

City of Taylor, Michigan

**Financial Report
with Supplemental Information
June 30, 2016**

City of Taylor, Michigan

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan (the "City") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the City of Taylor, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Taylor Housing Commission (a discretely presented component unit) which represents 13 percent of assets and 41 percent of revenue of the discretely presented component units of the City of Taylor, Michigan for the year then ended. Those financial statements were audited by another auditor whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Taylor Housing Commission, is based solely on the report of the other auditor. The other auditor's report, dated December 6, 2016, expressed an unmodified opinion on the financial statements.

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

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

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

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

Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of June 30, 2016 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 3, the financial statements include investments valued at \$28,242,415 (approximately 20 percent of the aggregate remaining fund information investments) at June 30, 2016 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.

As described in Note 20 to the basic financial statements, during the year ended June 30, 2016, the Taylor Housing Commission and the Downriver Sewage Disposal System adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which establishes accounting and financial reporting standards for defined benefit pensions. Our opinion is not modified with respect to this matter.

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

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 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016 on our consideration of the City of Taylor, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taylor, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 6, 2016

City of Taylor, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Taylor, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements.

In the City's General Fund, the main operating fund of the City, revenue increased approximately \$373,000 from 2015, an increase of 1.00 percent. Most of the increase was related to one-time revenue, which included approximately \$136,000 in insurance refunds/rebates related to the City Health Savings Account and approximately \$160,000 in net court fines and forfeitures. \$77,000 of the increase is related to a new cost recovery program instituted by the fire department. The balance of the increase is related to other charges for services that were higher than the previous year.

- Property tax related revenue, which is the largest source of revenue, decreased in the current year by \$634,000. This decrease was due to reclassifying tax revenue generated by the library millage. During the fiscal year, tax revenue and expenditures related to the library were reported in a new, separate, and distinct fund. In the previous fiscal year, this tax revenue was reported in the General Fund. The City's tax revenue continues to be a challenge due to taxable valuation limitations set forth in Proposal A and the Headlee Amendment.
- State-shared revenue was \$7.0 million and our second largest revenue source. It was higher than the 2015 amount by \$242,000. The total state-shared revenue for the 2017 FYE is expected to be \$78,000 more than 2016.
- 23rd District Court revenue increased approximately \$157,000 from the prior year amount of \$5.14 million to approximately \$5.30 million for the year ended June 30, 2016. During the year, it was discovered that some previous years' ordinance citations were not properly transferred to taxes. This resulted in a one-time retroactive correction which increased revenue approximately \$700,000. This increase was offset by approximately \$543,000 decrease in regular court fine and forfeitures revenue. The decrease in regular court fine and forfeiture revenue was related to lower traffic tickets processed than the previous year.

General Fund expenditures increased by \$1.0 million in the current year. General government experienced a slight increase (\$498,000). Most of the increase is related to one-time land purchases through general administration. These land purchases were a part of development projects and offset by revenue from developers. Public safety experienced a slight increase (\$278,000) due to the addition of new police officers hired with the 2015 COPS grant and increased of police emergency overtime charged to the General Fund. Capital Outlay experienced a large increase (\$446,000) due to the purchase of new fire department vehicles. Employee benefits experienced a slight increase (\$468,000) due to a 4 percent increase in retiree healthcare costs and a 17 percent increase in pension contribution to the General Employees' Retirement System (GERS).

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The fund balance of the General Fund (the cumulative difference between revenue and expenditures) shows that the annual revenue was sufficient to pay for all expenditures. The unassigned fund balance at June 30, 2016 was a surplus of \$5,385,370. The increase in unassigned fund balance indicates that the City continues to move in the right direction. The \$5,385,370 of unassigned fund balance is approximately 15 percent of annual operating expenditures. Best practices and the City auditors state that in order to achieve financial stability, the City should have an unassigned fund balance of 15-30 percent of annual operating expenditures. Even though the City has increased its unassigned fund balance over the past two years, because of the limits on the City's ability to increase revenue, it is imperative that management's focus be on maintaining a structural surplus and only use fund balance reserve for capital or one-time expenditures. The City's golf courses continue to operate at a collective deficit, substantially as a result of depreciation of assets and retirement benefits known as "other postemployment benefit" costs (OPEB) now currently being charged to golf operations due to a recent accounting standards change. The golf courses' plan to limit expenses to amount of revenue generated has resulted in negative cash flow during 2016 of approximately \$29,000, adjusting for the effects of depreciation. The golf courses' operating revenue increased nominally compared to the previous year. Constant review and evaluation of golf course operations are imperative which allows for timely adjustments that directly impact the golf courses' bottom line. In an effort to increase revenue at the golf courses, the City has upgraded the courses and facilities, and plans to implement new marketing strategies to solicit more golf rounds, golf outings, and other events.

Total net position related to the City's governmental activities at the end of the year was approximately -\$7.9 million, a \$28.2 million decrease from the prior year's approximately \$20.3 million in net position. The net decrease is mainly due to recording the increase in the annual OPEB obligation and net pension liability. With the recently completed collective bargaining agreements, the City has made great strides in addressing the future increases of the OPEB obligation by mandating all newly hired and future city employees participate in a VEBA, instead of the more costly retiree healthcare insurance. Also, for the most part, all future retirees eligible for retiree health care are now required to pay 20 percent cost share.

Overview of the Financial Statements

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

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

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

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

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

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

The City of Taylor, Michigan as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2015 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Assets						
Current assets	\$ 26,746,806	\$ 25,623,869	\$ 23,387,957	\$ 31,112,911	\$ 50,134,763	\$ 56,736,780
Capital assets	178,487,745	173,599,658	136,525,227	133,661,246	315,012,972	307,260,904
Other noncurrent assets	<u>1,934,381</u>	<u>3,414,731</u>	<u>11,989,582</u>	<u>5,113,398</u>	<u>13,923,963</u>	<u>8,528,129</u>
Total assets	207,168,932	202,638,258	171,902,766	169,887,555	379,071,698	372,525,813
Deferred Outflows of Resources						
Bond refunding loss being amortized	93,334	46,667	-	-	93,334	46,667
Pensions	<u>11,646,820</u>	<u>32,746,629</u>	<u>224,622</u>	<u>813,541</u>	<u>11,871,442</u>	<u>33,560,170</u>
Total deferred outflows	11,740,154	32,793,296	224,622	813,541	11,964,776	33,606,837
Liabilities						
Current liabilities	14,443,091	12,503,228	9,307,769	9,905,282	23,750,860	22,408,510
Long-term liabilities	<u>182,763,218</u>	<u>230,232,470</u>	<u>46,221,777</u>	<u>42,885,026</u>	<u>228,984,995</u>	<u>273,117,496</u>
Total liabilities	197,206,309	242,735,698	55,529,546	52,790,308	252,735,855	295,526,006
Deferred Inflows of Resources -						
Pensions	<u>1,449,589</u>	<u>644,262</u>	-	-	<u>1,449,589</u>	<u>644,262</u>
Net Position						
Net investment in capital assets	161,233,820	159,300,368	104,079,000	106,398,179	265,312,820	265,698,547
Restricted	12,807,247	13,670,493	6,180,783	2,909,045	18,988,030	16,579,538
Unrestricted (deficit) assets	<u>(153,787,879)</u>	<u>(180,919,267)</u>	<u>6,338,059</u>	<u>8,603,564</u>	<u>(147,449,820)</u>	<u>(172,315,703)</u>
Total net position (deficit)	<u>\$ 20,253,188</u>	<u>\$ (7,948,406)</u>	<u>\$ 116,597,842</u>	<u>\$ 117,910,788</u>	<u>\$ 136,851,030</u>	<u>\$ 109,962,382</u>

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position totaled \$109.9 million, a decrease of 20 percent from the prior year. As we look at the governmental activities separately from the business-type activities, we can see that the current level of unrestricted deficit increased by \$27.1 million for our governmental activities. The business-type activities unrestricted net position increased by \$2.2 million during 2016.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenue						
Program revenue:						
Charges for services	\$ 20,271,104	\$ 13,157,355	\$ 19,604,096	\$ 21,570,444	\$ 39,875,200	\$ 34,727,799
Operating grants and contributions	8,863,762	8,055,320	-	-	8,863,762	8,055,320
Capital grants and contributions	1,221,641	3,184,160	339,923	443,300	1,561,564	3,627,460
General revenue:						
Property taxes	26,736,329	26,782,414	4,786,881	4,574,504	31,523,210	31,356,918
State-shared revenue	6,792,539	8,249,931	-	-	6,792,539	8,249,931
Unrestricted investment earnings	30,326	37,292	50,902	51,128	81,228	88,420
Miscellaneous revenue	7,499,484	8,636,794	9,900	34,044	7,509,384	8,670,838
Total revenue	71,415,185	68,103,266	24,791,702	26,673,420	96,206,887	94,776,686
Program Expenses						
General government	9,532,320	15,887,973	-	-	9,532,320	15,887,973
Public safety	36,340,688	51,791,674	-	-	36,340,688	51,791,674
Public works	20,284,271	20,767,473	-	-	20,284,271	20,767,473
Community and economic development	2,276,497	2,395,524	-	-	2,276,497	2,395,524
Recreation and culture	5,073,923	4,577,800	-	-	5,073,923	4,577,800
Interest on long-term debt	924,617	884,416	-	-	924,617	884,416
Water	-	-	7,508,509	8,742,471	7,508,509	8,742,471
Sewer	-	-	7,984,627	9,984,034	7,984,627	9,984,034
Golf courses	-	-	3,813,912	4,786,342	3,813,912	4,786,342
Ecorse Creek	-	-	250,309	303,628	250,309	303,628
Total program expenses	74,432,316	96,304,860	19,557,357	23,816,475	93,989,673	120,121,335
Transfers	286,674	-	(286,674)	-	-	-
Change in Net Position	\$ (2,730,457)	\$ (28,201,594)	\$ 4,947,671	\$ 2,856,945	\$ 2,217,214	\$ (25,344,649)

Governmental Activities

The City's total governmental revenue was down from \$71.4 million to \$68.1 million, mainly due to a prior year, one-time reclassification of \$7.2 million related to GASB 70 nonexchange contribution from Water and Sewer Funds. The City's total governmental expenses increased by approximately \$21.8 million, a 29 percent increase from 2015. The increase is mainly due to the increase in the City's net pension liability and net OPEB obligation during the year.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water, Sewer, Ecorse Creek, and Golf Course Enterprise Funds. The City provides water to residents from the Detroit Water System. The City also provides sewage treatment through a Wayne County-owned and operated sewage treatment plant. The City operates two outstanding golf courses. The Lakes of Taylor Golf Club is a championship caliber golf course designed to challenge golfers at every level. Taylor Meadows Golf Club is a links-style course, challenging yet still player-friendly. Both courses also provide food service and pro-shop operations as well. The Sewer Fund accounts for the activity related to the City's participation in the Downriver Sewer System, including the tax levy mandated to pay for the City's share of debt issued by Wayne County to pay for the recent improvements to the system. The EPA levy is adjusted annually based on debt service for the upcoming year less any credits available at Wayne County. For all business-type activities in 2016, total revenue increased approximately \$1,881,000, and total expenses increased \$4,259,000. \$1.3 million of the increase is related to the City's investment in the County Sewer system which implemented GASB 68 during the year that increased its net pension expense. Another \$1,000,000 was related to increase in the cost of water purchased from the Great Lakes Water Authority and cost of sewer disposal from the County. The balance of the increase is related to an increase of the City's net pension expense and OPEB costs.

The City of Taylor's Funds

Our analysis of the City's major funds begins on page 15, 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 2016 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 \$14.2 million, and public works, which incurred expenses of \$4.3 million in 2016. Employee benefit expenses accounted for 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 \$4.2 million. The major budget adjustment was an increase in federal grant revenue (\$1.4 million) due to a new SAFER grant and program income revenue related to the HOME grant. The remainder of the increase is related to increase land sale revenue related to development programs (\$1.4 million), an increase in capital lease proceeds for purchase of equipment (\$1.2 million), and the balance was an increase in court citations based on more than anticipated activity.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The City's expenditure budget was increased approximately \$3.7 million during the fiscal year. The major budget adjustment was related to public safety (\$2.5 million). \$1.5 million of the increase is based on expenditures related to the new SAFER grant which was awarded to the City during the fiscal year. \$446,000 of the increase is related to purchase of fire vehicles that were not originally budgeted. The balance of the increase was related to increase in police personal services related to overtime and a new COPS grant. The remainder of the \$3.7 million total increase was related to one-time land purchases as part of development agreements that were not originally budgeted.

Capital Asset and Debt Administration

At the end of 2016, the City, including its component units, had approximately \$282 million (net of depreciation) invested in a broad range of capital assets, including buildings, roads, water and sewer lines, parks, and machinery and equipment. The City finances most of its capital improvements through the issuance of long-term debt.

The City's investment in capital assets, net of related debt, increased from approximately \$265.3 million to approximately \$265.5 million. The component units' investment in capital assets, net of related debt, decreased from \$16.2 million to \$15.8 million. The City's (including component units) total debt, including the recorded OPEB liability, net pension liability, and nonexchange financial guarantees, was approximately \$308.8 million, including approximately \$28.7 million of component unit debt. Expected FYE 2017 debt service payments on all long-term obligations inclusive of interest are approximately \$16.3 million for the City and component units in total. The overall debt, while manageable and within legal limits, should be monitored and when possible, reduced, to ensure long-term financial stability of the City.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets

Like most other communities in Michigan, particularly southeast Michigan, the City continues to struggle with providing necessary services with limited revenue. The completion of fiscal year end June 30, 2016 demonstrated the ability to make necessary adjustments so that expenditures did not exceed revenue in the General Fund, which provides a more stable outlook to improve and restore services to the community. 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 FYE 2017. Because of the housing market collapse, the tax capture revenue to pay the debt on the Island Lakes (Midtown Basin) Brownfield bonds are much less than anticipated when the bonds were sold in 2005, and the developer's guarantee of support has been insufficient. The City had to budget \$451,000 from the General Fund in FYE 2016 to cover likely shortfalls in available debt service funding for the Island Lakes bonds. Current projections are that the shortfall between taxes captured and debt service that must be paid by the City could range from \$200,000 to \$476,000, which started annually in the fiscal year beginning July 1, 2012. Similarly, the reduction in tax revenue from the 1996 voted millage caused by the severe decline in taxable values will likely result in the need for support from other sources of revenue prior to the maturity of the related debt in September 2016. The Taylor Community Development Corporation, a separate entity which oversees the southwest district, has passed a resolution to cover the estimated shortfall related to the 1996 voted millage so that the City would not have to approach taxpayers for an extension of this millage.

Municipal revenue opportunities are systematically limited by state law as well as the current economic conditions, so the General Fund budget continues to depend on uncertain revenue such as state-shared revenue, cable franchise fees, court fines, and charges for services. With revenue limited, the City understands the need to continue to control expenditure budgets very closely. Due to the reduction of the number of employees, limiting wage increases, implementing co-pay arrangements for health insurance, and conservative spending, the City closed out the fiscal year ended June 30, 2016 with revenue exceeding expenditures in the General Fund and a positive unassigned fund balance that totaled \$5,385,370.

Contacting the City's Management

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

City of Taylor, Michigan

Statement of Net Position June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 16,557,244	\$ 22,664,584	\$ 39,221,828	\$ 14,923,822
Receivables - Net:				
Property taxes	23,982	-	23,982	-
Customers	-	5,687,500	5,687,500	-
Other	1,776,810	67,018	1,843,828	748,590
Due from other governmental units	3,773,664	-	3,773,664	-
Due from component units	3,502,317	1,219,796	4,722,113	68,722
Due from primary government	-	-	-	960,638
Internal balances (Note 6)	(1,096,757)	1,096,757	-	-
Inventory	-	377,256	377,256	-
Prepaid expenses and other assets	1,086,609	-	1,086,609	11,280
Restricted assets (Note 8)	1,475,550	6,863,398	8,338,948	-
Long-term advances to (from) other funds	1,750,000	(1,750,000)	-	-
Land held for resale	189,181	-	189,181	-
Capital assets:				
Nondepreciable capital assets (Note 5)	30,360,447	4,106,040	34,466,487	15,250,990
Depreciable capital assets (Note 5)	143,239,211	129,555,206	272,794,417	808,901
Total assets	202,638,258	169,887,555	372,525,813	32,772,943
Deferred Outflows of Resources -				
(Notes 15, 16, and 17)				
Bond refunding loss being amortized (Note 4)	46,667	-	46,667	-
Pensions (Notes 4 and 17)	32,746,629	813,541	33,560,170	4,752
Total deferred outflows of resources	32,793,296	813,541	33,606,837	4,752
Liabilities				
Accounts payable	3,129,327	2,648,597	5,777,924	843,663
Due to other governmental units	752,538	202,104	954,642	-
Due to component units	645,149	315,489	960,638	68,722
Due to primary government	-	-	-	4,722,113
Accrued liabilities and other	2,244,291	986,701	3,230,992	415,004
Unearned revenue	-	2,654	2,654	743,673
Current liabilities payable from restricted assets	-	4,463,077	4,463,077	-
Tenant security deposits	-	-	-	30,687
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	881,433	78,424	959,857	-
Nonexchange financial guarantee (Note 7)	220,473	229,526	449,999	-
Current portion of long-term debt (Note 7)	4,630,017	978,710	5,608,727	4,068,236
Due in more than one year:				
Compensated absences (Note 7)	2,359,448	113,589	2,473,037	-
Workers' compensation (Note 7)	365,357	-	365,357	-
Nonexchange Financial Guarantee (Note 7)	3,399,527	2,882,678	6,282,205	-
Net OPEB obligation (Note 10)	54,095,602	4,749,925	58,845,527	-
Net pension liability (Notes 15, 16, and 17)	160,296,596	8,854,477	169,151,073	35,995
Long-term debt (Note 7)	9,715,940	26,284,357	36,000,297	24,625,699
Total liabilities	242,735,698	52,790,308	295,526,006	35,553,792
Deferred Inflows of Resources - Pensions				
(Notes 15, 16, and 17)	644,262	-	644,262	-

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

City of Taylor, Michigan

Statement of Net Position (Continued) June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 159,300,368	\$ 106,398,179	\$ 265,698,547	\$ 15,799,891
Restricted:				
Debt service	2,378,229	2,400,321	4,778,550	-
Roads	2,055,315	-	2,055,315	-
Drug enforcement	1,447,251	-	1,447,251	-
Equipment advance escrow	1,475,550	-	1,475,550	-
Sewer	-	508,724	508,724	-
Library	602,240	-	602,240	-
Special millages	3,863,248	-	3,863,248	-
HAP restricted	-	-	-	11,726
Grants	744,594	-	744,594	-
Building	1,104,066	-	1,104,066	-
Unrestricted	(180,919,267)	8,603,564	(172,315,703)	(18,587,714)
Total net (deficit) position	<u>\$ (7,948,406)</u>	<u>\$ 117,910,788</u>	<u>\$ 109,962,382</u>	<u>\$ (2,776,097)</u>

City of Taylor, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 15,887,973	\$ 6,973,245	\$ 301,072	\$ 7,468
District court	-	-	268,063	3,911
Public safety	51,791,674	2,056,481	2,651,308	-
Public works	20,767,473	1,332,885	4,217,547	3,172,781
Community and economic development	2,395,524	-	431,474	-
Recreation and culture	4,577,800	2,794,744	185,856	-
Interest on long-term debt	884,416	-	-	-
Total governmental activities	96,304,860	13,157,355	8,055,320	3,184,160
Business-type activities:				
Water	8,742,471	10,042,479	-	75,616
Sewer	9,984,034	7,861,266	-	65,916
Golf courses	4,786,342	3,052,931	-	301,768
Ecorse Creek	303,628	613,768	-	-
Total business-type activities	23,816,475	21,570,444	-	443,300
Total primary government	<u>\$ 120,121,335</u>	<u>\$ 34,727,799</u>	<u>\$ 8,055,320</u>	<u>\$ 3,627,460</u>
Component units	<u>\$ 11,487,881</u>	<u>\$ 353,764</u>	<u>\$ 6,225,820</u>	<u>\$ -</u>

General revenue:

Property taxes
 State-shared revenue
 Investment income
 Cable franchise fees
 Other miscellaneous income
 Gain on sale of fixed assets
 Contribution from General Fund

Total general revenue

Change in Net Position

Net (Deficit) Position - Beginning of year - As restated (Note 20)

Net (Deficit) Position - End of year

**Statement of Activities
Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,606,188)	\$ -	\$ (8,606,188)	\$ -
271,974	-	271,974	-
(47,083,885)	-	(47,083,885)	-
(12,044,260)	-	(12,044,260)	-
(1,964,050)	-	(1,964,050)	-
(1,597,200)	-	(1,597,200)	-
(884,416)	-	(884,416)	-
(71,908,025)	-	(71,908,025)	-
-	1,375,624	1,375,624	-
-	(2,056,852)	(2,056,852)	-
-	(1,431,643)	(1,431,643)	-
-	310,140	310,140	-
-	(1,802,731)	(1,802,731)	-
(71,908,025)	(1,802,731)	(73,710,756)	-
-	-	-	(4,908,297)
26,782,414	4,574,504	31,356,918	8,634,563
8,249,931	-	8,249,931	-
37,292	51,128	88,420	26,910
209,427	-	209,427	-
8,427,367	-	8,427,367	-
-	34,044	34,044	-
-	-	-	451,000
43,706,431	4,659,676	48,366,107	9,112,473
(28,201,594)	2,856,945	(25,344,649)	4,204,176
20,253,188	115,053,843	135,307,031	(6,980,273)
\$ (7,948,406)	\$ 117,910,788	\$ 109,962,382	\$ (2,776,097)

City of Taylor, Michigan

Governmental Funds Balance Sheet June 30, 2016

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
Assets					
Cash and investments (Note 3)	\$ 7,677,331	\$ 1,295,812	\$ 706,220	\$ 6,877,881	\$ 16,557,244
Receivables - Net:					
Property taxes receivable	9,535	4,001	7,216	3,230	23,982
Other	1,697,898	76,774	-	2,138	1,776,810
Due from other governmental units	2,303,409	26,677	172,722	1,270,856	3,773,664
Due from component units (Note 6)	1,776,290	457,802	875,121	393,104	3,502,317
Due from other funds (Note 6)	473,374	192,344	739,225	921,868	2,326,811
Prepaid expenses and other assets	1,086,609	-	-	-	1,086,609
Long-term advances to other funds	1,750,000	-	-	-	1,750,000
Properties held for resale	-	-	-	189,181	189,181
Restricted assets (Note 8)	1,475,550	-	-	-	1,475,550
Total assets	\$ 18,249,996	\$ 2,053,410	\$ 2,500,504	\$ 9,658,258	\$ 32,462,168
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,790,968	\$ 423,331	\$ 1,637	\$ 913,391	\$ 3,129,327
Due to other governmental units	299,120	118,887	232,762	101,769	752,538
Due to component units (Note 6)	458,595	63,021	118,543	4,990	645,149
Due to other funds (Note 6)	2,929,186	-	-	494,382	3,423,568
Accrued liabilities and other	1,952,001	51,894	37,773	63,165	2,104,833
Total liabilities	7,429,870	657,133	390,715	1,577,697	10,055,415
Deferred Inflows of Resources -					
Unavailable revenue (Note 4)	766,440	46,054	-	16,454	828,948
Fund Balances					
Nonspendable:					
Prepaid expenses	1,036,658	-	-	-	1,036,658
Long-term advance	1,750,000	-	-	-	1,750,000
Restricted:					
Roads	-	-	-	2,055,315	2,055,315
Drug forfeiture	-	-	-	1,447,251	1,447,251
Debt service	-	-	-	2,378,229	2,378,229
Grants	406,108	-	-	189,181	595,289
Special millage	-	1,350,223	2,109,789	357,182	3,817,194
Building	-	-	-	1,104,066	1,104,066
Library	-	-	-	602,240	602,240
Equipment advance escrow	1,475,550	-	-	-	1,475,550
Unassigned	5,385,370	-	-	(69,357)	5,316,013
Total fund balances	10,053,686	1,350,223	2,109,789	8,064,107	21,577,805
Total liabilities, deferred inflows of resources, and fund balances	\$ 18,249,996	\$ 2,053,410	\$ 2,500,504	\$ 9,658,258	\$ 32,462,168

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

City of Taylor, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

Fund Balance Reported in Governmental Funds	\$ 21,577,805
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	173,599,658
Special assessment, grants, and other receivables are expected to be collected over several years and are not available to pay for current year expenditures	828,948
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Long-term debt	(14,345,957)
Net OPEB obligation	(54,095,602)
Net pension liabilities, pension-related deferred inflows and outflows, and bond refunding deferred outflows are not current financial resources and are not reported in the funds	(128,147,562)
Workers' compensation claims	(365,357)
Accrued interest payable	(139,458)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(3,240,881)
Nonexchange financial guarantee	<u>(3,620,000)</u>
Net Deficit of Governmental Activities	<u>\$ (7,948,406)</u>

City of Taylor, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
Revenue					
Property taxes	\$ 10,774,717	\$ 4,206,689	\$ 7,921,074	\$ 5,606,264	\$ 28,508,744
Licenses and permits	1,410,435	-	-	1,808,815	3,219,250
Federal grants	1,956,135	-	428,212	807,738	3,192,085
State-shared revenue and grants	7,448,880	81,305	162,870	5,395,992	13,089,047
Charges for services	2,549,198	465,821	-	-	3,015,019
Fines and forfeitures	5,295,152	-	-	41,504	5,336,656
Investment income	-	7,853	11,799	19,719	39,371
Rental income	849,735	-	-	527,580	1,377,315
Other revenue	7,342,395	4,847	-	1,014,975	8,362,217
Total revenue	<u>37,626,647</u>	<u>4,766,515</u>	<u>8,523,955</u>	<u>15,222,587</u>	<u>66,139,704</u>
Expenditures					
Current:					
General government	7,281,016	-	-	-	7,281,016
Public safety	14,209,053	-	-	-	14,209,053
Public works and capital projects	4,331,511	5,016,538	-	7,363,661	16,711,710
Employee benefits	5,770,733	-	8,863,133	-	14,633,866
Economic and community development	1,253,256	-	-	538,493	1,791,749
Recreation and cultural	2,153,977	-	-	749,656	2,903,633
Capital outlay and other	461,602	-	-	1,242,104	1,703,706
Debt service:					
Principal	96,785	366,000	-	4,005,450	4,468,235
Interest on long-term debt	21,173	71,364	-	681,090	773,627
Total expenditures	<u>35,579,106</u>	<u>5,453,902</u>	<u>8,863,133</u>	<u>14,580,454</u>	<u>64,476,595</u>
Excess of Revenue Over (Under) Expenditures					
	2,047,541	(687,387)	(339,178)	642,133	1,663,109
Other Financing Sources (Uses)					
Face value of debt issue	1,236,481	-	-	-	1,236,481
Transfers in (Note 6)	-	-	-	3,758,855	3,758,855
Transfers out (Note 6)	-	-	-	(3,758,855)	(3,758,855)
Total other financing sources	<u>1,236,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,236,481</u>
Net Change in Fund Balances					
	3,284,022	(687,387)	(339,178)	642,133	2,899,590
Fund Balances - Beginning of year					
	<u>6,769,664</u>	<u>2,037,610</u>	<u>2,448,967</u>	<u>7,421,974</u>	<u>18,678,215</u>
Fund Balances - End of year					
	<u>\$ 10,053,686</u>	<u>\$ 1,350,223</u>	<u>\$ 2,109,789</u>	<u>\$ 8,064,107</u>	<u>\$ 21,577,805</u>

City of Taylor, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	2,899,590
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are capitalized and expense is recorded over their estimated useful lives through depreciation		8,264,489
Statement of activities records depreciation on capital assets		(9,693,622)
Proceeds from asset sales are recorded in the governmental funds; on the statement of activities, a loss is recorded		(3,458,954)
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end		(55,517)
Revenue is reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)		(10,563)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		3,978,185
Amortization of bond premium liabilities and deferred cost of financing are reported as expense in the governmental funds when issued		119,596
Change in accrued interest on long-term debt is not recorded in the governmental funds		64,604
Increase 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		(364,099)
Decrease in estimated workers' compensation liability is recorded in the statement of activities		130,246
The change in the net OPEB obligation is not included in the governmental funds		(9,762,380)
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		(19,414,688)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		(1,236,481)
Decrease in nonexchange financial guarantee		338,000
Change in Net Position	\$	<u>(28,201,594)</u>

City of Taylor, Michigan

Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 7,189,667	\$ 12,868,230	\$ 409,235	\$ 2,197,452	\$ 22,664,584
Receivables - Net:					
Customers	2,706,901	2,715,704	-	264,895	5,687,500
Other	10,924	-	56,094	-	67,018
Due from component units	603,466	616,330	-	-	1,219,796
Due from other funds (Note 6)	548,499	533,021	303,035	67,373	1,451,928
Inventories	241,390	7,267	128,599	-	377,256
Total current assets	<u>11,300,847</u>	<u>16,740,552</u>	<u>896,963</u>	<u>2,529,720</u>	<u>31,468,082</u>
Noncurrent assets:					
Restricted assets (Note 8)	-	6,863,398	-	-	6,863,398
Capital assets - Net (Note 5):					
Assets not subject to depreciation	400,256	-	3,705,784	-	4,106,040
Assets subject to depreciation	25,516,607	93,927,913	7,415,246	2,695,440	129,555,206
Total noncurrent assets	<u>25,916,863</u>	<u>100,791,311</u>	<u>11,121,030</u>	<u>2,695,440</u>	<u>140,524,644</u>
Total assets	<u>37,217,710</u>	<u>117,531,863</u>	<u>12,017,993</u>	<u>5,225,160</u>	<u>171,992,726</u>
Deferred Outflows of Resources - Pensions	523,418	290,123	-	-	813,541
Liabilities					
Current liabilities:					
Accounts payable	1,575,428	769,473	180,716	122,980	2,648,597
Due to other governmental units	51,846	131,696	18,562	-	202,104
Due to component units	-	315,489	-	-	315,489
Due to other funds (Note 6)	354,852	298	-	21	355,171
Accrued and other liabilities	84,768	652,124	238,654	11,155	986,701
Unearned revenue	-	-	2,654	-	2,654
Liabilities payable from restricted assets	-	4,463,077	-	-	4,463,077
Current portion of compensated absences (Note 7)	53,065	23,168	2,191	-	78,424
Nonexchange financial guarantee	114,763	114,763	-	-	229,526
Current portion of long-term debt (Note 7)	170,687	527,206	114,321	166,496	978,710
Total current liabilities	<u>2,405,409</u>	<u>6,997,294</u>	<u>557,098</u>	<u>300,652</u>	<u>10,260,453</u>
Noncurrent liabilities:					
Long-term advances from other funds (Note 6)	-	-	1,750,000	-	1,750,000
Compensated absences (Note 7)	65,026	23,026	25,537	-	113,589
Net OPEB obligation (Note 10)	2,418,613	1,048,021	1,283,291	-	4,749,925
Net pension liability	5,696,810	3,157,667	-	-	8,854,477
Nonexchange financial guarantee	1,441,339	1,441,339	-	-	2,882,678
Long-term debt - Net of current portion (Note 7)	454,587	24,084,273	206,453	1,539,044	26,284,357
Total noncurrent liabilities	<u>10,076,375</u>	<u>29,754,326</u>	<u>3,265,281</u>	<u>1,539,044</u>	<u>44,635,026</u>
Total liabilities	<u>12,481,784</u>	<u>36,751,620</u>	<u>3,822,379</u>	<u>1,839,696</u>	<u>54,895,479</u>
Net Position					
Net investment in capital assets	25,291,589	69,316,434	10,800,256	989,900	106,398,179
Restricted:					
Debt service	-	2,400,321	-	-	2,400,321
Sewer grant expenditures	-	508,724	-	-	508,724
Unrestricted	(32,245)	8,844,887	(2,604,642)	2,395,564	8,603,564
Total net position	<u>\$ 25,259,344</u>	<u>\$ 81,070,366</u>	<u>\$ 8,195,614</u>	<u>\$ 3,385,464</u>	<u>\$ 117,910,788</u>

City of Taylor, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Operating Revenue					
Water sales	\$ 8,789,934	\$ -	\$ -	\$ -	\$ 8,789,934
Sewage disposal charges	-	6,984,214	-	-	6,984,214
Charges for services	1,252,182	877,052	1,738,776	613,768	4,481,778
Sale of merchandise	-	-	1,256,155	-	1,256,155
Other	363	-	58,000	-	58,363
Total operating revenue	10,042,479	7,861,266	3,052,931	613,768	21,570,444
Operating Expenses					
Cost of water operations	7,840,770	-	-	-	7,840,770
Cost of sewage treatment	-	7,216,493	-	-	7,216,493
Ecorse Creek user charge system	-	-	-	199,458	199,458
Cost of sales	-	-	601,399	-	601,399
Cost of operating and maintenance	-	-	1,175,081	-	1,175,081
General and administrative	-	-	1,305,502	-	1,305,502
Depreciation and amortization	878,735	1,696,291	619,383	57,655	3,252,064
Total operating expenses	8,719,505	8,912,784	3,701,365	257,113	21,590,767
Operating Income (Loss)	1,322,974	(1,051,518)	(648,434)	356,655	(20,323)
Nonoperating Revenue (Expenses)					
Property taxes	-	4,574,504	-	-	4,574,504
Investment income	7,575	36,749	1,622	5,182	51,128
Interest expense	(22,966)	(842,096)	(11,335)	(46,515)	(922,912)
Brownfield debt guarantee	-	(229,154)	-	-	(229,154)
Gain (loss) on sale of assets	34,044	-	(1,073,642)	-	(1,039,598)
Total nonoperating revenue (expenses)	18,653	3,540,003	(1,083,355)	(41,333)	2,433,968
Income (Loss) - Before contributions	1,341,627	2,488,485	(1,731,789)	315,322	2,413,645
Donated Assets	75,616	65,916	301,768	-	443,300
Change in Net Position	1,417,243	2,554,401	(1,430,021)	315,322	2,856,945
Net Position - Beginning of year - As restated (Note 20)	23,842,101	78,515,965	9,625,635	3,070,142	115,053,843
Net Position - End of year	<u>\$ 25,259,344</u>	<u>\$ 81,070,366</u>	<u>\$ 8,195,614</u>	<u>\$ 3,385,464</u>	<u>\$ 117,910,788</u>

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 9,860,305	\$ 7,494,299	\$ 3,052,931	\$ 594,302	\$ 21,001,837
Internal activity - (Payments) receipts to other funds	(548,287)	(121,959)	(675,522)	16,447	(1,329,321)
Payments to suppliers	(4,547,296)	(6,415,120)	(1,750,150)	(147,745)	(12,860,311)
Payments to employees	(1,998,194)	(206,388)	(1,165,236)	-	(3,369,818)
Internal activity - (Payments) receipts from/to other funds	(387,776)	-	-	21	(387,755)
Changes in equity interest of joint venture	-	(1,617,397)	-	-	(1,617,397)
Other (receipts) payments	(411,473)	(339,403)	27,551	-	(723,325)
Net cash provided by (used in) operating activities	1,967,279	(1,205,968)	(510,426)	463,025	713,910
Cash Flows from Noncapital Financing Activities					
Activities - Brownfield debt guarantee	-	(229,154)	-	-	(229,154)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	34,044	-	326,358	-	360,402
Property taxes	-	4,723,178	-	-	4,723,178
Purchase of capital assets	(1,370,926)	-	(45,029)	-	(1,415,955)
Change in capital related financing	(1,629)	-	-	(36,109)	(37,738)
Payments on capital related debt	(81,946)	(5,900,415)	(123,411)	(210,927)	(6,316,699)
Net cash (used in) provided by capital and related financing activities	(1,420,457)	(1,177,237)	157,918	(247,036)	(2,686,812)
Cash Flows from Investing Activities					
Interest received on investments	7,575	36,749	1,622	5,182	51,128
Net Increase (Decrease) in Cash and Cash Equivalents	554,397	(2,575,610)	(350,886)	221,171	(2,150,928)
Cash and Cash Equivalents - Beginning of year	6,635,270	22,307,238	760,121	1,976,281	31,678,910
Cash and Cash Equivalents - End of year	\$ 7,189,667	\$ 19,731,628	\$ 409,235	\$ 2,197,452	\$ 29,527,982
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 7,189,667	\$ 12,868,230	\$ 409,235	\$ 2,197,452	\$ 22,664,584
Restricted cash	-	6,863,398	-	-	6,863,398
Total cash and cash equivalents	\$ 7,189,667	\$ 19,731,628	\$ 409,235	\$ 2,197,452	\$ 29,527,982

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2016

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,322,974	\$ (1,051,518)	\$ (648,434)	\$ 356,655	\$ (20,323)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	878,735	1,696,291	619,383	57,655	3,252,064
Pension expense	584,414	323,937	-	-	908,351
Changes in assets and liabilities:					
Receivables	(593,647)	(706,370)	27,551	(19,466)	(1,291,932)
Due from other funds	(548,287)	(121,959)	(675,522)	16,447	(1,329,321)
Inventories and other assets	(131,025)	(2,706)	(5,634)	-	(139,365)
Accounts payable	465,291	(418,794)	31,964	51,713	130,174
Advances to other funds	(387,776)	-	-	21	(387,755)
Accrued compensation and other	376,600	(924,849)	140,266	-	(407,983)
Net cash provided by (used in) operating activities	<u>\$ 1,967,279</u>	<u>\$ (1,205,968)</u>	<u>\$ (510,426)</u>	<u>\$ 463,025</u>	<u>\$ 713,910</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2016, the City had several noncash transactions with the assets held at Wayne County, including debt payments of \$5,142,821 and interest payments of \$888,358.

City of Taylor, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	Pension and Other Employee Benefit Plans*	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 9,132,450	\$ 1,853,748
Investments:		
U.S. government securities	6,184,342	-
Agency securities	603,123	-
Stocks	68,150,051	-
Bonds	8,059,520	-
Real estate	498,352	-
Mutual funds	31,551,262	-
Partnerships	25,882,143	-
Receivables	<u>2,714,874</u>	<u>18,932</u>
Total assets	152,776,117	<u>\$ 1,872,680</u>
Liabilities		
Due to other governmental units	-	\$ 1,440,351
Accrued liabilities and other	-	217,124
Tax collection distributable	<u>-</u>	<u>215,205</u>
Total liabilities	<u>-</u>	<u>\$ 1,872,680</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 152,776,117</u>	

* Balances are as of December 31, 2015 for the General Employees' Pension Plan and as of June 30, 2016 for the Police and Fire Retirement System.

City of Taylor, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2016

	Pension and Other Employee Benefit Plans*
Additions	
Investment income:	
Interest and dividends	\$ 3,038,973
Net decrease in fair value of investments	(1,960,291)
Less investment expenses	<u>(557,433)</u>
Net investment income	521,249
Contributions:	
Employer	8,906,496
Employee	<u>843,190</u>
Total contributions	<u>9,749,686</u>
Total additions - Net of investment expenses	10,270,935
Deductions	
Benefit payments	17,901,211
General and administrative	<u>299,810</u>
Total deductions	<u>18,201,021</u>
Net Decrease in Net Position Held in Trust	(7,930,086)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>160,706,203</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 152,776,117</u></u>

* Balances are as of December 31, 2015 for the General Employees' Pension Plan and as of June 30, 2016 for the Police and Fire Retirement System.

City of Taylor, Michigan

Component Units Statement of Net Position June 30, 2016

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
Assets						
Cash and investments (Note 3)	\$ 452,120	\$ 10,731,672	\$ 915,825	\$ 174,878	\$ 2,649,327	\$ 14,923,822
Accounts receivable	-	-	743,673	-	4,917	748,590
Due from component units	47,384	724	20,614	-	-	68,722
Due from primary government	2,807	250,885	687,446	19,500	-	960,638
Prepaid expenses and other assets	-	-	-	-	11,280	11,280
Capital assets:						
Capital assets (Note 5)	17,745	13,536,684	77,187	859,375	759,999	15,250,990
Capital assets subject to depreciation	-	-	-	-	808,901	808,901
Total assets	520,056	24,519,965	2,444,745	1,053,753	4,234,424	32,772,943
Deferred Outflows of Resources -						
Pensions	-	-	-	-	4,752	4,752
Liabilities						
Accounts payable	-	829,127	-	664	13,872	843,663
Due to component units	-	67,998	-	724	-	68,722
Due to primary government	-	4,722,113	-	-	-	4,722,113
Accrued liabilities and other	-	78,315	290,314	5,093	41,282	415,004
Unearned revenue	-	-	743,673	-	-	743,673
Tenant security deposits	-	-	-	-	30,687	30,687
Due within one year (Note 7) -						
Current portion of long-term debt	-	3,196,635	611,601	260,000	-	4,068,236
Due in more than one year (Note 7):						
Net pension liability	-	-	-	-	35,995	35,995
Long-term debt	-	11,217,339	13,408,360	-	-	24,625,699
Total liabilities	-	20,111,527	15,053,948	266,481	121,836	35,553,792
Net Position						
Net investment in capital assets	17,745	13,536,684	77,187	599,375	1,568,900	15,799,891
Restricted - HAP payments	-	-	-	-	11,726	11,726
Unrestricted	502,311	(9,128,246)	(12,686,390)	187,897	2,536,714	(18,587,714)
Total net position	\$ 520,056	\$ 4,408,438	\$ (12,609,203)	\$ 787,272	\$ 4,117,340	\$ (2,776,097)

* Balances are as of March 31, 2016 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	3,982,945	-	-	-
Brownfield Redevelopment Authority - Public works	757,876	-	229,154	-
Downtown Development Authority - Public works	78,318	-	-	-
Housing Commission	6,668,742	353,764	5,996,666	-
Total component units	\$ 11,487,881	\$ 353,764	\$ 6,225,820	\$ -
General revenue:				
Property taxes				
Investment income				
Contribution from General Fund				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year - As restated (Note 20)				
Net Position - End of year				

* Balances are as of March 31, 2016 for the Housing Commission.

**Component Units
Statement of Activities
Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Assets					
Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(3,982,945)	-	-	-	(3,982,945)
-	-	(528,722)	-	-	(528,722)
-	-	-	(78,318)	-	(78,318)
-	-	-	-	(318,312)	(318,312)
-	(3,982,945)	(528,722)	(78,318)	(318,312)	(4,908,297)
131,836	7,668,056	350,540	484,131	-	8,634,563
1,036	20,805	3,186	841	1,042	26,910
-	-	451,000	-	-	451,000
132,872	7,688,861	804,726	484,972	1,042	9,112,473
-	(40,000)	281,250	(241,250)	-	-
132,872	3,665,916	557,254	165,404	(317,270)	4,204,176
387,184	742,522	(13,166,457)	621,868	4,434,610	(6,980,273)
\$ 520,056	\$ 4,408,438	\$ (12,609,203)	\$ 787,272	\$ 4,117,340	\$ (2,776,097)

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Accounting and Reporting Principles

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

Report Presentation

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Fund Accounting

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

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

- The Pension Trust Fund accounts for the activities of the City's two defined benefit pension plans, including the Police and Fire Retirement System and the General Employees' Pension Plan. The General Employees' Pension Plan has a calendar year end of December 31, 2015. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2015. The plans accumulate resources for pension benefit payments to qualified employees.
- The agency funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City's agency funds include the Tax Receiving Fund, the Agency Fund, and the 23rd District Court Fund.

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

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

Basis of Accounting

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Specific Balances and Transactions

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Capital Asset Class	Lives in 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
Machinery and equipment	2-20
Vehicles	4-10
Furniture and fixtures	10-20

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

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows related to pensions for the difference between projected and actual investment earnings, differences between projected and actual experiences, and changes in assumptions. A deferred outflow is also reported for the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Net Position Flow Assumption

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

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, 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 Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

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

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's 2015 tax is levied and collectible on July 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the City totaled \$1,301,602,454 (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, 7.7045 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, 4.4316 for EPA debt, and 0.9601 mills for the Southend Project. This resulted in approximately \$8,990,000 for operating purposes, \$950,000 for library services, \$7,900,000 for public safety pension, \$1,500,000 for disposal authority, \$2,700,000 for garbage and rubbish services, \$40,000 for publicity services, \$3,400,000 for the building authority, \$4,600,000 for EPA debt, and \$1,230,000 for the Southend Project. These amounts are recognized in the respective General Fund, special revenue funds, debt service funds, and enterprise funds financial statements as tax revenue.

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

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

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

The amount of encumbrances outstanding at June 30, 2016 has not been calculated. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Fund Deficits - On the modified accrual basis, the Community Development Block Grant Fund and the Neighborhood Stabilization Fund have an unassigned fund balance deficit at June 30, 2016. The component units are presented on the full accrual basis in the basic financial statements, resulting in deficits on that basis in the Brownfield Redevelopment Authority and the Tax Increment Financing Authority. The Golf Courses and Water Fund also have an unrestricted net deficit as of June 30, 2016.

Note 3 - Deposits and Investments

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

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$42,634,320 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$11,099,617 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

		Less than 1	1-5	6-10	More than 10
General Employees' Pension Plan	Fair Value	Year	Years	Years	Years
Corporate bonds	\$ 5,501,615	\$ 404,498	\$ 4,016,194	\$ 1,080,923	\$ -
U.S. government securities	3,122,492	-	2,864,351	258,141	-
Agency securities	247,658	-	247,658	-	-
Total	\$ 8,871,765	\$ 404,498	\$ 7,128,203	\$ 1,339,064	\$ -
Police and Fire Retirement System		Less than 1	1-5	6-10	More than 10
	Fair Value	Year	Years	Years	Years
Corporate bonds	\$ 2,557,905	\$ 130,468	\$ 1,567,328	\$ 841,843	\$ 18,266
U.S. government securities	3,061,850	-	2,293,471	768,379	-
Agency securities	355,465	-	-	-	355,465
Total	\$ 5,975,220	\$ 130,468	\$ 3,860,799	\$ 1,610,222	\$ 373,731

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
General Employees' Pension Plan			
Corporate bonds	\$ 840,736	A1	Moody's
Corporate bonds	720,104	A2	Moody's
Corporate bonds	876,866	A3	Moody's
Corporate bonds	692,647	Aa1	Moody's
Corporate bonds	370,962	Aa3	Moody's
Corporate bonds	437,625	Ba1	Moody's
Corporate bonds	734,354	Baa1	Moody's
Corporate bonds	828,321	Baa2	Moody's
U.S. government securities	3,122,492	Not rated	N/A
Agency securities	247,657	Not rated	N/A
Police and Fire Retirement System			
Corporate bonds	136,757	A1	Moody's
Corporate bonds	98,648	A2	Moody's
Corporate bonds	210,595	A3	Moody's
Corporate bonds	61,232	Aa1	Moody's
Corporate bonds	123,619	Aa2	Moody's
Corporate bonds	53,233	Aa3	Moody's
Corporate bonds	198,942	Aaa	Moody's
Corporate bonds	70,025	B1	Moody's
Corporate Bonds	38,325	B2	Moody's
Corporate bonds	151,184	Ba1	Moody's
Corporate bonds	61,935	Ba2	Moody's
Corporate bonds	50,600	Ba3	Moody's
Corporate bonds	133,056	Baa1	Moody's
Corporate bonds	552,691	Baa2	Moody's
Corporate bonds	359,517	Baa3	Moody's
Corporate bonds	6,632	Caa-1	Moody's
Corporate bonds	250,914	Not rated	N/A
Agency securities	355,465	Not rated	N/A
U.S. government securities	3,061,850	Aaa	Moody's

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

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

Alternative Investment Valuation - Approximately 26.4 percent of the Police and Fire Retirement System assets is not publicly traded and therefore does not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Note 4 - Deferred Inflows/Outflows of Resources

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

	Governmental Funds	Governmental Activities
Special assessments - Unavailable	\$ 241,210	\$ -
Grant revenue - Unavailable	214,972	-
Pension deferrals	-	644,262
Other unavailable revenue	372,766	-
Total deferred inflows	<u>\$ 828,948</u>	<u>\$ 644,262</u>

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

	Governmental Activities	Business-type Activities	Component Units
Pension deferrals	\$ 32,746,629	\$ 813,541	\$ 4,752
Bond refunding loss being amortized	46,667	-	-
Total deferred outflows	<u>\$ 32,793,296</u>	<u>\$ 813,541</u>	<u>\$ 4,752</u>

Note 5 - Capital Assets

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

	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 29,381,567	\$ -	\$ 215,000	\$ (217,693)	\$ 29,378,874
Construction in progress	374,315	(234,328)	841,586	-	981,573
Subtotal	29,755,882	(234,328)	1,056,586	(217,693)	30,360,447
Capital assets being depreciated:					
Buildings and improvements	89,259,805	49,590	158,784	(6,151,976)	83,316,203
Machinery and equipment	39,139,107	151,119	2,012,455	(2,660,435)	38,642,246
Other improvements	18,880,560	-	515,467	(31,460)	19,364,567
Roads and sidewalks	255,133,671	33,619	4,521,197	-	259,688,487
Subtotal	402,413,143	234,328	7,207,903	(8,843,871)	401,011,503
Accumulated depreciation:					
Buildings and improvements	35,600,840	-	2,061,224	(3,311,862)	34,350,202
Machinery and equipment	32,449,938	-	1,555,807	(2,259,288)	31,746,457
Other improvements	15,966,750	-	631,438	(31,460)	16,566,728
Roads and sidewalks	169,663,752	-	5,445,153	-	175,108,905
Subtotal	253,681,280	-	9,693,622	(5,602,610)	257,772,292
Net capital assets being depreciated	148,731,863	234,328	(2,485,719)	(3,241,261)	143,239,211
Net capital assets	\$ 178,487,745	\$ -	\$ (1,429,133)	\$ (3,458,954)	\$ 173,599,658
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 4,758,372	\$ -	\$ -	\$ (1,400,000)	\$ 3,358,372
Construction in progress	3,918,148	(4,442,051)	1,271,571	-	747,668
Subtotal	8,676,520	(4,442,051)	1,271,571	(1,400,000)	4,106,040
Capital assets being depreciated:					
Water mains and meters	40,542,087	3,719,879	242,629	(3,319,051)	41,185,544
Sanitary sewer system	125,192,198	-	-	(41,365)	125,150,833
Buildings and improvements	10,105,582	-	195,279	-	10,300,861
Machinery and equipment	3,295,518	-	13,600	-	3,309,118
Vehicles	545,453	-	19,400	(36,021)	528,832
Furniture and fixtures	1,226,291	-	27,513	-	1,253,804
Land improvements	9,003,727	-	60,171	-	9,063,898
Intangible ECPAD improvement	2,160,556	722,172	-	-	2,882,728
Subtotal	192,071,412	4,442,051	558,592	(3,396,437)	193,675,618
Accumulated depreciation:					
Water mains and meters	18,602,282	-	809,167	(3,319,050)	16,092,399
Sanitary sewer system	29,564,900	-	1,666,094	-	31,230,994
Buildings and improvements	3,855,142	-	235,935	-	4,091,077
Machinery and equipment	2,489,978	-	204,269	-	2,694,247
Vehicles	496,819	-	15,950	(35,307)	477,462
Furniture and fixtures	1,088,699	-	28,907	-	1,117,606
Land improvements	7,995,255	-	234,084	-	8,229,339
Intangible ECPAD improvement	129,630	-	57,658	-	187,288
Subtotal	64,222,705	-	3,252,064	(3,354,357)	64,120,412
Net capital assets being depreciated	127,848,707	4,442,051	(2,693,472)	(42,080)	129,555,206
Net capital assets	\$ 136,525,227	\$ -	\$ (1,421,901)	\$ (1,442,080)	\$ 133,661,246

Note 5 - Capital Assets (Continued)

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
Component Units						
Capital assets not being depreciated -						
Land	\$ 17,745	\$ 13,536,684	\$ 77,187	\$ 859,375	\$ 759,999	\$ 15,250,990
Capital assets being depreciated:						
Building and building improvements	-	-	-	-	2,777,621	2,777,621
Furniture, equipment, and machinery	-	-	-	-	255,079	255,079
Furniture, equipment, and machinery - Administration	-	-	-	-	292,306	292,306
Buildings and improvements	-	-	-	-	2,292,733	2,292,733
Subtotal	-	-	-	-	5,617,739	5,617,739
Accumulated depreciation	-	-	-	-	4,808,838	4,808,838
Net capital assets being depreciated	-	-	-	-	808,901	808,901
Net capital assets	\$ 17,745	\$ 13,536,684	\$ 77,187	\$ 859,375	\$ 1,568,900	\$ 16,059,891

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

Governmental activities:

General government	\$ 737,678
Public safety	953,038
Public works	6,453,966
Economic development	194,810
Recreation and culture	1,354,130
Total governmental activities	<u>\$ 9,693,622</u>

Business-type activities:

Water	\$ 878,735
Sewer	1,696,291
Ecorse Creek	57,655
Golf	619,383
Total business-type activities	<u>\$ 3,252,064</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets (Continued)

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities	\$ 987,940	\$ 410,604
Business-type activities	319,856	5,144
Component units	<u>772,588</u>	<u>561,529</u>
Total	<u>\$ 2,080,384</u>	<u>\$ 977,277</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Other nonmajor governmental funds	\$ 473,374
Other nonmajor governmental funds	General Fund	900,355
	Sewer Fund	298
	Ecorse Creek	21
	Water Fund	185
	Other nonmajor governmental funds	<u>21,009</u>
	Total nonmajor governmental funds	921,868
Water Fund	General Fund	548,499
Sewer Fund	Water Fund	287,281
	General Fund	<u>245,740</u>
	Total Sewer Fund	533,021
Ecorse Creek	Water Fund	67,373
Police and Fire Retirement Fund	General Fund	739,225
Golf Courses Fund	General Fund	303,035

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

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

Receivable Fund	Payable Fund	Amount
Act 179 Rubbish Fund	General Fund	\$ 192,331
	Water Fund	13
	Total Act 179 Rubbish Fund	<u>192,344</u>
	Total	<u>\$ 3,778,739</u>

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

Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
General Fund	Golf Courses Fund	<u>\$ 1,750,000</u>

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Downtown Development Authority	General Fund	\$ 5,666
	Police and Fire Retirement Fund	5,044
	Act 179 Rubbish Fund	2,682
	Sewer Fund	3,670
	Other nonmajor governmental funds	<u>2,438</u>
	Total Downtown Development Authority	
Local Development Financing Authority	General Fund	274
	Police and Fire Retirement Fund	1,121
	Act 179 Rubbish Fund	596
	Sewer Fund	816
	Tax Increment Financing Authority	<u>47,384</u>
	Total Local Development Financing Authority	

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

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

Receivable Fund	Payable Fund	Amount
Brownfield Redevelopment Authority	General Fund	\$ 452,655
	Sewer Fund	230,092
	Police and Fire Retirement Fund	1,401
	Act 179 Rubbish Fund	745
	Tax Increment Financing Authority	20,614
	Other nonmajor governmental funds	<u>2,553</u>
	Total Brownfield Redevelopment Authority	
Tax Increment Financing Authority	Act 179 Rubbish Fund	58,998
	Police and Fire Retirement Fund	110,976
	Sewer Fund	80,911
	Downtown Development Authority	<u>724</u>
	Total Tax Increment Financing Authority	251,609
Nonmajor governmental funds	Tax Increment Financing Authority	393,104
General Fund	Tax Increment Financing Authority	1,776,290
Police and Fire Retirement Fund	Tax Increment Financing Authority	875,121
Act 179 Rubbish Fund	Tax Increment Financing Authority	457,802
Sewer Fund	Tax Increment Financing Authority	616,330
Water Fund	Tax Increment Financing Authority	<u>603,466</u>
	Total	<u>\$ 5,751,473</u>

The advance from the General Fund to the Golf Courses Fund is expected to be repaid based on anticipated revenue from the golf courses in future years and is considered long term.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

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

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

Transfer In	Transfer Out	Amount
Local Streets Fund	Major Streets Fund	\$ 1,400,000
Taylor Building Authority Debt Fund	Building and Grounds Fund	2,001,842
2008 MI Transportation Bond Debt Fund	Major Streets Fund	<u>357,013</u>
	Total	<u>\$ 3,758,855</u>

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

Note 7 - Long-term Debt

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Bonds and contractual obligations:						
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	3.5%-4.75%	\$ 710,000	\$ -	\$ 65,000	\$ 645,000	\$ 70,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	4.20%-4.40%	250,000	-	60,000	190,000	60,000
Limited Tax General Obligation Bonds - Series 2005 - Amount of issue - \$14,795,000	5.00%	3,315,000	-	1,600,000	1,715,000	1,715,000
APEX 47 Turf Vacuum - Amount of issue - \$12,750	11.00%	8,952	-	4,233	4,719	4,719
2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000	3.50%-5.25%	1,270,000	-	295,000	975,000	310,000
2011 Installment purchase contract trash totes - Amount of issue - \$1,880,000	3.83%	1,211,000	-	183,000	1,028,000	191,000
2011 Installment purchase contract trash trucks - Amount of issue - \$1,232,000	4.36%	573,000	-	183,000	390,000	191,000
Building Authority Refunding Bonds 2005 (with Sportsplex)	5.00%	1,785,600	-	870,400	915,200	915,200
VDI Desktop Storage Replacement - Amount of issue - \$380,977	3.24%	307,131	-	73,106	234,025	75,503
2015 Building Authority Refunding Bonds - \$6,965,000	2.00%-5.00%	6,965,000	-	625,000	6,340,000	695,000
PNC Equipment Note - Amount of issue - \$1,236,481	2.34%	-	1,236,481	19,446	1,217,035	236,331
Bond premium		858,242	-	166,264	691,978	166,264
Total bonds payable		17,253,925	1,236,481	4,144,449	14,345,957	4,630,017
Other long-term obligations:						
Workers' compensation claims		495,603	259,463	389,709	365,357	-
Nonexchange financial guarantee		3,958,000	-	338,000	3,620,000	220,473
Compensated absences		2,876,782	1,245,196	881,097	3,240,881	881,433
Total governmental activities		\$ 24,584,310	\$ 2,741,140	\$ 5,753,255	\$ 21,572,195	\$ 5,731,923

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Series 2004 - Water and Sewer - Amount of issue - \$1,655,000	4.20%-4.40%	\$ 585,000	\$ -	\$ 135,000	\$ 450,000	\$ 145,000
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$87,367,763	Various	34,098,115	-	5,083,560	29,014,555	4,970,283
Series 2009A - ECPAD I CWRF - Amount of issue - \$3,717,000	2.50%	1,210,303	-	100,626	1,109,677	101,967
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$236,021	3.1031%	220,980	-	56,445	164,535	58,218
Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$222,299	3.1031%	208,133	-	53,163	154,970	54,833
Lease purchase agreement - Two Ranger Xarts split 50/50 TMGC/LTGC	5.75%	2,882	-	1,610	1,272	1,270
ECPAD I Taylor/Pelham Basin Series 2014 - Amount of issue - \$722,172	2.50%	659,015	-	63,154	595,861	64,529
PNC Equipment Note - Amount of issue - \$239,033	2.34%	-	239,033	3,759	235,274	45,687
Total bonds payable		36,984,428	239,033	5,497,317	31,726,144	5,441,787
Other long-term obligations:						
Compensated absences		170,805	61,528	40,320	192,013	78,424
Nonexchange financial guarantee		3,244,036	-	131,832	3,112,204	229,526
Total business-type activities		<u>\$ 40,399,269</u>	<u>\$ 300,561</u>	<u>\$ 5,669,469</u>	<u>\$ 35,030,361</u>	<u>\$ 5,749,737</u>

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities						
TIFA:						
2005 Building Authority Refunding Bonds - Amount of issue - \$1,870,000	5.0%	\$ 1,004,400	\$ -	\$ 489,600	\$ 514,800	\$ 514,800
2013 Refunding - Series A - Amount of issue - \$15,995,000	2.00%-3.25%	11,405,000	-	2,495,000	8,910,000	2,620,000
2013 Refunding - Series B - Amount of issue - \$4,680,000	4.00%	4,680,000	-	-	4,680,000	-
Bond premium		371,009	-	61,835	309,174	61,835
Total TIFA		17,460,409	-	3,046,435	14,413,974	3,196,635
Brownfield:						
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2006 - Amount of issue - \$3,100,000	5.70%-6.00%	2,230,000	-	135,000	2,095,000	140,000
Brownfield Redevelopment Tax Increment Bonds, taxable Series 2005 - Amount of issue - \$3,080,000	4.75%-5.30%	2,285,000	-	215,000	2,070,000	230,000
Brownfield Redevelopment Tax Increment Bonds, Series 2015	2.00% - 5.00%	9,625,000	-	145,000	9,480,000	220,000
Bond premium		396,562	-	21,601	374,961	21,601
Total Brownfield		14,536,562	-	516,601	14,019,961	611,601
DDA - DDA Bonds - Downtown Development Bond - Series 2002 - Amount of issue - \$2,500,000	4.45%-4.70%	505,000	-	245,000	260,000	260,000
Total bonds payable		\$ 32,501,971	\$ -	\$ 3,808,036	\$ 28,693,935	\$ 4,068,236

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal*	Interest	Total	Principal	Interest	Total	Principal*	Interest	Total
2017	\$ 4,463,753	\$ 523,530	\$ 4,987,283	\$ 5,441,787	\$ 819,192	\$ 6,260,979	\$ 3,984,800	\$ 1,127,100	\$ 5,111,900
2018	1,876,902	398,452	2,275,354	5,517,962	677,718	6,195,680	3,160,000	999,340	4,159,340
2019	1,748,182	323,233	2,071,415	4,592,648	539,412	5,132,060	3,365,000	893,240	4,258,240
2020	1,311,500	254,433	1,565,933	3,421,700	430,899	3,852,599	3,255,000	780,340	4,035,340
2021	1,338,639	198,228	1,536,867	3,361,244	345,371	3,706,615	3,820,000	651,715	4,471,715
2022-2026	2,915,003	288,463	3,203,466	5,158,001	1,079,579	6,237,580	3,800,000	2,089,488	5,889,488
2027-2031	-	-	-	3,699,409	289,626	3,989,035	3,990,000	1,203,370	5,193,370
2032-2036	-	-	-	533,393	18,604	551,997	2,635,000	267,750	2,902,750
Total	\$ 13,653,979	\$ 1,986,339	\$ 15,640,318	\$ 31,726,144	\$ 4,200,401	\$ 35,926,545	\$ 28,009,800	\$ 8,012,343	\$ 36,022,143

* Balances exclude bond premium

Note 7 - Long-term Debt (Continued)

In conjunction with the issuance of \$20,675,000 for the Tax Increment Financing Authority (TIFA) bond Series 2013A and Series 2013B, the component unit is required to maintain debt service reserves in the amount of \$1,359,000. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage totaling \$1,359,000 for this purpose. In addition to the reserves and in conjunction with the above debt issue, the City has agreed to certain covenants, including, but not limited to, restriction on amendments to the TIFA plan districts and continued compliance with the State of Michigan regulations and statutes affecting the TIFA bond indenture.

Defeased Debt - In prior years, the City defeased certain 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 defeased bonds are not included in the basic financial statements. At June 30, 2016, 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 (Brownfield). The bonds were related to the Midtown (Island Lakes) development project. The City's pledge is considered a nonexchange financial guarantee or commitment to back the debt payments of the bonds which continue through fiscal year 2034. Due to the downturn in the economy, the development project was never finished and as a result, the Brownfield's projected tax increment revenue was insufficient to fully pay the bond debt. The present value of the total estimated shortfall related to Brownfield's bond payments is \$6,732,203 and has been recognized by the City as a liability of \$3,620,000, \$1,556,102, and \$1,556,102 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 7 - Long-term Debt (Continued)

Subsequent Events - During January 2016, the Downriver Sewage Disposal System issued new enterprise fund debt, however, there were no draws on the debt until July 2016. As the Downriver Sewage Diposal System is reported as an enterprise fund of Wayne County and as an investment to the City, the debt will not be recorded on the City's financial statements until the debt has been drawn upon. The debt incurred by the County has a balance of \$17,705,000 with an interest rate of 2.50 percent and will be payable through 2037. The City's portion of the total debt issued is approximately \$3,100,000.

Note 8 - Restricted Assets

The restricted assets are restricted for the following purposes:

	Business-type Activities	General Fund
Assets held at Wayne County for future debt payments	\$ 6,863,398	\$ -
Escrowed funds	-	1,475,550

The above assets held at Wayne County set aside for contractual obligations are the result of the county issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay \$9,006,855 of the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, to fund \$20,007,700 of the obligation to repay the county. Proceeds from the county bonds provided financing for the construction of the expansion of the Downriver Wastewater Treatment Plant and System. The remaining principal and interest to be paid on the revenue bonds total \$32,866,440. During the current year, net revenue of the system was \$1,057,549 compared to the annual debt requirements of \$737,168. Annual tax collections related to the debt were \$4,574,504 compared to the annual debt requirements of \$5,173,567.

\$1,475,550 is being held in escrow due to the receipt of advance bond proceeds to support funding the purchase of vehicles that had not been received by the City as of year end.

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.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 9 - Risk Management (Continued)

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:

	2016	2015
Unpaid claims - Beginning of year	\$ 495,603	\$ 620,430
Incurred claims, including adjustments to claims incurred but not reported	256,975	227,595
Claim payments (net of insurance refunds)	<u>(387,221)</u>	<u>(352,422)</u>
Unpaid claims - End of year	<u>\$ 365,357</u>	<u>\$ 495,603</u>

Note 10 - Other Postemployment Benefits

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

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

Funding Progress - For the year ended June 30, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 17,751,739
Interest on the prior year's net OPEB obligation	1,942,898
Less adjustment to the annual required contribution	<u>(1,769,000)</u>
Annual OPEB cost	17,925,637
Amounts contributed - Payments of current premiums	<u>7,652,506</u>
Increase in net OPEB obligation	10,273,131
OPEB obligation - Beginning of year	<u>48,572,396</u>
OPEB obligation - End of year	<u>\$ 58,845,527</u>

Note 10 - Other Postemployment Benefits (Continued)

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

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

The funding progress of the plan is as follows:

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

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

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

Note 10 - Other Postemployment Benefits (Continued)

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

Note 11 - 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 July 1, 2003. In the City of Taylor, Michigan 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 \$19,825,480. The current year contribution was calculated based on covered payroll of \$2,758,305, resulting in an employer contribution of \$104,000 and employee contributions of \$110,332.

Note 12 - Pension Plan Description

General Government Employees' Retirement System

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

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

Note 12 - Pension Plan Description (Continued)

Employees Covered by Benefit Terms - At December 31, 2015, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	250
Inactive plan members entitled to but not yet receiving benefits	23
Active plan members	65
Total employees covered by the plan	338

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

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

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

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

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

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

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

Note 12 - Pension Plan Description (Continued)

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

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

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended December 31, 2015, the average active member contribution rate was 5.0 percent of annual pay and the City's average contribution rate was 97.42 percent of annual payroll.

Police and Fire Retirement System

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

Note 12 - Pension Plan Description (Continued)

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

Employees Covered by Benefit Terms - At June 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	211
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	<u>115</u>
Total employees covered by the plan	<u><u>336</u></u>

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

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

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

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

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

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

Note 12 - Pension Plan Description (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2016, the average active member contribution rate was 8 percent of annual pay, and the City's average contribution rate was 59.7 percent of annual payroll.

Note 13 - Pension Plan Investments - Policy and Rate of Return

General Employees' Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of December 31, 2015:

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

Concentrations - At December 31, 2015, the Plan held approximately 63 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.41 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - Pension Plan Investments - Policy and Rate of Return (Continued)

Police and Fire Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board's adopted asset allocation policy as of June 30, 2016:

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

Concentrations - At June 30, 2016, the plan held approximately 40 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 14 - Pension Plan Reserves

Police and Fire Retirement System

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

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

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 14 - Pension Plan Reserves (Continued)

There are no employer reserves as of June 30, 2016.

The balances of the reserve accounts at June 30, 2016 are as follows:

	Required Reserve	Amount Funded
Employee reserve	\$ 9,943,123	\$ 9,943,123
Retiree reserve	119,429,588	104,439,087

General Employees' Pension Plan

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

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

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

There are no employer reserves as of December 31, 2015.

The balances of the reserve accounts at December 31, 2015 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 65,482,782	\$ 32,576,041
Employee reserve	2,727,048	2,727,048
Terminated vested reserve	3,090,818	3,090,818

Note 15 - Net Pension Liability - General Employees' Retirement System

The components of the net pension liability of the City at June 30, 2016 were as follows:

Total pension liability	\$ 82,015,213
Plan fiduciary net position	<u>(38,393,907)</u>
City's net pension liability	<u>\$ 43,621,306</u>
Plan fiduciary net position as a percentage of the total pension liability	46.8 %

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 15 - Net Pension Liability - General Employees' Retirement System (Continued)

The City has chosen to use December 31, 2015 as its measurement date for the net pension liability. The December 31, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 77,702,621	\$ 41,373,985	\$ 36,328,636
Service cost	306,468	-	306,468
Interest	5,610,828	-	5,610,828
Differences between expected and actual experience	1,318,385		1,318,385
Changes in assumptions	3,166,569		3,166,569
Contributions - Employer	-	3,259,165	(3,259,165)
Contributions - Employee	-	172,866	(172,866)
Net investment income	-	(115,718)	115,718
Benefit payments, including refunds	(6,089,658)	(6,089,658)	-
Administrative expenses	-	(206,733)	206,733
Net changes	<u>4,312,592</u>	<u>(2,980,078)</u>	<u>7,292,670</u>
Balance at December 31, 2015	<u>\$ 82,015,213</u>	<u>\$ 38,393,907</u>	<u>\$ 43,621,306</u>

Note 15 - Net Pension Liability - General Employees' Retirement System (Continued)

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

For the year ended December, 31, 2015, the City recognized pension expense of \$7,653,096. At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 154,966
Changes in assumptions	372,209
Net difference between projected and actual earnings on pension plan investments	<u>3,480,709</u>
Total	<u>\$ 4,007,884</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 1,466,675
2018	939,499
2019	939,499
2020	662,212

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increases	1.0 % Average, including inflation
Investment rate of return	7.5 % Net of pension plan investment expense, including inflation

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

Note 15 - Net Pension Liability - General Employees' Retirement System (Continued)

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

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2015 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.00 %
International equity	7.75
Core fixed income	3.25
Global fixed income	4.25
Real estate	5.00
Hedge funds	3.00

**Note 15 - Net Pension Liability - General Employees' Retirement System
(Continued)**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability of the City	\$ 51,595,558	\$ 43,621,306	\$ 36,826,891

Note 16 - Net Pension Liability - Police and Fire Retirement System

The components of the net pension liability of the City at June 30, 2016 were as follows:

Total pension liability	\$ 238,870,839
Plan fiduciary net position	<u>(114,382,210)</u>
City's net pension liability	<u>\$ 124,488,629</u>
Plan fiduciary net position as a percentage of the total pension liability	47.9 %

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 16 - Net Pension Liability - Police and Fire Retirement System (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2015	\$ 208,842,575	\$ 119,332,220	\$ 89,510,355
Service cost	2,270,877	-	2,270,877
Interest	11,979,040	-	11,979,040
Differences between expected and actual experience	474,915	-	474,915
Changes in assumptions	27,114,985	-	27,114,985
Contributions - Employer	-	5,588,834	(5,588,834)
Contributions - Employee	-	728,821	(728,821)
Net investment income	-	652,396	(652,396)
Benefit payments, including refunds	(11,811,553)	(11,811,553)	-
Administrative expenses	-	(108,612)	108,612
Miscellaneous other charges	-	104	(104)
Net changes	30,028,264	(4,950,010)	34,978,274
Balance at June 30, 2016	\$ 238,870,839	\$ 114,382,210	\$ 124,488,629

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

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

For the year ended June 30, 2016, the City recognized pension expense of \$21,352,691. At June 30, 2016, 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	\$ 299,021	\$ 644,262
Changes in assumptions	21,215,778	-
Net difference between projected and actual earnings on pension plan investments	7,601,986	-
Total	\$ 29,116,785	\$ 644,262

Note 16 - Net Pension Liability - Police and Fire Retirement System (Continued)

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

Years Ending June 30	Amount
2017	\$ 15,704,664
2018	9,140,002
2019	1,987,065
2020	1,640,792

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were updated to be based on the RP-2014 Health Mortality Table.

Discount Rate - The discount rate used to measure the total pension liability was 4.84 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate of 2.68 percent. The source of that bond rate is the Standard & Poor's Municipal Bond 20-year high grade index as of June 30, 2016. The resulting single discount rate is 4.84 percent. The long-term expected rate of return was applied to projected benefit payments from July 1, 2017 through July 1, 2042 and the municipal bond rate was applied to the remaining periods.

Note 16 - Net Pension Liability - Police and Fire Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
International equity	7.75 %
Domestic equity	5.00
Fixed income	3.25
Hedge funds	3.00
Real estate	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 discount rate of 4.84 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.84 percent) or 1 percentage point higher (5.84 percent) than the current rate:

	1% Decrease (3.84%)	Current Discount Rate (4.84%)	1% Increase (5.84%)
Net pension liability of the City	\$ 156,945,119	\$ 124,488,629	\$ 98,087,892

Note 17 - Defined Benefit Pension Plan - District Court Employees

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

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

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

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

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

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

Employees Covered by Benefit Terms - At the June 30, 2016 measurement date, the following employees were covered by the benefit terms:

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

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

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

For the year ended December 31, 2015, the average active employee contribution rate was 5.0 percent of annual pay and the court's average contribution rate was 17.83 percent of annual payroll for the district court.

Net Pension Liability

The net pension liability reported was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 3,241,484	\$ 2,746,496	\$ 494,988
Service cost	38,483	-	38,483
Interest	263,413	-	263,413
Differences between expected and actual experience	95,801	-	95,801
Changes in assumptions	172,366	-	172,366
Contributions - Employer	-	46,082	(46,082)
Contributions - Employee	-	24,797	(24,797)
Net investment income	-	(40,969)	40,969
Benefit payments, including refunds	(135,684)	(135,684)	-
Administrative expenses	-	(5,997)	5,997
Net changes	434,379	(111,771)	546,150
Balance at December 31, 2015	<u>\$ 3,675,863</u>	<u>\$ 2,634,725</u>	<u>\$ 1,041,138</u>

Assumption Changes - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The mortality table was updated from the 1994 Group Mortality Table to the RP-2014 Group Mortality table. The actuary also lowered the assumed annual rate of return, net of expenses.

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

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

For the year ended December 31, 2015, the court recognized pension expense of \$210,211. At June 30, 2016, the court reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 63,867
Changes in assumptions	114,911
Net difference between projected and actual earnings on pension plan investments	237,099
Employer contributions to the plan subsequent to the measurement date	<u>19,624</u>
Total	<u>\$ 435,501</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$19,624, which will impact the net pension liability in fiscal year 2017, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 150,780
2018	150,780
2019	61,391
2020	52,927

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increases	3.75 %
Investment rate of return	8.00 % Net of pension plan investment expense, including inflation

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

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

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

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study from 2009-2013.

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

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

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

**Note 17 - Defined Benefit Pension Plan - District Court Employees
(Continued)**

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the court	\$ 1,453,708	\$ 1,041,138	\$ 690,015

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 18 - Pension and Other Employee Benefit Trust Funds

As of June 30, 2016, the statement of net position and the statement of changes in net position for the pension plan are as follows:

	Police and Fire System	General Employees' Pension Plan*
<u>Statement of Net Position</u>		
Cash and investments	\$ 114,198,976	\$ 35,862,267
Other assets	183,234	2,531,640
Net position	<u>\$ 114,382,210</u>	<u>\$ 38,393,907</u>
<u>Statement of Changes in Net Position</u>		
Investment income - Net of investment expenses (investment expense)	\$ 652,502	\$ (131,253)
Contributions	6,317,655	3,432,031
Benefit payments	11,811,553	6,089,658
Other deductions	108,612	191,198
Net change in net position	<u>\$ (4,950,008)</u>	<u>\$ (2,980,078)</u>

* Balances are as of December 31, 2015

The City recognized total pension expense of \$29,215,998 for the year ended June 30, 2016.

The total net pension liability is broken out as follows:

<u>Allocation of the Net Pension Liability</u>	
General Government Employees' Retirement System*	\$ 43,621,306
Police and Fire Retirement System	124,488,629
Municipal Employees Retirement System	<u>1,041,138</u>
Total net pension liability	<u>\$ 169,151,073</u>
<u>Allocation of the Net Pension Liability</u>	
Governmental activities portion of the net pension liability	\$ 160,296,596
Business-type activities portion of the net pension liability	<u>8,854,477</u>
Total	<u>\$ 169,151,073</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2016

Note 19 - Fair Value Measurement

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

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

The City has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Agency bonds	\$ 603,123	\$ -	\$ 603,123	\$ -
Asset-backed securities	1,080,683	-	1,077,315	3,368
Common - Not traded	2,491,843	-	2,491,843	-
Corporate - Not traded	1,975,766	-	1,975,766	-
Corporate bonds	8,059,520	-	8,034,325	25,195
ETF - Equity	26,028,496	26,028,496	-	-
Mortgages	7,964	-	7,964	-
Mutual funds - Fixed income	176,485	176,485	-	-
Other fixed income assets	2,281,868	-	-	2,281,868
Other alternative investments	25,343,108	-	-	25,343,108
Private equity	539,034	-	-	539,034
Stocks	66,156,560	66,106,718	-	49,842
Treasury bonds	6,184,342	3,061,850	3,122,492	-
Total investments by fair value level	<u>\$ 140,928,792</u>	<u>\$ 95,373,549</u>	<u>\$ 17,312,828</u>	<u>\$ 28,242,415</u>

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

Note 19 - Fair Value Measurement (Continued)

The fair value of agency bonds, certain asset-backed securities, common and corporate - not traded, certain corporate bonds, mortgages, and Treasury bonds at June 30, 2016 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, 2016 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 20 - Reporting Change (Prior Period Adjustments)

The financial statements for the year ended June 30, 2015 have been restated in order for the Downriver Sewage Disposal System and the Taylor Housing Commission to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2015 for the Downriver Sewage Disposal System and an increase in net position to record the net pension asset at June 30, 2015 for the Taylor Housing Commission. The City has decreased the net position in the Sewer Fund to properly reflect the City's portion of the Downriver Sewage Disposal System net position and increased the net position in the Taylor Housing Commission fund to properly reflect the net position as of the beginning of the year.

The effect of this change is as follows:

	Business-type Activities	Sewer	Housing Commission
Fund balance - June 30, 2015 - As previously reported	\$ 116,597,842	\$ 80,059,964	\$ 4,433,435
Adjustment for implementation of GASB Statement No. 68	<u>(1,543,999)</u>	<u>(1,543,999)</u>	<u>1,175</u>
Fund balance - June 30, 2015 - As restated	<u>\$ 115,053,843</u>	<u>\$ 78,515,965</u>	<u>\$ 4,434,610</u>

Note 21 - Contingent Liabilities

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. In addition, the City is involved in certain labor negotiation discussions. The City has not recorded an estimate of any liabilities that may result from these matters at June 30, 2016.

Note 22 - Upcoming Accounting Pronouncements

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

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

Required Supplemental Information

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 11,263,803	\$ 10,583,003	\$ 10,774,717	\$ 191,714
Fees and permits	1,214,500	1,219,000	1,410,435	191,435
Federal grants	785,900	2,259,700	1,956,135	(303,565)
State-shared revenue and grants	7,403,814	7,349,435	7,448,880	99,445
Charges for services	2,282,138	2,429,758	2,549,198	119,440
Fines and forfeitures	4,837,800	5,495,000	5,295,152	(199,848)
Rental income	591,650	802,724	849,735	47,011
Other revenue	5,518,060	7,835,440	7,342,395	(493,045)
Total revenue	<u>33,897,665</u>	<u>37,974,060</u>	<u>37,626,647</u>	<u>(347,413)</u>
Expenditures - Current				
General government	7,542,783	7,709,014	7,281,016	427,998
Public safety	11,891,300	14,422,085	14,209,053	213,032
Public works	4,213,600	5,256,094	4,331,511	924,583
Employee benefits	6,063,000	5,859,648	5,770,733	88,915
Economic and community development	869,000	1,270,550	1,253,256	17,294
Recreation and culture	2,954,571	2,250,063	2,153,977	96,086
Capital outlay	-	461,107	461,602	(495)
Debt service	129,421	151,391	117,958	33,433
Total expenditures	<u>33,663,675</u>	<u>37,379,952</u>	<u>35,579,106</u>	<u>1,800,846</u>
Excess of Revenue Over Expenditures	233,990	594,108	2,047,541	1,453,433
Other Financing Sources (Uses)				
Face value of debt issue	-	1,237,514	1,236,481	(1,033)
Transfers out	-	(370,000)	-	370,000
Total other financing sources	<u>-</u>	<u>867,514</u>	<u>1,236,481</u>	<u>368,967</u>
Net Change in Fund Balance	233,990	1,461,622	3,284,022	1,822,400
Fund Balance - Beginning of year	<u>6,769,664</u>	<u>6,769,664</u>	<u>6,769,664</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 7,003,654</u>	<u>\$ 8,231,286</u>	<u>\$ 10,053,686</u>	<u>\$ 1,822,400</u>

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Act 179 Rubbish Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,140,000	\$ 4,140,000	\$ 4,206,689	\$ 66,689
State-shared revenue and grants	50,000	57,600	81,305	23,705
Charges for services	430,000	449,200	465,821	16,621
Investment income	5,000	7,000	7,853	853
Other revenue	-	5,000	4,847	(153)
Total revenue	4,625,000	4,658,800	4,766,515	107,715
Expenditures				
Current - Public works	4,262,600	5,073,612	5,016,538	57,074
Debt service	437,400	437,400	437,364	36
Total expenditures	4,700,000	5,511,012	5,453,902	57,110
Net Change in Fund Balance	(75,000)	(852,212)	(687,387)	164,825
Fund Balance - Beginning of year	2,037,610	2,037,610	2,037,610	-
Fund Balance - End of year	<u>\$ 1,962,610</u>	<u>\$ 1,185,398</u>	<u>\$ 1,350,223</u>	<u>\$ 164,825</u>

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Police and Fire Retirement Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,652,954	\$ 7,800,000	\$ 7,921,074	\$ 121,074
Federal grants	140,000	290,000	428,212	138,212
State-shared revenue and grants	-	116,537	162,870	46,333
Investment income	-	10,000	11,799	1,799
Total revenue	7,792,954	8,216,537	8,523,955	307,418
Expenditures - Current -				
Retirement benefits	8,963,834	9,244,984	8,863,133	381,851
Net Change in Fund Balance	(1,170,880)	(1,028,447)	(339,178)	689,269
Fund Balance - Beginning of year	2,448,967	2,448,967	2,448,967	-
Fund Balance - End of year	<u>\$ 1,278,087</u>	<u>\$ 1,420,520</u>	<u>\$ 2,109,789</u>	<u>\$ 689,269</u>

City of Taylor, Michigan

Note to Required Supplemental Information Year Ended June 30, 2016

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital outlay	\$ 461,107	\$ 461,602	\$ (495)

Capital outlay was overbudget as the result of the City underestimating the cost of certain fixed assets that were not anticipated and therefore not included in the budget.

City of Taylor, Michigan

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

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

City of Taylor, Michigan

Required Supplemental Information Schedule of Investment Returns General Employees' Retirement System Fiscal year ended

	2016	2015
Annual money-weighted rate of return, net of investment expense	0.4 %	3.9 %

City of Taylor, Michigan

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

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

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

City of Taylor, Michigan

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

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	0.6 %	6.4 %	19.4 %

City of Taylor, Michigan

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

	2016	2015
Total Pension Liability		
Service cost	\$ 38,483	\$ 44,150
Interest	263,413	251,106
Changes in benefit terms	-	-
Differences between expected and actual experience	95,801	-
Changes in assumptions	172,366	-
Benefit payments, including refunds	(135,684)	(150,800)
Net Change in Total Pension Liability	434,379	144,456
Total Pension Liability - Beginning of year	3,241,484	3,097,028
Total Pension Liability - End of year	\$ 3,675,863	\$ 3,241,484
Plan Fiduciary Net Position		
Contributions - Employer	\$ 46,082	\$ 40,320
Contributions - Member	24,797	23,779
Net investment income	(40,969)	167,698
Administrative expenses	(5,997)	(6,143)
Benefit payments, including refunds	(135,684)	(150,800)
Other	-	-
Net Change in Plan Fiduciary Net Position	(111,771)	74,854
Plan Fiduciary Net Position - Beginning of year	2,746,496	2,671,642
Plan Fiduciary Net Position - End of year	\$ 2,634,725	\$ 2,746,496
City's Net Pension Liability - Ending	\$ 1,041,138	\$ 494,988
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.68 %	84.73 %
Covered Employee Payroll	\$ 403,805	\$ 463,273
City's Net Pension Liability as a Percentage of Covered Employee Payroll	257.8 %	106.8 %

City of Taylor, Michigan

Required Supplemental Information Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2016

The schedule of funding progress is as follows:

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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/11	6/30/10	\$ 13,465,246	44.7
6/30/12	6/30/10	13,692,137	48.6
6/30/13	6/30/12	13,674,671	51.7
6/30/14	6/30/12	13,900,300	55.5
6/30/15	6/30/14	14,397,330	57.4
6/30/16	6/30/14	17,751,739	43.1

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

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

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

Other Supplemental Information

City of Taylor, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant
Assets						
Cash and investments	\$ 495,000	\$ 1,240,671	\$ 604,972	\$ 653,725	\$ 211,863	\$ 174,204
Accounts receivable:						
Property taxes	-	-	-	-	-	-
Other	-	-	1,748	-	-	-
Due from other governmental units	507,045	339,275	-	-	-	168,266
Due from component units	-	-	-	-	-	-
Due from other funds	-	21,008	-	-	-	-
Properties held for resale	-	-	-	-	-	-
Total assets	\$ 1,002,045	\$ 1,600,954	\$ 606,720	\$ 653,725	\$ 211,863	\$ 342,470
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 342,062	\$ 27,846	\$ 19,384	\$ 2,294	\$ 3,379	\$ 138,261
Due to other governmental units	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-
Due to other funds	60,860	117,331	-	-	-	205,445
Accrued liabilities and other	-	-	-	-	-	-
Total liabilities	402,922	145,177	19,384	2,294	3,379	343,706
Deferred Inflows of Resources -						
Unavailable revenue	-	-	-	-	-	12,764
Fund Balances (Deficit)						
Restricted:						
Roads	599,123	1,455,777	-	-	-	-
Drug forfeiture	-	-	587,336	651,431	208,484	-
Debt service	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Special millages	-	-	-	-	-	-
Building	-	-	-	-	-	-
Library	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(14,000)
Total fund balances (deficit)	599,123	1,455,777	587,336	651,431	208,484	(14,000)
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,002,045	\$ 1,600,954	\$ 606,720	\$ 653,725	\$ 211,863	\$ 342,470

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

Special Revenue Funds					Debt Service Funds		Total Nonmajor Governmental Funds
Building Department	DARE/ GREAT	Neighborhood Stabilization Program	Building and Grounds	Library	2008 MI Transportation Bond Debt	1996 Voted Levy	
\$ 1,040,356	\$ 3,300	\$ 55,344	\$ 147,110	\$ -	\$ 415	\$ 2,250,921	\$ 6,877,881
-	-	-	2,285	-	-	945	3,230
-	390	-	-	-	-	-	2,138
-	-	-	47,913	202,741	-	5,616	1,270,856
-	-	-	281,491	-	-	111,613	393,104
107,568	-	505	313,676	436,094	-	43,017	921,868
-	-	189,181	-	-	-	-	189,181
\$ 1,147,924	\$ 3,690	\$ 245,030	\$ 792,475	\$ 638,835	\$ 415	\$ 2,412,112	\$ 9,658,258
\$ 26,401	\$ -	\$ 460	\$ 329,330	\$ 23,974	\$ -	\$ -	\$ 913,391
-	-	-	73,876	-	-	27,893	101,769
-	-	-	3,707	-	-	1,283	4,990
-	-	110,746	-	-	-	-	494,382
17,457	-	-	28,380	12,621	-	4,707	63,165
43,858	-	111,206	435,293	36,595	-	33,883	1,577,697
-	3,690	-	-	-	-	-	16,454
-	-	-	-	-	415	-	2,055,315
-	-	-	-	-	-	-	1,447,251
-	-	-	-	-	-	2,378,229	2,378,229
-	-	189,181	-	-	-	-	189,181
-	-	-	357,182	-	-	-	357,182
1,104,066	-	-	-	-	-	-	1,104,066
-	-	-	-	602,240	-	-	602,240
-	-	(55,357)	-	-	-	-	(69,357)
1,104,066	-	133,824	357,182	602,240	415	2,378,229	8,064,107
\$ 1,147,924	\$ 3,690	\$ 245,030	\$ 792,475	\$ 638,835	\$ 415	\$ 2,412,112	\$ 9,658,258

City of Taylor, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal grants	-	-	-	150,312	32,486	508,795
State-shared revenue and grants	3,091,812	1,736,169	215,236	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest income	2,960	2,079	1,581	1,560	594	-
Rental income	-	-	-	-	-	-
DMA/911 and other revenue	-	-	-	-	-	-
Total revenue	3,094,772	1,738,248	216,817	151,872	33,080	508,795
Expenditures						
Current:						
Public works	2,129,569	3,007,964	-	-	-	-
Community development	-	-	-	-	-	517,836
Recreation and culture	-	-	-	-	-	-
Capital outlay	107,830	-	272,999	44,606	16,084	-
Debt service	-	70,760	-	-	-	-
Total expenditures	2,237,399	3,078,724	272,999	44,606	16,084	517,836
Excess of Revenue Over (Under) Expenditures	857,373	(1,340,476)	(56,182)	107,266	16,996	(9,041)
Other Financing Sources (Uses)						
Transfers in	-	1,400,000	-	-	-	-
Transfers out	(1,757,013)	-	-	-	-	-
Total other financing (uses) sources	(1,757,013)	1,400,000	-	-	-	-
Net Change in Fund Balances	(899,640)	59,524	(56,182)	107,266	16,996	(9,041)
Fund Balances (Deficit) - Beginning of year	1,498,763	1,396,253	643,518	544,165	191,488	(4,959)
Fund Balances (Deficit) - End of year	\$ 599,123	\$ 1,455,777	\$ 587,336	\$ 651,431	\$ 208,484	\$ (14,000)

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2016

Special Revenue Funds					Debt Service Funds			Total Nonmajor Governmental Funds
Building Department	DARE/ GREAT	Neighborhood Stabilization Program	Building and Grounds	Library	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	1996 Voted Levy	
\$ -	\$ -	\$ -	\$ 3,427,050	\$ 946,291	\$ -	\$ -	\$ 1,232,923	\$ 5,606,264
1,808,815	-	-	-	-	-	-	-	1,808,815
-	-	35,176	47,913	33,056	-	-	-	807,738
-	-	-	-	331,045	-	-	21,730	5,395,992
-	-	-	-	41,504	-	-	-	41,504
2,709	16	-	3,177	-	-	-	5,043	19,719
-	-	-	-	-	527,580	-	-	527,580
-	9,125	-	5,850	-	-	-	1,000,000	1,014,975
1,811,524	9,141	35,176	3,483,990	1,351,896	527,580	-	2,259,696	15,222,587
1,466,005	-	-	760,123	-	-	-	-	7,363,661
-	-	20,657	-	-	-	-	-	538,493
-	-	-	-	749,656	-	-	-	749,656
72,142	9,141	-	719,302	-	-	-	-	1,242,104
-	-	-	-	-	2,532,567	357,013	1,726,200	4,686,540
1,538,147	9,141	20,657	1,479,425	749,656	2,532,567	357,013	1,726,200	14,580,454
273,377	-	14,519	2,004,565	602,240	(2,004,987)	(357,013)	533,496	642,133
-	-	-	-	-	2,001,842	357,013	-	3,758,855
-	-	-	(2,000,392)	-	(1,450)	-	-	(3,758,855)
-	-	-	(2,000,392)	-	2,000,392	357,013	-	-
273,377	-	14,519	4,173	602,240	(4,595)	-	533,496	642,133
830,689	-	119,305	353,009	-	4,595	415	1,844,733	7,421,974
\$ 1,104,066	\$ -	\$ 133,824	\$ 357,182	\$ 602,240	\$ -	\$ 415	\$ 2,378,229	\$ 8,064,107

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2016

	Trust Funds			Agency Funds			
	Pension and Other Employee Benefit Plans						
	Police and Fire Retirement System	General Employees' Pension Plan*	Total	Tax Receiving	Agency	23rd District Court	Total
	System	Pension Plan*	Total	Tax Receiving	Agency	Court	Total
Assets							
Cash and cash equivalents	\$ 7,047,437	\$ 2,085,013	\$ 9,132,450	\$ 1,156,040	\$ 19,282	\$ 678,426	\$ 1,853,748
Investments:							
U.S. government securities	3,061,850	3,122,492	6,184,342	-	-	-	-
Agency securities	355,465	247,658	603,123	-	-	-	-
Common and preferred stocks	45,718,680	22,431,371	68,150,051	-	-	-	-
Corporate bonds	2,557,905	5,501,615	8,059,520	-	-	-	-
Real estate	-	498,352	498,352	-	-	-	-
Mutual funds	29,575,496	1,975,766	31,551,262	-	-	-	-
Partnerships	25,882,143	-	25,882,143	-	-	-	-
Receivables	183,234	2,531,640	2,714,874	4,063	14,869	-	18,932
Total assets	114,382,210	38,393,907	152,776,117	\$ 1,160,103	\$ 34,151	\$ 678,426	\$ 1,872,680
Liabilities							
Due to other governmental units	-	-	-	\$ 940,707	\$ -	\$ 499,644	\$ 1,440,351
Other current liabilities	-	-	-	4,191	34,151	178,782	217,124
Tax collections distributable	-	-	-	215,205	-	-	215,205
Total liabilities	-	-	-	\$ 1,160,103	\$ 34,151	\$ 678,426	\$ 1,872,680
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 114,382,210	\$ 38,393,907	\$ 152,776,117				

* Balances are as of December 31, 2015

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2016

	Police and Fire Retirement System	General Employees' Pension Plan*	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,037,669	\$ 1,001,304	\$ 3,038,973
Net decrease in fair value of investments	(975,859)	(984,432)	(1,960,291)
Less investment expenses	(409,308)	(148,125)	(557,433)
Net investment income (loss)	652,502	(131,253)	521,249
Contributions:			
Employer	5,588,834	3,317,662	8,906,496
Employee	728,821	114,369	843,190
Total contributions	6,317,655	3,432,031	9,749,686
Total additions - Net of investment expenses	6,970,157	3,300,778	10,270,935
Deductions			
Benefit payments	11,811,553	6,089,658	17,901,211
General and administrative	108,612	191,198	299,810
Total deductions	11,920,165	6,280,856	18,201,021
Net Decrease in Net Position Held in Trust	(4,950,008)	(2,980,078)	(7,930,086)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	119,332,218	41,373,985	160,706,203
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 114,382,210	\$ 38,393,907	\$ 152,776,117

* Balances are as of December 31, 2015