds issued by the City's Brownfield Redevelopment Authority (the "Brownfield"). The bonds were related to the Midtown (Island Lakes) development project. The City's pledge is considered a nonexchange financial guarantee or commitment to back the debt payments of the bonds, which continue through fiscal year 2034. Due to the downturn in the economy, the development project was never finished, and, as a result, the Brownfield's projected tax increment revenue was insufficient to fully pay the bond debt. The present value of the total estimated shortfall related to Brownfield's bond payments is \$5,099,732 and has been recognized by the City as a liability of \$2,418,000, \$1,340,866, and \$1,340,866 in the governmental activities, Water Fund, and Sewer Fund, respectively. In a prior year, the full amount was recorded in governmental activities; the City obtained additional guidance from third-party legal counsel that concluded that the Water and Sewer funds are responsible for a portion of the cost. As such, the City recorded the proportionate share in these funds.

***No Commitment Debt***

Excluded from long-term debt are bonds issued under the Economic Development Corporation Act of 1974, as amended, which authorizes the formation of economic development corporations and their participation in economic development projects in the City. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

**Note 8 - Restricted Assets**

At June 30, 2019, restricted assets are composed of the following:

Description	Business-type Activities
Assets held at Wayne County, Michigan for future debt payments	\$ 4,103,172
Assets held at Downriver Utility Wastewater Authority (DUWA) for sewer operations	2,015,026
Total	<u>\$ 6,118,198</u>

**Note 8 - Restricted Assets (Continued)**

The above assets held by third parties are set aside for contractual obligations related to the issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay its portion of principal and interest totaling \$38,884,211 of DUWA and Downriver Sewage Disposal system obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, to repay its portion of principal and interest totaling \$8,218,850 of the Wayne County, Michigan obligations. Proceeds from these bond issuances provided financing for the construction of the expansion of the Downriver Wastewater Treatment Plant and System. The remaining principal and interest to be paid on the DUWA/DRSD obligations not paid with property taxes totals \$30,665,361. During the current year, net revenue of the system was \$1,014,230 compared to the debt service requirements of \$1,659,273 for the DUWA bonds. Tax collections related to the Wayne County, Michigan debt were \$2,980,173, compared to the debt service requirements of 3,886,070.

**Note 9 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical and property claims and for risk related to torts and errors and omissions and is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

	<u>2019</u>	<u>2018</u>
Estimated liability - Beginning of year	\$ 412,723	\$ 377,868
Incurred claims, including adjustments to claims incurred but not reported	277,949	239,291
Claim payments (net of insurance refunds)	<u>(171,982)</u>	<u>(204,436)</u>
Estimated liability - End of year	<u>\$ 518,690</u>	<u>\$ 412,723</u>

**Note 10 - Other Postemployment Benefit Plan**

***Plan Description***

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

***Benefits Provided***

The labor contracts require employee contributions for optical and dental for all employees and medical contributions for some of the new Command Union retirees. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The costs of administering the plan are borne by the City's General Fund.

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

**Members Covered by Benefit Terms**

The following members were covered by the benefit terms:

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

**Contributions**

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2019, the City made payments for postemployment health benefit premiums of \$11,742,467, \$3,000,000 of which was an additional prefunding contribution.

**Net OPEB Liability**

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2019 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, 2019 measurement date. The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, which used update procedures to roll forward the estimated liability to June 30, 2019.

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, 2018</b>	\$ 293,762,527	\$ -	\$ 293,762,527
Changes for the year:			
Service cost	3,705,380	-	3,705,380
Interest	10,543,165	-	10,543,165
Differences between expected and actual experience	(55,703,885)	-	(55,703,885)
Changes in assumptions	(88,984,720)	-	(88,984,720)
Contributions - Employer	-	11,742,467	(11,742,467)
Benefit payments	(8,742,467)	(8,742,467)	-
Net changes	(139,182,527)	3,000,000	(142,182,527)
<b>Balance at June 30, 2019</b>	\$ 154,580,000	\$ 3,000,000	\$ 151,580,000

The plan's fiduciary net position represents 1.9 percent of the total OPEB liability.

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

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

For the year ended June 30, 2019, the City recognized OPEB cost reductions of \$64,947,437.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (26,033,982)
Changes in assumptions	-	(41,600,255)
Net difference between projected and actual earnings on OPEB plan investments	43,800	-
Total	\$ 43,800	\$ (67,634,237)

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

Years Ending June 30	Amount
2020	\$ (67,623,287)
2021	10,950
2022	10,950
2023	10,950
Total	\$ (67,590,437)

***Actuarial Assumptions***

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 1 percent for general members, 3.75 to 14.75 percent for court members, and 3.50 to 6.50 percent for police/fire members; a healthcare cost trend rate of 9.00 percent for 2019, decreasing to an ultimate rate of 3.50 percent for 2028 and later years; and the RP-2014 mortality tables with the MP-2017 improvement scale. Also included is an excise tax for Cadillac plans and participation rates. These assumptions were applied to all periods included in the measurement.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 7.35 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. This assumption has changed from the prior year where a discount rate of 3.62 was used.

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 10 - 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. Best estimates of arithmetic real rates of return as of the June 30, 2019 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.35 percent, as well as what the City'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 Decrease (6.35%)	Current Discount Rate (7.35%)	1 Percent Increase (8.35%)
Net OPEB liability	\$ 169,907,081	\$ 151,580,000	\$ 136,290,526

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the City'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 Decrease (8.00%)	Current Healthcare Cost Trend Rate (9.00%)	1 Percent Increase (10.00%)
Net OPEB liability	\$ 135,884,612	\$ 151,580,000	\$ 170,347,572

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

**Plan Description**

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

During the year ended June 30, 2019, the City made contributions of \$74,154, and the plan members contributed \$76,109 to the plan.

**Note 12 - Defined Contribution Pension Plan**

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

The City's total payroll during the current year was \$22,973,891. The current year contribution was calculated based on covered payroll of \$5,317,188, resulting in an employer contribution of \$196,954 and employee contributions of \$212,688.

**Note 13 - Pension Plans**

*Plan Description*

**General Employees' Retirement System**

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

The financial statements of the plan are included in these financial statements as a fiduciary fund.

Management of the plan is vested in the board of trustees, which consists of five members appointed by the City.

**Police and Fire Retirement System**

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

The financial statements of the plan are included in these financial statements as a fiduciary fund.

Management of the plan is vested in the pension board, which consists of five members: one police officer elected by the members, one firefighter elected by the members, two members representing the City, and the city treasurer.

**Municipal Employees' Retirement System of Michigan**

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

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

***Benefits Provided***

**General Employees' Retirement System**

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

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

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

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

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

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

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

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

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

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

**Police and Fire Retirement System**

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

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

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

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

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

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

**Municipal Employees' Retirement System of Michigan**

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

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

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

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

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

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	City of Taylor General Employees' Retirement System	Police and Fire Retirement System	Municipal Employees' Retirement System
Date of member count	December 31, 2018	June 30, 2019	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	263	224	9
Inactive plan members entitled to but not yet receiving benefits	24	9	4
Active plan members	51	99	7
Total employees covered by the plan	<u>338</u>	<u>332</u>	<u>20</u>

***Contributions***

**General Employees' Retirement System**

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city charter, union contracts, and plan provisions. For the year ended December 31, 2018, the average active member contribution rate was 5.0 percent of annual pay, and the City's average contribution rate was 130.16 percent of annual payroll.

**Police and Fire Retirement System**

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city charter, union contracts, and plan provisions. For the year ended June 30, 2019, the average active member contribution rate was 9.1 percent of annual pay, and the City's average contribution rate was 83.67 percent of annual payroll.

**Municipal Employees' Retirement System of Michigan**

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

For the year ended December 31, 2018, the average active employee contribution rate was 5.0 percent of annual pay, and the court's average contribution rate was 28.77 percent of annual payroll for the district court.

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

***Net Pension Liability***

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

	City of Taylor General Employees' Retirement System	Police and Fire Retirement System	Municipal Employees' Retirement System
Measurement date used for the City's net pension liability	December 31, 2018	June 30, 2019	December 31, 2018
Based on a comprehensive actuarial valuation as of	December 31, 2018	June 30, 2019	December 31, 2018

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

**General Employees' Retirement System**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2017</b>	\$ 82,529,785	\$ 41,838,867	\$ 40,690,918
Changes for the year:			
Service cost	200,901	-	200,901
Interest	5,973,181	-	5,973,181
Differences between expected and actual experience	619,218	-	619,218
Changes in assumptions	(190,968)	-	(190,968)
Contributions - Employer	-	3,968,766	(3,968,766)
Contributions - Employee	-	152,086	(152,086)
Net investment loss	-	(1,650,303)	1,650,303
Benefit payments, including refunds	(6,176,544)	(6,176,544)	-
Administrative expenses	-	(54,571)	54,571
Net changes	425,788	(3,760,566)	4,186,354
<b>Balance at December 31, 2018</b>	<b>\$ 82,955,573</b>	<b>\$ 38,078,301</b>	<b>\$ 44,877,272</b>

The plan's fiduciary net position represents 45.9 percent of the total pension liability.

June 30, 2019

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

**Police and Fire Retirement System**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at July 1, 2018</b>	\$ 196,435,408	\$ 128,945,417	\$ 67,489,991
Changes for the year:			
Service cost	2,925,390	-	2,925,390
Interest	13,796,825	-	13,796,825
Differences between expected and actual experience	(1,678,775)	-	(1,678,775)
Contributions - Employer	-	6,576,408	(6,576,408)
Contributions - Employee	-	715,718	(715,718)
Net investment income	-	6,706,356	(6,706,356)
Benefit payments, including refunds	(13,612,691)	(13,612,691)	-
Administrative expenses	-	(120,429)	120,429
Miscellaneous other charges	-	121	(121)
Net changes	1,430,749	265,483	1,165,266
<b>Balance at June 30, 2019</b>	<b>\$ 197,866,157</b>	<b>\$ 129,210,900</b>	<b>\$ 68,655,257</b>

The plan's fiduciary net position represents 65.3 percent of the total pension liability.

**Municipal Employees' Retirement System of Michigan**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2017</b>	\$ 4,005,065	\$ 2,995,496	\$ 1,009,569
Changes for the year:			
Service costs	34,236	-	34,236
Interest	312,534	-	312,534
Differences between expected and actual experience	(28,235)	-	(28,235)
Contributions - Employer	-	57,328	(57,328)
Contributions - Employee	-	17,503	(17,503)
Net investment loss	-	(112,834)	112,834
Benefit payments	(231,018)	(231,018)	-
Administrative expenses	-	(5,700)	5,700
Net changes	87,519	(274,721)	(187,202)
<b>Balance at December 31, 2018</b>	<b>\$ 4,092,582</b>	<b>\$ 2,720,775</b>	<b>\$ 1,371,807</b>

The plan's fiduciary net position represents 66.5 percent of the total pension liability.

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

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

For the year ended June 30, 2019, the City recognized pension (recovery) expense of \$(9,262,680) from the Police and Fire Retirement System, \$4,706,322 from the general employees' plan, and \$205,629 from the MERS plan.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 952,940	\$ (993,402)
Changes in assumptions	-	(8,196,347)
Net difference between projected and actual earnings on pension plan investments	2,768,778	(2,142,816)
Employer contributions to the plan subsequent to the measurement date	25,823	-
Total	<u>\$ 3,747,541</u>	<u>\$ (11,332,565)</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 June 30	Amount
2020	\$ (7,096,868)
2021	(1,775,579)
2022	(231,159)
2023	1,544,405
Total	<u>\$ (7,559,201)</u>

***Actuarial Assumptions***

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

	General Employees' Retirement System	Police and Fire Retirement System	Municipal Employees' Retirement System
Inflation	2.75%	3.00%	2.50%
Salary increases (including inflation)	1.00%	0.00% - 6.50%	3.75%
Investment rate of return (net of investment expenses)	7.50%	7.25%	7.75%
Mortality rates	RP-2014 Healthy Annuitant Mortality Table with Scale MP-2018	RP-2014 Healthy Annuitant Mortality Table with Scale MP-2017	RP-2014 Healthy Annuitant Mortality Table

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

***Discount Rate***

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The Police and Fire Retirement System's fiduciary net position was not projected to be available to make projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate of 3.13 percent. The source of that bond rate is the Fidelity Index 20 Year GO AA Index as of June 28, 2019. The resulting single discount rate is 7.22 percent.

***Investment Rate of Return***

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

**General Employees' Retirement System**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00 %	6.76 %
International equity	15.00	10.43
Fixed income	25.00	5.52
Real estate	5.00	9.53
Other	10.00	4.73

**Police and Fire Retirement System**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	64.00 %	6.76 %
Fixed income	14.00	5.52
Cash	2.00	2.00
International equity	8.00	10.43
Real estate	12.00	9.53

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

**Municipal Employees' Retirement System**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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

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

	Net Pension Liability		
	1 Percent Decrease	Current Discount Rate	1 Percent Increase
General Employees' Retirement System - Current rate 7.50 percent	\$ 52,230,119	\$ 44,877,273	\$ 38,561,359
Police and Fire Retirement System - Current rate 7.22 percent	90,732,227	68,655,253	50,303,457
Municipal Employees' Retirement System - Current rate 8.00 percent	1,798,449	1,371,810	1,006,783

***Assumption Changes***

The assumed rate of inflation used to measure the total pension liability for the General Employees' Retirement System was changed from 2.50 to 2.75 percent.

***Investment Policy***

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

***Rate of Return***

For the year ended June 30, 2019, the annual money-weighted rates of return on pension plan investments for the General Employees' Retirement System and the Police and Fire Retirement System, net of pension plan investment expense, were (4.06) and 5.34 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 14 - Pension Plan Reserves**

**General Employees' Retirement System**

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

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

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

There are no employer reserves as of December 31, 2018.

The balances of the reserve accounts at December 31, 2018 are as follows:

	Required Reserve		Amount Funded
Retiree reserve	\$ 66,259,978	\$	31,412,348
Employee reserve	2,516,965		2,516,965
Terminated vested reserve	4,148,988		4,148,988

**Police and Fire Retirement System**

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

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

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

There are no employer reserves as of June 30, 2019.

The balances of the reserve accounts at June 30, 2019 are as follows:

	Required Reserve		Amount Funded
Employee reserve	\$ 12,158,059	\$	12,158,059
Retiree reserve	144,243,610		117,052,841

**Note 15 - Fair Value Measurements**

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

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

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

The City has the following recurring fair value measurements as of June 30, 2019:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in			Balance at June 30, 2019
	Active Markets	Significant Other	Significant	
	for Identical	Observable	Unobservable	
Assets	Inputs	Inputs		
	(Level 1)	(Level 2)	(Level 3)	
Investments by fair value level:				
Agency bonds	\$ -	\$ 2,290,193	\$ -	\$ 2,290,193
Asset-backed securities	-	889,988	-	889,988
Common - Not traded	-	5,481,164	-	5,481,164
Corporate - Not traded	-	2,736,766	-	2,736,766
Corporate bonds	-	5,131,501	75	5,131,576
ETF - Equity	13,358,701	-	-	13,358,701
ETF - Fixed income	145,217	-	-	145,217
Mutual funds - Equity	14,436,615	-	-	14,436,615
Other fixed-income assets	-	24,752	-	24,752
Other alternative investments	-	-	32,748,530	32,748,530
Private equity	-	-	2,788,296	2,788,296
Stocks	73,553,079	-	-	73,553,079
Treasury bonds	2,642,679	2,160,360	-	4,803,039
<b>Total assets</b>	<b>\$ 104,136,291</b>	<b>\$ 18,714,724</b>	<b>\$ 35,536,901</b>	<b>\$ 158,387,916</b>

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

The fair value of agency bonds, certain asset-backed securities, common and corporate - not traded, certain corporate bonds, and Treasury bonds at June 30, 2019 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of certain asset-backed securities, certain corporate bonds, other alternative investments, certain other fixed-income assets, private equity, and certain stocks at June 30, 2019 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using the City's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

**Note 16 - Contingent Liabilities**

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. In addition, the City is involved in certain labor negotiation discussions. The City has not recorded an estimate of any liabilities that may result from these matters at June 30, 2019.

**June 30, 2019**

**Note 17 - Tax Abatements**

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

For the fiscal year ended June 30, 2019, the City abated \$76,205 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 10,616,892	\$ 10,752,892	\$ 10,682,190	\$ (70,702)
Charges for services	4,423,100	4,706,145	4,590,062	(116,083)
Intergovernmental	9,060,800	9,056,322	8,746,665	(309,657)
Licenses and permits	1,428,000	1,428,000	1,438,799	10,799
Fines and forfeitures	6,517,000	7,925,500	8,094,814	169,314
Rental income	791,950	909,450	1,004,920	95,470
Interest income	3,000	3,000	109,262	106,262
DMA/911 and other revenue	7,395,031	7,874,336	7,303,957	(570,379)
Total revenue	40,235,773	42,655,645	41,970,669	(684,976)
<b>Expenditures</b>				
Current services:				
General government	8,754,522	9,721,857	8,816,960	904,897
Employee benefits	6,918,809	6,045,372	5,692,373	352,999
Public safety	15,726,050	16,803,165	16,821,543	(18,378)
Public works	4,484,418	5,132,024	4,301,491	830,533
Community development	852,500	875,508	706,956	168,552
Recreation and culture	2,774,670	2,799,181	2,845,362	(46,181)
Capital outlay	34,800	345,447	1,246,100	(900,653)
Debt service	428,340	638,712	669,017	(30,305)
Total expenditures	39,974,109	42,361,266	41,099,802	1,261,464
<b>Excess of Revenue Over Expenditures</b>	261,664	294,379	870,867	576,488
<b>Other Financing (Uses) Sources</b>				
Transfers out	-	(1,026,948)	(1,015,537)	11,411
Face value of debt issue	-	908,018	1,855,933	947,915
Total other financing (uses) sources	-	(118,930)	840,396	959,326
<b>Net Change in Fund Balance</b>	261,664	175,449	1,711,263	1,535,814
<b>Fund Balance - Beginning of year</b>	11,705,963	11,705,963	11,705,963	-
<b>Fund Balance - End of year</b>	<u>\$ 11,967,627</u>	<u>\$ 11,881,412</u>	<u>\$ 13,417,226</u>	<u>\$ 1,535,814</u>

**City of Taylor, Michigan**

Required Supplemental Information  
 Budgetary Comparison Schedule - Major Special Revenue Funds  
 Act 179 Rubbish Fund

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,188,703	\$ 4,196,057	\$ 4,313,538	\$ 117,481
Charges for services	501,000	524,000	643,532	119,532
Intergovernmental	340,226	100,000	47,059	(52,941)
Interest income	8,300	8,300	15,313	7,013
Total revenue	5,038,229	4,828,357	5,019,442	191,085
<b>Expenditures</b>				
Current services	5,154,557	5,281,461	5,244,373	37,088
Capital outlay	-	6,000	5,900	100
Debt service	229,474	229,474	229,474	-
Total expenditures	5,384,031	5,516,935	5,479,747	37,188
<b>Net Change in Fund Balance</b>	(345,802)	(688,578)	(460,305)	228,273
<b>Fund Balance - Beginning of year</b>	1,073,060	1,073,060	1,073,060	-
<b>Fund Balance - End of year</b>	<b>\$ 727,258</b>	<b>\$ 384,482</b>	<b>\$ 612,755</b>	<b>\$ 228,273</b>

## City of Taylor, Michigan

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds (Continued) Police and Fire Retirement Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Property taxes	\$ 8,538,619	\$ 8,531,619	\$ 8,647,207	\$ 115,588
Intergovernmental	258,600	35,000	94,352	59,352
Interest income	-	38,000	66,990	28,990
Total revenue	8,797,219	8,604,619	8,808,549	203,930
<b>Expenditures</b> - Current services - Employee benefits	9,726,384	10,442,609	10,392,008	50,601
<b>Net Change in Fund Balance</b>	(929,165)	(1,837,990)	(1,583,459)	254,531
<b>Fund Balance</b> - Beginning of year	3,027,112	3,027,112	3,027,112	-
<b>Fund Balance</b> - End of year	<u>\$ 2,097,947</u>	<u>\$ 1,189,122</u>	<u>\$ 1,443,653</u>	<u>\$ 254,531</u>

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

	Years Ended June 30				
	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 200,901	\$ 239,266	\$ 278,102	\$ 306,468	\$ 295,423
Interest	5,973,181	5,991,735	5,933,218	5,610,828	5,970,109
Differences between expected and actual experience	619,218	(216,865)	914,633	1,318,385	-
Changes in assumptions	(190,968)	27,101	-	3,166,569	-
Benefit payments, including refunds	(6,176,544)	(6,563,201)	(6,089,417)	(6,089,658)	(6,083,112)
<b>Net Change in Total Pension Liability</b>	425,788	(521,964)	1,036,536	4,312,592	182,420
<b>Total Pension Liability - Beginning of year</b>	82,529,785	83,051,749	82,015,213	77,702,621	77,520,201
<b>Total Pension Liability - End of year</b>	<b>\$ 82,955,573</b>	<b>\$ 82,529,785</b>	<b>\$ 83,051,749</b>	<b>\$ 82,015,213</b>	<b>\$ 77,702,621</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 3,968,766	\$ 3,720,318	\$ 3,530,436	\$ 3,259,165	\$ 2,725,322
Contributions - Member	152,086	179,943	164,004	172,866	192,334
Net investment (loss) income	(1,650,303)	5,925,408	2,764,949	(115,718)	1,909,582
Administrative expenses	(54,571)	(121,699)	(65,781)	(206,733)	(127,101)
Benefit payments, including refunds	(6,176,544)	(6,563,201)	(6,089,417)	(6,089,658)	(6,083,112)
Other	-	-	-	-	(179,016)
<b>Net Change in Plan Fiduciary Net Position</b>	(3,760,566)	3,140,769	304,191	(2,980,078)	(1,561,991)
<b>Plan Fiduciary Net Position - Beginning of year</b>	41,838,867	38,698,098	38,393,907	41,373,985	42,935,976
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 38,078,301</b>	<b>\$ 41,838,867</b>	<b>\$ 38,698,098</b>	<b>\$ 38,393,907</b>	<b>\$ 41,373,985</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 44,877,272</b>	<b>\$ 40,690,918</b>	<b>\$ 44,353,651</b>	<b>\$ 43,621,306</b>	<b>\$ 36,328,636</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	45.90 %	50.70 %	46.60 %	46.81 %	53.25 %
<b>Covered Payroll</b>	\$ 3,049,120	\$ 2,645,503	\$ 3,092,088	\$ 3,405,502	\$ 3,171,020
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	1,471.81 %	1,538.12 %	1,434.42 %	1,280.91 %	1,145.65 %

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



**Required Supplemental Information  
Schedule of Pension Investment Returns  
General Employees' Retirement System**

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**Last Five Fiscal Years  
Years Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return - Net of investment expense	(4.06)%	17.91 %	4.60 %	0.40 %	3.90 %

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

Required Supplemental Information  
Schedule of Changes in the Net Pension Liability and Related Ratios  
Police and Fire Retirement System

	Years Ended June 30					
	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 2,925,390	\$ 3,255,908	\$ 4,313,576	\$ 2,270,877	\$ 3,241,963	\$ 1,396,417
Interest	13,796,825	11,833,236	11,363,200	11,979,040	11,718,402	11,854,409
Differences between expected and actual experience	(1,678,775)	4,074,016	(1,734,435)	474,915	(2,254,916)	651,910
Changes in assumptions	-	(35,517,503)	(13,993,367)	27,114,985	14,501,830	-
Benefit payments, including refunds	(13,612,691)	(13,528,538)	(12,501,524)	(11,811,553)	(11,500,428)	(11,524,629)
<b>Net Change in Total Pension Liability</b>	1,430,749	(29,882,881)	(12,552,550)	30,028,264	15,706,851	2,378,107
<b>Total Pension Liability - Beginning of year</b>	196,435,408	226,318,289	238,870,839	208,842,575	193,135,724	161,043,175
<b>Total Pension Liability* - End of year</b>	<b>\$ 197,866,157</b>	<b>\$ 196,435,408</b>	<b>\$ 226,318,289</b>	<b>\$ 238,870,839</b>	<b>\$ 208,842,575</b>	<b>\$ 163,421,282</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 6,576,408	\$ 4,987,980	\$ 5,190,370	\$ 5,588,834	\$ 5,409,465	\$ 5,145,379
Contributions - Member	715,718	715,020	784,187	728,821	802,920	788,448
Net investment income	6,706,356	14,355,591	14,698,347	652,396	7,010,053	18,971,058
Administrative expenses	(120,429)	(65,886)	(72,618)	(108,612)	(104,875)	(96,516)
Benefit payments, including refunds	(13,612,691)	(13,528,538)	(12,501,524)	(11,811,553)	(11,500,428)	(11,524,629)
Other	121	227	52	104	-	18,460
<b>Net Change in Plan Fiduciary Net Position</b>	265,483	6,464,394	8,098,814	(4,950,010)	1,617,135	13,302,200
<b>Plan Fiduciary Net Position - Beginning of year</b>	128,945,417	122,481,023	114,382,209	119,332,219	117,715,084	104,412,884
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 129,210,900</b>	<b>\$ 128,945,417</b>	<b>\$ 122,481,023</b>	<b>\$ 114,382,209</b>	<b>\$ 119,332,219</b>	<b>\$ 117,715,084</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 68,655,257</b>	<b>\$ 67,489,991</b>	<b>\$ 103,837,266</b>	<b>\$ 124,488,630</b>	<b>\$ 89,510,356</b>	<b>\$ 45,706,198</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	65.30 %	65.64 %	54.12 %	47.88 %	57.14 %	72.03 %
<b>Covered Payroll</b>	\$ 8,316,625	\$ 8,898,318	\$ 8,050,037	\$ 9,360,386	\$ 9,148,649	\$ 9,328,103
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	825.52 %	758.46 %	1,289.90 %	1,329.95 %	978.40 %	489.98 %

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

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

Required Supplemental Information  
 Schedule of City Contributions  
 Police and Fire Retirement System

Last Ten Fiscal Years  
 Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 6,576,408	\$ 4,987,980	\$ 5,190,370	\$ 5,588,834	\$ 5,409,465	\$ 5,145,379	\$ 6,070,834	\$ 6,059,600	\$ 5,917,992	\$ 5,613,904
Contributions in relation to the actuarially determined contribution	6,576,408	4,987,980	5,190,370	5,588,834	5,409,465	5,145,379	6,070,834	6,059,600	5,917,992	5,613,904
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>							
<b>Covered Payroll</b>	<b>\$ 7,860,354</b>	<b>\$ 7,931,705</b>	<b>\$ 8,050,037</b>	<b>\$ 9,360,386</b>	<b>\$ 9,148,649</b>	<b>\$ 9,328,103</b>	<b>\$ 7,846,245</b>	<b>\$ 12,007,248</b>	<b>\$ 12,813,161</b>	<b>\$ 13,889,065</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>83.67 %</b>	<b>62.89 %</b>	<b>64.48 %</b>	<b>59.71 %</b>	<b>59.13 %</b>	<b>55.16 %</b>	<b>77.37 %</b>	<b>50.47 %</b>	<b>46.19 %</b>	<b>40.42 %</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 June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed, beginning with the 2017 fiscal year
Remaining amortization period	21 years as of the June 30, 2018 valuation
Asset valuation method	Five-year smoothed market
Inflation	3.0 percent
Salary increase	3.0 to 6.5 percent, including inflation
Investment rate of return	7.25 percent net of pension investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP 2014 mortality table

Required Supplemental Information  
Schedule of Pension Investment Returns  
Police and Fire Retirement System

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	<b>Last Six Fiscal Years</b>					
	<b>Years Ended June 30</b>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	5.34 %	12.34 %	13.50 %	0.60 %	6.40 %	19.40 %

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

Required Supplemental Information  
 Schedule of Changes in the Net Pension Liability and Related Ratios  
 Municipal Employees' Retirement System

	<b>Years Ended June 30</b>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>					
Service cost	\$ 34,236	\$ 33,767	\$ 40,596	\$ 38,483	\$ 44,150
Interest	312,534	299,716	287,968	263,413	251,106
Differences between expected and actual experience	(28,235)	54,099	30,322	95,801	-
Changes in assumptions	-	-	-	172,366	-
Benefit payments, including refunds	<u>(231,018)</u>	<u>(224,155)</u>	<u>(193,111)</u>	<u>(135,684)</u>	<u>(150,800)</u>
<b>Net Change in Total Pension Liability</b>	87,517	163,427	165,775	434,379	144,456
<b>Total Pension Liability - Beginning of year</b>	<u>4,005,065</u>	<u>3,841,638</u>	<u>3,675,863</u>	<u>3,241,484</u>	<u>3,097,028</u>
<b>Total Pension Liability - End of year</b>	<b><u>\$ 4,092,582</u></b>	<b><u>\$ 4,005,065</u></b>	<b><u>\$ 3,841,638</u></b>	<b><u>\$ 3,675,863</u></b>	<b><u>\$ 3,241,484</u></b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 57,328	\$ 49,750	\$ 42,463	\$ 46,082	\$ 40,320
Contributions - Member	17,503	19,552	20,845	24,797	23,779
Net investment (loss) income	(112,834)	362,289	294,707	(40,969)	167,698
Administrative expenses	(5,700)	(5,748)	(5,821)	(5,997)	(6,143)
Benefit payments, including refunds	<u>(231,018)</u>	<u>(224,155)</u>	<u>(193,111)</u>	<u>(135,684)</u>	<u>(150,800)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(274,721)	201,688	159,083	(111,771)	74,854
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>2,995,496</u>	<u>2,793,808</u>	<u>2,634,725</u>	<u>2,746,496</u>	<u>2,671,642</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 2,720,775</u></b>	<b><u>\$ 2,995,496</u></b>	<b><u>\$ 2,793,808</u></b>	<b><u>\$ 2,634,725</u></b>	<b><u>\$ 2,746,496</u></b>
<b>City's Net Pension Liability - Ending</b>	<b><u>\$ 1,371,807</u></b>	<b><u>\$ 1,009,569</u></b>	<b><u>\$ 1,047,830</u></b>	<b><u>\$ 1,041,138</u></b>	<b><u>\$ 494,988</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	66.48 %	74.79 %	72.72 %	71.68 %	84.73 %
<b>Covered Payroll</b>	\$ 350,057	\$ 348,110	\$ 419,817	\$ 403,805	\$ 463,273
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	391.88 %	290.01 %	249.59 %	257.83 %	106.85 %

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



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

	<b>Last Two Fiscal Years</b>	
	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 3,705,380	\$ 4,136,989
Interest	10,543,165	10,324,168
Differences between expected and actual experience	(55,703,885)	(1,361,775)
Changes in assumptions	(88,984,720)	(2,765,110)
Benefit payments, including refunds	(8,742,467)	(9,016,012)
<b>Net Change in Total OPEB Liability</b>	(139,182,527)	1,318,260
<b>Total OPEB Liability - Beginning of year</b>	293,762,527	292,444,267
<b>Total OPEB Liability - End of year</b>	<b>\$ 154,580,000</b>	<b>\$ 293,762,527</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 11,742,467	\$ -
Benefit payments, including refunds	(8,742,467)	-
<b>Net Change in Plan Fiduciary Net Position</b>	3,000,000	-
<b>Plan Fiduciary Net Position - Beginning of year</b>	-	-
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 3,000,000</b>	<b>\$ -</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 151,580,000</b>	<b>\$ 293,762,527</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	1.94 %	- %
<b>Covered Payroll</b>	\$ 10,625,983	\$ 10,465,328
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	1,426.50 %	2,807.01 %

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

Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 16,922,687	\$ -	\$ 17,992,359	\$ 17,751,739	\$ 14,397,330	\$ 13,900,300	\$ 13,674,671	\$ 13,692,138	\$ 13,465,246	\$ 13,221,333
Contributions in relation to the actuarially determined contribution	11,742,467	-	7,892,660	7,652,506	7,467,152	6,940,607	6,520,812	7,645,398	6,870,726	6,076,430
<b>Contribution Deficiency</b>	<b>\$ (5,180,220)</b>	<b>\$ -</b>	<b>\$ (10,099,699)</b>	<b>\$ (10,099,233)</b>	<b>\$ (6,930,178)</b>	<b>\$ (6,959,693)</b>	<b>\$ (7,153,859)</b>	<b>\$ (6,046,740)</b>	<b>\$ (6,594,520)</b>	<b>\$ (7,144,903)</b>
<b>Covered Employee Payroll</b>	<b>\$ 10,625,983</b>	<b>\$ -</b>	<b>\$ 11,720,401</b>	<b>\$ 11,720,401</b>	<b>\$ 11,720,401</b>	<b>\$ 12,057,769</b>	<b>\$ 12,057,769</b>	<b>\$ 12,239,209</b>	<b>\$ 12,239,209</b>	<b>\$ 11,656,389</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>110.51 %</b>	<b>- %</b>	<b>67.34 %</b>	<b>65.29 %</b>	<b>63.71 %</b>	<b>57.56 %</b>	<b>54.08 %</b>	<b>62.47 %</b>	<b>56.14 %</b>	<b>- %</b>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions is below. The investment rate of return assumption has changed to 7.35 percent, where 3.62 percent was used in the prior year.

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.5 percent
Healthcare cost trend rates	Trend starting at 9.0 percent and gradually decreasing to an ultimate trend rate of 3.5 percent
Salary increase	1.0 to 6.5 percent, including inflation
Investment rate of return	7.35 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Healthy Annuitant Mortality Table for males and females

**June 30, 2019**

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
Amounts per operating statement	\$ 41,973,169	\$ 41,099,802	\$ 13,556,426
Tree Replacement Fund	(2,500)	-	(139,200)
Amounts per budget statement	<u>\$ 41,970,669</u>	<u>\$ 41,099,802</u>	<u>\$ 13,417,226</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety	\$ 16,803,165	\$ 16,821,543	\$ (18,378)
Recreation and culture	2,799,181	2,845,362	(46,181)
Capital outlay	345,447	1,246,100	(900,653)
Debt service	638,712	669,017	(30,305)

Expenditures over budget were a result of unforeseen expenses.

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## Other Supplemental Information

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# City of Taylor, Michigan

	Special Revenue Funds						
	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant	Building Department
<b>Assets</b>							
Cash and investments	\$ 3,522,042	\$ 441,667	\$ 227,658	\$ 213,060	\$ 423,332	\$ 860,031	\$ 1,479,640
Receivables:							
Property taxes	-	-	-	-	-	-	-
Due from other governmental units	771,300	277,835	-	-	-	242,874	-
Due from component units	224,395	-	-	-	-	-	-
Due from other funds	-	2,237,610	9,690	-	-	-	253,812
Prepaid expenses and other assets	-	-	-	-	-	-	18,004
Properties held for resale	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 4,517,737</b>	<b>\$ 2,957,112</b>	<b>\$ 237,348</b>	<b>\$ 213,060</b>	<b>\$ 423,332</b>	<b>\$ 1,102,905</b>	<b>\$ 1,751,456</b>
<b>Liabilities</b>							
Accounts payable	\$ 130,339	\$ 823,835	\$ 2,029	\$ -	\$ -	\$ 69,335	\$ 325,670
Due to other governmental units	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	-
Due to other funds	2,330,487	90,155	-	-	-	1,035,644	-
Accrued liabilities and other	-	-	-	-	-	-	16,811
Unearned revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>2,460,826</b>	<b>913,990</b>	<b>2,029</b>	<b>-</b>	<b>-</b>	<b>1,104,979</b>	<b>342,481</b>
<b>Deferred Inflows of Resources -</b>							
Unavailable revenue	-	-	-	-	-	57,707	-
<b>Total liabilities and deferred inflows of resources</b>	<b>2,460,826</b>	<b>913,990</b>	<b>2,029</b>	<b>-</b>	<b>-</b>	<b>1,162,686</b>	<b>342,481</b>
<b>Fund Balances</b>							
Nonspendable	-	-	-	-	-	-	18,004
Restricted:							
Roads	2,056,911	2,043,122	-	-	-	-	-
Drug forfeiture	-	-	235,319	213,060	423,332	-	-
Debt service	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Special millages	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	1,390,971
Library	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(59,781)	-
<b>Total fund balances (deficit)</b>	<b>2,056,911</b>	<b>2,043,122</b>	<b>235,319</b>	<b>213,060</b>	<b>423,332</b>	<b>(59,781)</b>	<b>1,408,975</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficit)</b>	<b>\$ 4,517,737</b>	<b>\$ 2,957,112</b>	<b>\$ 237,348</b>	<b>\$ 213,060</b>	<b>\$ 423,332</b>	<b>\$ 1,102,905</b>	<b>\$ 1,751,456</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2019

Special Revenue Funds					Debt Service Funds			Total Nonmajor Governmental Funds
DARE/ GREAT	Neighborhood Stabilization Program	Building and Grounds	Library	Michigan Indigent Defense Commission	2008 MI Transportation Bond Debt	Taylor Building Authority Debt	1996 Voted Levy	
\$ 5,667	\$ 16,352	\$ 616,767	\$ -	\$ -	\$ 415	\$ -	\$ 39,957	\$ 7,846,588
-	-	176,243	69,713	-	-	-	2,327	248,283
-	-	18,027	119,214	-	-	-	-	1,429,250
-	-	379,409	36,709	-	-	-	112,332	752,845
-	1,125	79,346	1,054,873	64,135	-	-	-	3,700,591
-	-	-	-	-	-	-	-	18,004
-	187,827	-	-	-	-	-	-	187,827
<b>\$ 5,667</b>	<b>\$ 205,304</b>	<b>\$ 1,269,792</b>	<b>\$ 1,280,509</b>	<b>\$ 64,135</b>	<b>\$ 415</b>	<b>\$ -</b>	<b>\$ 154,616</b>	<b>\$ 14,183,388</b>
\$ -	\$ 376	\$ 63,749	\$ 63,627	\$ 15,074	\$ -	\$ -	\$ -	\$ 1,494,034
-	-	56,157	18,432	-	-	-	-	74,589
-	-	-	2,460	-	-	-	-	2,460
-	65,663	-	135	-	-	-	108,203	3,630,287
-	-	21,721	22,035	-	-	-	-	60,567
-	-	-	-	49,061	-	-	-	49,061
-	66,039	141,627	106,689	64,135	-	-	108,203	5,310,998
5,667	-	-	-	-	-	-	-	63,374
5,667	66,039	141,627	106,689	64,135	-	-	108,203	5,374,372
-	-	-	-	-	-	-	-	18,004
-	-	-	-	-	415	-	-	4,100,448
-	-	-	-	-	-	-	-	871,711
-	-	-	-	-	-	-	46,413	46,413
-	139,265	-	-	-	-	-	-	139,265
-	-	1,128,165	-	-	-	-	-	1,128,165
-	-	-	-	-	-	-	-	1,390,971
-	-	-	1,173,820	-	-	-	-	1,173,820
-	-	-	-	-	-	-	-	(59,781)
-	139,265	1,128,165	1,173,820	-	415	-	46,413	8,809,016
<b>\$ 5,667</b>	<b>\$ 205,304</b>	<b>\$ 1,269,792</b>	<b>\$ 1,280,509</b>	<b>\$ 64,135</b>	<b>\$ 415</b>	<b>\$ -</b>	<b>\$ 154,616</b>	<b>\$ 14,183,388</b>

# City of Taylor, Michigan

	Special Revenue Funds						
	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant	Building Department
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:							
Federal grants	-	-	-	18,385	222,051	511,272	-
State-shared revenue and grants	4,527,245	2,350,964	67,098	-	-	-	-
Licenses and permits	-	-	-	-	-	-	2,057,795
Fines and forfeitures	-	-	-	-	-	-	-
Interest income	2,030	1,039	3,976	1,502	1,697	-	9,992
DMA/911 and other revenue	224,395	45,299	9,690	-	-	-	-
<b>Total revenue</b>	<b>4,753,670</b>	<b>2,397,302</b>	<b>80,764</b>	<b>19,887</b>	<b>223,748</b>	<b>511,272</b>	<b>2,067,787</b>
<b>Expenditures</b>							
Current services:							
Employee benefits	-	-	-	-	-	-	-
Public works and capital projects	1,264,043	4,034,316	-	-	-	-	1,916,077
Community development	-	-	-	-	-	503,477	22,206
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	-	515,868	14,359	13,850	-	424,481
Debt service	-	67,860	-	-	-	-	-
<b>Total expenditures</b>	<b>1,264,043</b>	<b>4,102,176</b>	<b>515,868</b>	<b>14,359</b>	<b>13,850</b>	<b>503,477</b>	<b>2,362,764</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>3,489,627</b>	<b>(1,704,874)</b>	<b>(435,104)</b>	<b>5,528</b>	<b>209,898</b>	<b>7,795</b>	<b>(294,977)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	2,436,000	-	-	-	-	229,537
Transfers out	(2,607,850)	-	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(2,607,850)</b>	<b>2,436,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>229,537</b>
<b>Net Change in Fund Balances</b>	<b>881,777</b>	<b>731,126</b>	<b>(435,104)</b>	<b>5,528</b>	<b>209,898</b>	<b>7,795</b>	<b>(65,440)</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>1,175,134</b>	<b>1,311,996</b>	<b>670,423</b>	<b>207,532</b>	<b>213,434</b>	<b>(67,576)</b>	<b>1,474,415</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 2,056,911</b>	<b>\$ 2,043,122</b>	<b>\$ 235,319</b>	<b>\$ 213,060</b>	<b>\$ 423,332</b>	<b>\$ (59,781)</b>	<b>\$ 1,408,975</b>

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)

Nonmajor Governmental Funds

Year Ended June 30, 2019

Special Revenue Funds					Debt Service Funds			Total
DARE/ GREAT	Neighborhood Stabilization Program	Building and Grounds	Library	Michigan Indigent Defense Commission	2008 MI Transportation Bond Debt	Taylor Building Authority Debt	1996 Voted Levy	
\$ -	\$ -	\$ 3,436,365	\$ 946,325	\$ -	\$ -	\$ -	\$ 6,733	\$ 4,389,423
-	-	-	-	-	-	-	-	751,708
-	-	125,571	280,204	177,456	-	-	-	7,528,538
-	-	-	-	-	-	-	-	2,057,795
-	-	-	30,033	-	-	-	-	30,033
50	-	16,592	24,248	-	-	-	1,033	62,159
963	-	117,624	69,403	-	-	-	-	467,374
1,013	-	3,696,152	1,350,213	177,456	-	-	7,766	15,287,030
-	-	-	-	177,456	-	-	-	177,456
-	-	1,103,801	-	-	-	-	-	8,318,237
-	11,823	-	-	-	-	-	-	537,506
-	-	-	1,052,138	-	-	-	-	1,052,138
1,013	-	1,249,426	94,464	-	-	-	-	2,313,461
-	-	-	-	-	357,850	1,071,769	-	1,497,479
1,013	11,823	2,353,227	1,146,602	177,456	357,850	1,071,769	-	13,896,277
-	(11,823)	1,342,925	203,611	-	(357,850)	(1,071,769)	7,766	1,390,753
-	-	-	-	-	357,850	1,072,769	-	4,096,156
-	-	(1,071,769)	-	-	-	(1,000)	-	(3,680,619)
-	-	(1,071,769)	-	-	357,850	1,071,769	-	415,537
-	(11,823)	271,156	203,611	-	-	-	7,766	1,806,290
-	151,088	857,009	970,209	-	415	-	38,647	7,002,726
<b>\$ -</b>	<b>\$ 139,265</b>	<b>\$ 1,128,165</b>	<b>\$ 1,173,820</b>	<b>\$ -</b>	<b>\$ 415</b>	<b>\$ -</b>	<b>\$ 46,413</b>	<b>\$ 8,809,016</b>

Other Supplemental Information  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds

**June 30, 2019**

	Pension and Other Employee Benefit Plans		
	Police and Fire Retirement System	General Employees' Retirement System*	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,724,955	\$ 2,852,924	\$ 8,577,879
Investments:			
U.S. government securities	2,642,679	2,160,360	4,803,039
Agency securities	420,921	1,990,598	2,411,519
Common and preferred stocks	58,236,511	9,029,128	67,265,639
Corporate bonds	3,591,480	2,333,433	5,924,913
Real estate	-	288,358	288,358
Mutual funds	27,940,535	11,480,246	39,420,781
Partnerships	30,405,012	7,868,580	38,273,592
Receivables	248,807	74,674	323,481
Total assets	129,210,900	38,078,301	167,289,201
<b>Liabilities</b>	-	-	-
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b><u>\$ 129,210,900</u></b>	<b><u>\$ 38,078,301</u></b>	<b><u>\$ 167,289,201</u></b>

\*Balances are as of December 31, 2018 for the General Employees' Retirement System and as of June 30, 2019 for the Police and Fire Retirement System.

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

Year Ended June 30, 2019

	Pension and Other Employee Benefit Plans		
	Police and Fire Retirement System	General Employees' Retirement System*	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 5,685,858	\$ 814,730	\$ 6,500,588
Net decrease in fair value of investments	1,441,077	(2,332,253)	(891,176)
Investment-related expenses	(420,458)	(184,960)	(605,418)
Net investment income	6,706,477	(1,702,483)	5,003,994
Contributions:			
Employer contributions	6,576,408	3,968,766	10,545,174
Employee contributions	715,718	152,086	867,804
Total contributions	7,292,126	4,120,852	11,412,978
Total additions	13,998,603	2,418,369	16,416,972
<b>Deductions</b>			
Benefit payments	13,612,691	6,176,544	19,789,235
General and administrative expenses	120,429	2,391	122,820
Total deductions	13,733,120	6,178,935	19,912,055
<b>Net Increase (Decrease) in Net Position Held in Trust</b>	265,483	(3,760,566)	(3,495,083)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	128,945,417	41,838,867	170,784,284
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 129,210,900</b>	<b>\$ 38,078,301</b>	<b>\$ 167,289,201</b>

\*Balances are as of December 31, 2018 for the General Employees' Retirement System and as of June 30, 2019 for the Police and Fire Retirement System.

Other Supplemental Information  
Combining Statement of Assets and Liabilities  
Agency Funds

**June 30, 2019**

	<u>Tax Receiving</u>	<u>Agency</u>	<u>23rd District Court</u>	<u>Total Agency Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,884,346	\$ -	\$ 872,868	\$ 5,757,214
Receivables	-	22,172	-	22,172
Total assets	<u><b>\$ 4,884,346</b></u>	<u><b>\$ 22,172</b></u>	<u><b>\$ 872,868</b></u>	<u><b>\$ 5,779,386</b></u>
<b>Liabilities</b>				
Due to other governmental units	\$ 2,875,591	\$ -	\$ 683,504	\$ 3,559,095
Other current liabilities	2,008,755	22,172	189,364	2,220,291
Total liabilities	<u><b>\$ 4,884,346</b></u>	<u><b>\$ 22,172</b></u>	<u><b>\$ 872,868</b></u>	<u><b>\$ 5,779,386</b></u>