
City of Trenton, Michigan

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

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Position	14
Statement of Revenue, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position - Pension and Retiree Health Care Trust Funds	18
Component Units:	
Statement of Net Position	19
Statement of Activities	20
Notes to Financial Statements	21-55
Required Supplemental Information	56
Budgetary Comparison Schedule - General Fund	57-58
Schedule of Changes in the Net Pension Liability and Related Ratios	59
Schedule of Pension Contributions	60
Schedule of Changes in the Net Pension Liability and Related Ratios	61
Schedule of Pension Investment Returns	62
Schedule of Pension Contributions	63
Schedule of Changes in the Net OPEB Liability and Related Ratios	64
Schedule of OPEB Investment Returns	65
Schedule of OPEB Contributions	66
Note to Required Supplemental Information	67

Other Supplemental Information	68
Nonmajor Governmental Funds:	
Combining Balance Sheet	69-70
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	71-72
Internal Service Funds:	
Combining Statement of Net Position	73
Combining Statement of Revenue, Expenses, and Changes in Net Position	74
Combining Statement of Cash Flows	75
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	76
Combining Statement of Changes in Fiduciary Net Position	77
Combining Statement of Assets and Liabilities	78

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Trenton, 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 City of Trenton, Michigan (the "City") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise City of Trenton, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As described in Note 14 to the financial statements, during the year ended June 30, 2018, the City adopted new accounting guidance of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes accounting and financial reporting standards for other postemployment benefit plans provided to the employees of governmental entities. Our opinion is not modified with respect to this matter.

To the Honorable Mayor and City Council
City of Trenton, Michigan

Other Matters

Required Supplemental Information

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

Other Information

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

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

Plante & Moran, PLLC

October 30, 2018

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

Financial Highlights

- Property taxes are the City's largest source of revenue. The City's total taxable value decreased approximately 0.03 percent. The total millage rate was not changed from the previous year.
- The City received approximately \$2,500,000 for lost personal property taxes from the State's Local Community Stabilization Authority. This payment included additional funding that is not expected to continue into the future.
- The City has historically been conservative and continuously monitors discretionary spending, which resulted in not appropriating General Fund fund balance for operating costs. The General Fund budgeted to use approximately \$39,000 of fund balance, but instead recognized an addition to fund balance of approximately \$1,855,000.
- The City adopted GASB 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 required the City to recognize on the face of the financial statements the net OPEB liability. The City's net OPEB liability at June 30, 2018 is \$53,018,649.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting 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.

The fund financial statements present a short-term view; they tell the reader 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.

City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 18,424,865	\$ 18,573,672	\$ 9,731,361	\$ 8,436,196	\$ 28,156,226	\$ 27,009,868
Capital assets	23,225,153	22,999,875	45,781,522	47,738,690	69,006,675	70,738,565
Total assets	41,650,018	41,573,547	55,512,883	56,174,886	97,162,901	97,748,433
Deferred Outflows of Resources	3,356,135	5,221,041	239,107	479,059	3,595,242	5,700,100
Liabilities						
Current liabilities	1,949,186	1,969,004	730,025	634,036	2,679,211	2,603,040
Noncurrent liabilities	82,523,406	83,708,792	23,191,016	28,014,169	105,714,422	111,722,961
Total liabilities	84,472,592	85,677,796	23,921,041	28,648,205	108,393,633	114,326,001
Deferred Inflows of Resources	2,279,904	724,966	168,793	-	2,448,697	724,966
Net Position						
Net investment in capital assets	21,970,803	21,247,301	31,800,585	30,834,753	53,771,388	52,082,054
Restricted	1,228,413	1,717,261	2,173,088	-	3,401,501	1,717,261
Unrestricted	(64,945,559)	(62,572,736)	(2,311,517)	(2,829,013)	(67,257,076)	(65,401,749)
Total net position	<u>\$ (41,746,343)</u>	<u>\$ (39,608,174)</u>	<u>\$ 31,662,156</u>	<u>\$ 28,005,740</u>	<u>\$ (10,084,187)</u>	<u>\$ (11,602,434)</u>

The City experienced a decrease in the net position of its governmental activities of approximately \$(2,138,000) and an increase in the net position of its business-type activities of approximately \$3,656,000 for the fiscal year ended June 30, 2018.

Governmental activities were significantly impacted by decreases to deferred outflows of approximately \$1,865,000 and increases to deferred inflows related to pensions and OPEB of approximately \$1,555,000.

Business-type activities were impacted by decreases in the pension and OPEB liabilities, which decreased approximately \$1,873,000.

City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program revenue:						
Charges for services	\$ 3,295,068	\$ 3,601,829	\$ 10,258,747	\$ 10,144,560	\$ 13,553,815	\$ 13,746,389
Operating grants	1,736,461	1,748,348	192,755	137,001	1,929,216	1,885,349
Capital grants	167,332	183,795	-	-	167,332	183,795
General revenue:						
Property taxes	14,086,970	13,338,542	2,725,112	2,655,720	16,812,082	15,994,262
State-shared revenue	4,228,781	3,533,763	-	-	4,228,781	3,533,763
Investment earnings	205,856	127,239	70,942	39,359	276,798	166,598
Other revenue	910,143	842,993	277,364	236,532	1,187,507	1,079,525
Total revenue	24,630,611	23,376,509	13,524,920	13,213,172	38,155,531	36,589,681
Expenses						
General government	4,537,266	4,858,941	-	-	4,537,266	4,858,941
Public safety	12,402,085	14,177,610	-	-	12,402,085	14,177,610
Public works	6,265,497	5,727,848	-	-	6,265,497	5,727,848
Community and economic development	121,112	368,580	-	-	121,112	368,580
Recreation and culture	2,680,950	2,735,152	-	-	2,680,950	2,735,152
Interest on long-term debt	400,870	400,988	-	-	400,870	400,988
Enterprise	-	-	10,229,504	11,346,540	10,229,504	11,346,540
Total expenses	26,407,780	28,269,119	10,229,504	11,346,540	36,637,284	39,615,659
Transfers	(361,000)	(242,375)	361,000	159,943	-	(82,432)
Change in Net Position	\$ (2,138,169)	\$ (5,134,985)	\$ 3,656,416	\$ 2,026,575	\$ 1,518,247	\$ (3,108,410)

The City's governmental activities were consistent with prior year. Revenue increased by approximately \$1,254,000 and expenses decreased approximately \$1,861,000.

The City's business-type activities consist of the Water and Sewer Fund and the Kennedy Recreation Center. Water provided to residential, commercial, and industrial users is purchased from the Great Lakes Water Authority. Sewage treatment is provided through a City-owned and operated sewage treatment plant. The Kennedy Recreation Center operates a three-sheet ice rink and concession stand.

The combined water and sewer rate was increased \$0.31 or 2.6 percent from \$12.01 to \$12.32 for the current fiscal year. Utility consumption decreased approximately 0.7 percent from the previous fiscal year.

The approved combined rates above included \$1.35 for capital expenditures. The revenue for capital is reported in capital contributions, rather than charges for services due to its restrictive nature.

Total operating expenses in the Water and Sewer Fund decreased by \$1,133,000 from the previous year. This was due primarily to a \$735,000 decrease in transportation and distribution costs and a \$525,000 decrease in sewage treatment costs.

Our analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2017-2018 include the General Fund, the Kennedy Recreation Center Fund, and the Water and Sewer Fund.

General Fund Budgetary Highlights

The General Fund pays for most of the City's governmental services. The most significant expenditures are for public safety, which incurred expenses of approximately \$8,578,000 or 45.0 percent of General Fund expenditures in fiscal year 2017-2018, exclusive of other financing sources and uses. Retiree benefits is the second most significant expenditure category at approximately \$3,256,000 or 17.1 percent of General Fund expenditures, exclusive of other financing sources and uses. These services are primarily supported by property taxes.

The General Fund added approximately \$1,593,000 to fund balance in fiscal year 2018 primarily due to a one-time increase in state funding and cost-containment efforts. The amended budget included approximately a \$39,000 use of fund balance. This budgeted use of fund balance was primarily for capital improvements to the City's facilities and infrastructure. The amended budgeted expenditures of approximately \$19,100,000 were underspent by approximately \$309,000 due to careful spending and cost-containment efforts by several departments.

Capital Assets and Debt Administration

As of June 30, 2018, the City had approximately \$15.2 million in outstanding debt. Of this debt, \$13.9 million is for the sewer improvements that were completed several years ago. The sewer improvement debt is supported by a direct millage.

Not included in the aforementioned debt is an additional \$53.0 million unfunded actuarially valued liability for other postemployment benefits (OPEB). This liability represents the cost of benefits for health care for currently retired and future retirees.

The City had \$69.0 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, water and sewer lines, roads, sidewalks, vehicles, and equipment.

Economic Factors and Next Year's Budgets and Rates

The City has experienced an increase in residential and commercial property values of 1.9 percent and 2.9 percent, respectively. Industrial real property values have decreased by 9.9 percent. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5.0 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than inflation.

One of the City's largest tax payers, DTE Energy, announced that the DTE Energy Trenton Channel Power Plant will close by 2022 or 2023. The City is currently assessing the financial impact of this announcement.

The 2018-2019 General Fund operating budget was increased \$1,934,000 or 9.9 percent from \$19,479,000 to \$21,413,016. The City's overall millage rate was not changed.

As of July 1, 2018, the water and sewer rate will increase \$0.60, from \$12.32 to \$12.92 per thousand gallons of water purchased. This is a 4.9 percent increase from the previous year. The utility rate supports the operations, maintenance, and upgrades to the city water and sewer lines and the wastewater treatment plant.

A blighted former hospital site is expected to be redeveloped, which will add value to the downtown area of the City.

Requests for Further Information

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the controller's office. This report, city budgets, and other financial information are available on the City's website at www.trentonmi.org.

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 12,934,480	\$ 8,850,718	\$ 21,785,198	\$ 944,603
Receivables:				
Taxes	234,715	366,096	600,811	-
Customers	-	2,159,401	2,159,401	-
Other	436,970	-	436,970	-
Due from other governmental units	802,311	85,187	887,498	-
Advance to component units (Note 5)	985,000	-	985,000	-
Internal balances (Note 5)	1,928,112	(1,928,112)	-	-
Inventory	324,706	197,071	521,777	-
Prepaid expenses and other assets	239,256	1,000	240,256	-
Investment in joint ventures (Note 12)	539,315	-	539,315	-
Capital assets: (Note 4)				
Assets not subject to depreciation	2,523,904	14,242	2,538,146	-
Assets subject to depreciation	20,701,249	45,767,280	66,468,529	2,270,710
Total assets	41,650,018	55,512,883	97,162,901	3,215,313
Deferred Outflows of Resources - Pensions (Note 9)	3,356,135	239,107	3,595,242	-
Liabilities				
Accounts payable	795,396	581,863	1,377,259	1,540
Accrued liabilities and other	1,153,790	148,162	1,301,952	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	755,564	108,931	864,495	-
Current portion of advance from primary government (Note 5)	-	-	-	170,000
Current portion of long-term debt (Note 6)	502,290	2,949,000	3,451,290	-
Due in more than one year:				
Compensated absences (Note 6)	858,569	160,295	1,018,864	-
Advance from primary government (Note 5)	-	-	-	815,000
Net pension liability (Note 9)	31,872,684	3,704,443	35,577,127	-
Net OPEB obligation (Note 7)	47,782,239	5,236,410	53,018,649	-
Long-term debt, net of current portion (Note 6)	752,060	11,031,937	11,783,997	-
Total liabilities	84,472,592	23,921,041	108,393,633	986,540
Deferred Inflows of Resources				
Pensions (Note 9)	1,554,699	89,318	1,644,017	-
Other postemployment benefits (Note 7)	725,205	79,475	804,680	-
Total deferred inflows of resources	2,279,904	168,793	2,448,697	-
Net Position				
Net investment in capital assets	21,970,803	31,800,585	53,771,388	1,350,710
Restricted:				
Roads	138,512	-	138,512	-
Grant operations	423,779	-	423,779	-
Library	198,491	-	198,491	-
S.I.N.C. operations	395,594	-	395,594	-
Capital charges	-	2,173,088	2,173,088	-
Refuse	56,025	-	56,025	-
Police	16,012	-	16,012	-
Unrestricted	(64,945,559)	(2,311,517)	(67,257,076)	878,063
Total net position	\$ (41,746,343)	\$ 31,662,156	\$ (10,084,187)	\$ 2,228,773

City of Trenton, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,537,266	\$ 755,149	\$ 30,889	\$ 100,942
Public safety	12,402,085	1,275,304	28,375	20,108
Public works	6,265,497	296,852	1,627,604	-
Community and economic development	121,112	-	5,679	46,282
Recreation and culture	2,680,950	967,763	43,914	-
Interest on long-term debt	400,870	-	-	-
Total governmental activities	26,407,780	3,295,068	1,736,461	167,332
Business-type activities:				
Water and Sewer	8,541,538	8,827,937	192,755	-
Recreation Operation	1,687,966	1,430,810	-	-
Total business-type activities	10,229,504	10,258,747	192,755	-
Total primary government	\$ 36,637,284	\$ 13,553,815	\$ 1,929,216	\$ 167,332
Component units	\$ 412,154	\$ -	\$ -	\$ -

General revenue:

- Property taxes
- State-shared revenue
- Interest income
- Cable franchise fees
- Gain on sale of capital assets
- Other miscellaneous income

Total general revenue

Transfers

Change in Net Position

Net Position - Beginning of year (as restated) (Note 14)

Net Position - End of year

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,650,286)	\$ -	\$ (3,650,286)	\$ -
(11,078,298)	-	(11,078,298)	-
(4,341,041)	-	(4,341,041)	-
(69,151)	-	(69,151)	-
(1,669,273)	-	(1,669,273)	-
(400,870)	-	(400,870)	-
(21,208,919)	-	(21,208,919)	-
-	479,154	479,154	-
-	(257,156)	(257,156)	-
-	221,998	221,998	-
(21,208,919)	221,998	(20,986,921)	-
-	-	-	(412,154)
14,086,970	2,725,112	16,812,082	517,525
4,228,781	-	4,228,781	47,356
205,856	70,942	276,798	11,062
482,718	-	482,718	-
6,325	27,364	33,689	3,689
421,100	250,000	671,100	-
19,431,750	3,073,418	22,505,168	579,632
(361,000)	361,000	-	-
(2,138,169)	3,656,416	1,518,247	167,478
(39,608,174)	28,005,740	(11,602,434)	2,061,295
<u>\$ (41,746,343)</u>	<u>\$ 31,662,156</u>	<u>\$ (10,084,187)</u>	<u>\$ 2,228,773</u>

Governmental Funds
Balance Sheet

June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 3)	\$ 5,975,642	\$ 2,547,826	\$ 8,523,468
Receivables:			
Taxes	230,058	4,657	234,715
Other	385,739	28,382	414,121
Due from other governmental units	357,442	444,869	802,311
Advance to component units (Note 5)	985,000	-	985,000
Due from other funds (Note 5)	53,605	-	53,605
Advance to other funds (Note 5)	1,889,702	-	1,889,702
Inventory	83,801	-	83,801
Prepaid expenses and other assets	14,131	-	14,131
	<u>\$ 9,975,120</u>	<u>\$ 3,025,734</u>	<u>\$ 13,000,854</u>
Total assets			
Liabilities			
Accounts payable	\$ 220,904	\$ 363,529	\$ 584,433
Due to other funds	-	15,195	15,195
Accrued liabilities and other	395,770	26,122	421,892
	<u>616,674</u>	<u>404,846</u>	<u>1,021,520</u>
Total liabilities			
Deferred Inflows of Resources - Unavailable revenue	-	117,615	117,615
Fund Balances			
Nonspendable:			
Inventory	83,801	-	83,801
Prepays	14,131	-	14,131
Long-term advance	2,874,702	-	2,874,702
Restricted:			
Roads	-	138,512	138,512
Police	16,012	-	16,012
Grant operations	-	412,814	412,814
S.I.N.C. operations	-	395,594	395,594
Refuse	56,025	-	56,025
Library capital	-	107,036	107,036
Committed:			
Compensated absence liability	442,596	-	442,596
Special projects	-	434,835	434,835
Library	-	645,326	645,326
Assigned:			
Equipment	500,000	-	500,000
Capital projects	2,341,507	384,351	2,725,858
Postretirement benefits	800,000	-	800,000
Defined benefit pension	1,000,000	-	1,000,000
Unassigned	1,229,672	(15,195)	1,214,477
	<u>9,358,446</u>	<u>2,503,273</u>	<u>11,861,719</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,975,120</u>	<u>\$ 3,025,734</u>	<u>\$ 13,000,854</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 11,861,719
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 (excludes Internal Service Fund assets)	20,152,339
Grants receivable and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized as revenue in the funds	117,615
Investments in joint ventures are not financial resources and are not reported in the funds	539,315
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,254,350)
Accrued interest is not due and payable in the current period and is not reported in the funds	(14,376)
Other liabilities are not due and payable in the current period and are not reported in the funds	(57,000)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,574,454)
Pension benefits	(30,071,248)
Retiree healthcare benefits	<u>(48,507,444)</u>
Total employee fringe benefits not reported as fund liabilities	(80,153,146)
Internal service funds are included as part of governmental activities	<u>7,061,541</u>
Net Position of Governmental Activities	<u><u>\$ (41,746,343)</u></u>

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

Year Ended June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 13,810,445	\$ 276,525	\$ 14,086,970
Intergovernmental:			
Federal grants	-	220,725	220,725
State sources	4,120,059	1,842,776	5,962,835
Charges for services	1,490,827	467,708	1,958,535
Fines and forfeitures	363,633	146,941	510,574
Licenses and permits	443,983	-	443,983
Interest income	142,656	19,628	162,284
Other	679,256	313,142	992,398
Total revenue	21,050,859	3,287,445	24,338,304
Expenditures			
Current services:			
General government	3,227,427	287,406	3,514,833
Public safety	8,577,521	486,163	9,063,684
Public works	2,601,681	2,032,613	4,634,294
Retiree benefits and other	3,256,473	-	3,256,473
Special projects	-	424,257	424,257
Recreation and culture	858,682	977,509	1,836,191
Interest expense	536,294	-	536,294
Total expenditures	19,058,078	4,207,948	23,266,026
Excess of Revenue Over (Under) Expenditures	1,992,781	(920,503)	1,072,278
Other Financing Sources (Uses)			
Transfers in	-	138,520	138,520
Transfers out	(399,520)	(100,000)	(499,520)
Total other financing (uses) sources	(399,520)	38,520	(361,000)
Net Change in Fund Balances	1,593,261	(881,983)	711,278
Fund Balances - Beginning of year	7,765,185	3,385,256	11,150,441
Fund Balances - End of year	\$ 9,358,446	\$ 2,503,273	\$ 11,861,719

Governmental Funds

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$	711,278
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (excludes Internal Service Funds):		
Capital outlay		1,894,244
Depreciation expense		(1,337,277)
Net book value of assets disposed of		(40)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		(50,350)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		498,224
Interest expense is recognized in the government-wide statements as it accrues		6,453
Net change in investment in joint venture reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds		(209)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (excludes Internal Service Funds)		(2,754,613)
Internal service funds are included as part of governmental activities:		<u>(1,105,879)</u>
Change in Net Position of Governmental Activities	\$	<u>(2,138,169)</u>

Proprietary Funds
Statement of Net Position

June 30, 2018

	Major Business-type Activities			Governmental
	Enterprise - Water and Sewer	Enterprise - Recreation	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 8,850,718	\$ -	\$ 8,850,718	\$ 4,411,012
Receivables:				
Taxes	366,096	-	366,096	-
Customers	2,073,371	86,030	2,159,401	-
Other	-	-	-	22,849
Due from other governmental units	85,187	-	85,187	-
Inventory	192,695	4,376	197,071	240,905
Prepaid expenses and other assets	1,000	-	1,000	225,125
Total current assets	11,569,067	90,406	11,659,473	4,899,891
Noncurrent assets -				
Capital assets: (Note 4)				
Assets not subject to depreciation	14,242	-	14,242	-
Assets subject to depreciation	41,925,775	3,841,505	45,767,280	3,072,814
Total assets	53,509,084	3,931,911	57,440,995	7,972,705
Deferred Outflows of Resources - Pensions (Note 9)	239,107	-	239,107	-
Liabilities				
Current liabilities:				
Accounts payable	521,799	60,064	581,863	210,963
Due to other funds (Note 5)	-	38,410	38,410	-
Accrued liabilities and other	125,435	22,727	148,162	660,522
Compensated absences (Note 6)	103,623	5,308	108,931	16,116
Current portion of long-term advance	-	213,362	213,362	-
Current portion of long-term debt (Note 6)	2,485,000	464,000	2,949,000	-
Total current liabilities	3,235,857	803,871	4,039,728	887,601
Noncurrent liabilities:				
Advances from other funds (Note 5)	-	1,676,340	1,676,340	-
Compensated absences (Note 6)	152,265	8,030	160,295	23,563
Net pension liability (Note 9)	3,704,443	-	3,704,443	-
Net OPEB obligation (Note 7)	5,236,410	-	5,236,410	-
Long-term debt, net of current portion (Note 6)	9,603,937	1,428,000	11,031,937	-
Total noncurrent liabilities	18,697,055	3,112,370	21,809,425	23,563
Total liabilities	21,932,912	3,916,241	25,849,153	911,164
Deferred Inflows of Resources				
Pensions (Note 9)	89,318	-	89,318	-
Other postemployment benefits (Note 7)	79,475	-	79,475	-
Total deferred inflows of resources	168,793	-	168,793	-
Net Position				
Net investment in capital assets	29,851,080	1,949,505	31,800,585	3,072,814
Restricted - Capital charges	2,173,088	-	2,173,088	-
Unrestricted	(377,682)	(1,933,835)	(2,311,517)	3,988,727
Total net position	\$ 31,646,486	\$ 15,670	\$ 31,662,156	\$ 7,061,541

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

Year Ended June 30, 2018

	Major Business-type Activities			Governmental Activities
	Enterprise - Water and Sewer	Enterprise - Recreation	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Sale of water	\$ 3,768,798	\$ -	\$ 3,768,798	\$ -
Sewage disposal charges	3,951,179	-	3,951,179	-
Charges for services	-	1,430,810	1,430,810	4,790,422
Other	236,377	-	236,377	191,818
Total operating revenue	7,956,354	1,430,810	9,387,164	4,982,240
Operating Expenses				
Cost of water	2,115,864	-	2,115,864	-
Cost of sewage treatment	2,948,570	-	2,948,570	-
Cost of insurance claims	-	-	-	4,832,472
Transportation and distribution	874,813	-	874,813	-
Cost of recreation activity	-	970,928	970,928	-
Operating costs	-	-	-	924,101
Depreciation	2,292,022	646,626	2,938,648	478,341
Total operating expenses	8,231,269	1,617,554	9,848,823	6,234,914
Operating Loss	(274,915)	(186,744)	(461,659)	(1,252,674)
Nonoperating Revenue (Expense)				
Property tax revenue	2,725,112	-	2,725,112	-
Investment income	70,942	-	70,942	39,528
Interest expense	(310,269)	(70,412)	(380,681)	-
Gain on sale of assets	27,364	-	27,364	6,325
Customer capital charges	871,583	-	871,583	-
Grants used for operating purposes	192,755	-	192,755	-
Contribution from Downtown Development Authority	250,000	-	250,000	-
Total nonoperating revenue (expense)	3,827,487	(70,412)	3,757,075	45,853
Income (Loss) - Before capital contributions	3,552,572	(257,156)	3,295,416	(1,206,821)
Capital Contributions	-	-	-	100,942
Transfers In	-	361,000	361,000	-
Change in Net Position	3,552,572	103,844	3,656,416	(1,105,879)
Net Position - Beginning of year (as restated) (Note 14)	28,093,914	(88,174)	28,005,740	8,167,420
Net Position - End of year	<u>\$ 31,646,486</u>	<u>\$ 15,670</u>	<u>\$ 31,662,156</u>	<u>\$ 7,061,541</u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2018

	Major Business-type Activities			Governmental
	Enterprise - Water and Sewer	Enterprise - Recreation	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,698,882	\$ 1,394,395	\$ 9,093,277	\$ 4,789,981
Receipts from interfund services and reimbursements	-	38,410	38,410	-
Payments to suppliers	(3,997,178)	(632,735)	(4,629,913)	(659,448)
Payments to employees and fringes	(3,350,865)	(296,692)	(3,647,557)	(301,624)
Claims paid	-	-	-	(4,808,238)
Other receipts	-	-	-	176,241
Net cash provided by (used in) operating activities	350,839	503,378	854,217	(803,088)
Cash Flows from Noncapital Financing Activities				
Operating grants and subsidies	244,569	-	244,569	-
Transfers from other funds	-	361,000	361,000	-
Repayments of loans from other funds	-	(213,362)	(213,362)	-
Net cash and cash equivalents provided by noncapital financing activities	244,569	147,638	392,207	-
Cash Flows from Capital and Related Financing Activities				
Receipt of capital charges	871,583	-	871,583	-
Contribution from DDA	250,000	-	250,000	-
Proceeds from sale of capital assets	27,500	-	27,500	7,030
Property taxes	2,726,381	-	2,726,381	-
Purchase of capital assets	(793,267)	(188,349)	(981,616)	(46,455)
Principal and interest paid on capital debt	(2,745,269)	(558,412)	(3,303,681)	-
Net cash provided by (used in) capital and related financing activities	336,928	(746,761)	(409,833)	(39,425)
Cash Flows Provided by Investing Activities - Interest received on investments	70,942	-	70,942	39,528
Net Increase (Decrease) in Cash and Cash Equivalents	1,003,278	(95,745)	907,533	(802,985)
Cash and Cash Equivalents - Beginning of year	7,847,440	95,745	7,943,185	5,213,997
Cash and Cash Equivalents - End of year	<u>\$ 8,850,718</u>	<u>\$ -</u>	<u>\$ 8,850,718</u>	<u>\$ 4,411,012</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating loss	\$ (274,915)	\$ (186,744)	\$ (461,659)	\$ (1,252,674)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	2,292,022	646,626	2,938,648	478,341
Changes in assets and liabilities:				
Receivables	(257,472)	(36,415)	(293,887)	(16,018)
Due to and from other funds	-	38,410	38,410	-
Inventories	21,710	(696)	21,014	(356)
Prepaid and other assets	7,110	-	7,110	-
Accounts payable	73,442	32,228	105,670	(15,504)
Estimated claims liability	-	-	-	24,234
Net pension or OPEB liability	(1,871,903)	-	(1,871,903)	-
Deferrals related to pension or OPEB	408,745	-	408,745	-
Accrued and other liabilities	(47,900)	9,969	(37,931)	(21,111)
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 350,839</u>	<u>\$ 503,378</u>	<u>\$ 854,217</u>	<u>\$ (803,088)</u>
Noncash Transactions - Capital contributions	\$ -	\$ -	\$ -	\$ 100,942

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2018

	Pension and Retiree Health Care Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,666,498	\$ 15,446
Investments:		
U.S. government securities	373,775	-
Municipal bonds	129,951	-
ETF - Equity	14,450,126	-
Mutual funds - Equity	13,255,446	-
Stocks	7,853,412	-
Corporate bonds	851,789	-
Other - Fixed income	632,153	-
Mutual funds - Fixed income	3,586,725	-
Other investments	19,193,648	-
Receivables	35,603	-
Total assets	62,029,126	\$ 15,446
Liabilities		
Accrued liabilities and other	-	\$ 796
Cash bonds and deposits	-	14,650
Total liabilities	-	\$ 15,446
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 62,029,126	

City of Trenton, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Retiree Health Care Trust Funds

Year Ended June 30, 2018

Additions

Investment income:	
Interest and dividends	\$ 828,665
Net increase in fair value of investments	3,331,049
Investment-related expenses	<u>(198,415)</u>
Net investment income	3,961,299
Contributions:	
Employer	4,377,042
Employee	<u>242,580</u>
Total contributions	<u>4,619,622</u>
Total additions	8,580,921

Deductions

Benefit payments	7,882,061
Administrative expenses	<u>127,384</u>
Total deductions	<u>8,009,445</u>

Net Increase in Net Position Held in Trust	571,476
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>61,457,650</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 62,029,126</u>

**Component Units
Statement of Net Position**

June 30, 2018

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 872,144	\$ 72,459	\$ 944,603
Capital assets - Assets subject to depreciation (Note 4)	2,270,710	-	2,270,710
Total assets	3,142,854	72,459	3,215,313
Liabilities			
Accounts payable	1,540	-	1,540
Noncurrent liabilities:			
Due within one year - Current portion of advance from primary government (Note 5)	170,000	-	170,000
Due in more than one year - Advance from primary government (Note 5)	750,000	65,000	815,000
Total liabilities	921,540	65,000	986,540
Net Position			
Net investment in capital assets	1,350,710	-	1,350,710
Unrestricted	870,604	7,459	878,063
Total net position	\$ 2,221,314	\$ 7,459	\$ 2,228,773

Component Units
Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Downtown Development Authority	\$ 412,154	\$ -	\$ -	\$ -	\$ (412,154)	\$ -	\$ (412,154)
Brownfield Redevelopment Authority	-	-	-	-	-	-	-
Total	\$ 412,154	\$ -	\$ -	\$ -	(412,154)	-	(412,154)
General revenue:							
Property taxes					517,525	-	517,525
State-shared revenue					47,356	-	47,356
Interest income					6,482	4,580	11,062
Gain on sale of capital assets					3,689	-	3,689
Total general revenue					575,052	4,580	579,632
Change in Net Position					162,898	4,580	167,478
Net Position - Beginning of year					2,058,416	2,879	2,061,295
Net Position - End of year					\$ 2,221,314	\$ 7,459	\$ 2,228,773

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Trenton, Michigan is governed by an elected six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. 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 City of Trenton Building Authority (the "Building Authority") is governed by a board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government by blending it with the activities of the Recreation Fund because its sole purpose is to finance and construct the City's public buildings, including the Kennedy Recreation Center.

Discretely Presented Component Units

The following component units are reported within the component unit column in the financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

Downtown Development Authority

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

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority was created to facilitate the long-term redevelopment and remediation of environmentally contaminated sites within the City. The Brownfield Redevelopment Authority's governing body consists of the mayor and four individuals appointed by the mayor, subject to approval by the City Council.

Jointly Governed Organization

The City is a participant in a jointly governed organization, as discussed in Note 12.

Major Taxpayers

Approximately 21.9 percent of property tax revenue is from two companies with property in the City of Trenton, Michigan, and approximately 23.1 percent of the total water, sewer, and industrial charge revenue is from three businesses located in the City.

During the prior year, one of the City's largest taxpayers, DTE Energy, announced that the DTE Energy Trenton Channel Power Plant will close by 2022 or 2023. In addition, subsequent to year end, DTE Energy filed a claim with the State Tax Commission contesting its assessed taxable value. This claim has no financial impact on the City's June 30, 2018 financial results. The City is currently assessing the financial impact of this announcement and claim on future years property tax revenue.

Note 1 - Significant Accounting Policies (Continued)

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. The following is a summary of the significant accounting policies used by the City:

Report Presentation

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

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

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

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

Fund Accounting

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

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the General Fund as a "major" governmental fund. The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

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

- The Water and Sewer Fund accounts for the activities of the water distribution and sewage collection system.
- The Recreation Fund accounts for activities of the recreation center excluding swimming pool operations.

Internal Service Funds

The City’s internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or other governments, on a cost reimbursement basis. Included in this category are the Motor Vehicle Pool Fund and the Self-Insurance Fund.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City’s programs. Activities that are reported as fiduciary include the following:

- The Pension Retirement Trust Fund accounts for the activities of the police and fire employees’ retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.
- The Other Employee Benefit Trust Fund accounts for activities and accumulates resources associated with providing postemployment benefits to retirees.
- The Agency Funds account for assets held by the City in a trustee capacity or an agent for individuals, organizations, other governments, or other funds. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund Activity

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

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

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

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

Approximately \$19,194,000 or 37.1 percent of the Firemen and Policemen Retirement System's net position as of June 30, 2018 is not publicly traded and, therefore, does not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers. 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.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories 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, when applicable.

Note 1 - 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 \$4,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Capital Asset Class	Depreciable Life - Years
Roads and sidewalks	20-30
Water and sewer distribution systems	50-66
Water and sewer treatment facilities	50
Machinery, equipment, and furniture	7-20
Buildings and improvements	15-50

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 and premiums as an "other financing source" and bond discounts as "other financing uses." The General Fund is generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

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

The City reports deferred outflows related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Significant Accounting Policies (Continued)

The City reports deferred inflows related to unavailable revenue and deferred inflows of resources related to pensions and other postemployment benefits. The unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from grants sources and other revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted 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 (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City 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 City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31, with the final collection date of February 28 before they are added to the county tax rolls.

Note 1 - Significant Accounting Policies (Continued)

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

The 2017 taxable valuation of the City totaled \$634 million (a portion of which is abated and a portion of which is captured by the DDA and Brownfield Redevelopment Authority). The Firemen and Policemen Retirement System, solid waste, library operating and debt service, and sewer debt mills were approved specifically for the use in funding a pension plan, providing particular services by the City, and funding certain debt service requirements. To the extent that property taxes levied exceed actual costs, fund balance/net position will be reserved. Taxes were levied as follows (excludes abated and captured value):

Purpose	Millage Rate	Revenue
General operating	16.1659 \$	10,244,000
Firemen and Policemen Retirement System	2.3366	1,481,000
Solid waste	2.2302	1,413,000
Library operating	0.4122	261,000
Other tax collection and trailer park fees	0.0000	688,000
Sewer debt	3.6057	2,285,000
Total		\$ 16,372,000

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund and Water and Sewer Fund.

Other Postemployment Benefit Costs

The City offers retiree healthcare benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB obligation has generally been liquidated from the funds which the individual salaries are paid, which are the General Fund and Water and Sewer Fund.

Note 1 - 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. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate obligations.

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 proprietary funds are charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services, administrative expenses, and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2018-2019 fiscal year.

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

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

Note 1 - Significant Accounting Policies (Continued)

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

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the City to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

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

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	Budget	Actual
Recreation and culture	\$ 843,381	\$ 858,682

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

Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2017	\$ (784,239)
Current year permit revenue	425,662
Related expenses - Direct costs	<u>486,840</u>
Current year shortfall	<u>(61,178)</u>
Cumulative shortfall at June 30, 2018	<u><u>\$ (845,417)</u></u>

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 Police and Fire Retirement System and Retiree Health Care Trust Fund are also authorized by Michigan Public Act 347 of 2012 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated six 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 all of the above investments permissible under Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended). The City's deposits and investments 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. The City does not have a deposit policy for credit risk. At year end, the City had approximately \$9,640,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$944,603 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.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

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 restricts bond maturities to not exceed 30 years.

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

Primary Government	Fair Value		Less than Five Years	
U.S. government securities	\$	2,172,609	\$	2,172,609
Municipal bonds		1,772,519		1,772,519
Total	\$	<u>3,945,128</u>	\$	<u>3,945,128</u>

Fiduciary Funds	Fair Value		Less Than Five Years		Five to 15 Years	Over 15 Years		
U.S. government securities	\$	373,775	\$	151,234	\$	100,354	\$	122,187
Municipal bonds		129,951		-		42,777		87,174
Corporate bonds		851,789		313,851		419,239		118,699
Other - Fixed income		632,153		-		105,087		527,066
Mutual funds - Fixed income		3,586,725		2,697,793		888,932		-
Total	\$	<u>5,574,393</u>	\$	<u>3,162,878</u>	\$	<u>1,556,389</u>	\$	<u>855,126</u>

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits investments in fixed-income securities to bond ratings not less than Baa by Moody's and/or BBB by Standard & Poor's. Short-term fixed-income securities must have a minimum rating of A-1, P-1, or F-1, as defined by Moody's, Standard & Poor's, or Fitch's rating services, respectively. As of June 30, 2018, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Primary Government	Fair Value		Rating	Rating Organization
U.S. government securities	\$	2,172,609	AAA	Moody's
Municipal bonds		203,748	AA1	Moody's
Municipal bonds		363,830	AA3	Moody's
Municipal bonds		702,446	AA-	S&P
Municipal bonds		502,495	SP1+	S&P
Total	\$	<u>3,945,128</u>		

June 30, 2018

Note 3 - Deposits and Investments (Continued)

Fiduciary Funds	Fair Value	Rating	Rating Organization
Other fixed-income securities	\$ 632,153	AAA	S&P
Corporate bonds	19,601	AAA	S&P
Corporate bonds	51,618	AA+	S&P
Corporate bonds	29,868	AA	S&P
Corporate bonds	54,749	AA-	S&P
Corporate bonds	128,087	A+	S&P
Corporate bonds	72,369	A	S&P
Corporate bonds	207,326	A-	S&P
Corporate bonds	50,452	BBB+	S&P
Corporate bonds	168,746	BBB	S&P
Corporate bonds	68,973	BBB-	S&P
Municipal bonds	87,743	AA-	S&P
Municipal bonds	19,996	A+	S&P
Municipal bonds	22,212	BBB+	S&P
U.S. government securities	373,775	AAA	S&P
Mutual funds - Fixed income	3,586,725	N/A	Not Rated
Total	<u>\$ 5,574,393</u>		

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. Investments in the Firemen and Policemen Retirement System total \$51,692,227 at June 30, 2018. Of this total, \$12,960,984, \$12,567,819, \$7,075,583, \$5,373,829, \$3,110,224, and \$2,697,793 is invested in Vanguard 500 Index Fund, Loomis Core Plus Fund, Vanguard FTSE Developed Markets Fund, Loomis Small/Mid Cap Core Fund, Vanguard FTSE Emerging Markets Fund, and Templeton Global Total Return Fund, respectively.

Fair Value Measurements

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

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

June 30, 2018

Note 3 - Deposits and Investments (Continued)

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

Assets Measured at Fair Value on a Recurring Basis

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2018			Balance at June 30, 2018
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Debt securities:				
U.S. government securities	\$ -	\$ 4,448,855	\$ -	\$ 4,448,855
Corporate bonds	-	851,789	-	851,789
Mutual funds - Fixed income	3,586,725	-	-	3,586,725
Other	-	632,153	-	632,153
Total debt securities	3,586,725	5,932,797	-	9,519,522
Equity securities:				
Common stock	7,853,412	-	-	7,853,412
Mutual funds - Equity	13,255,446	-	-	13,255,446
ETF - Equity	14,450,126	-	-	14,450,126
Total equity securities	35,558,984	-	-	35,558,984
Total	\$ 39,145,709	\$ 5,932,797	\$ -	45,078,506
Investments measured at NAV:				
Collective trusts				17,943,648
Limited partnership - Real estate fund				1,250,000
Total assets				\$ 64,272,154

The fair values of the mutual funds - fixed income and common stock classified in Level 1 are valued using prices quoted in active markets for those securities.

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

The fair value of the corporate bonds and other equities at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as a matrix pricing model.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the table below.

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

At June 30, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Collective trusts	\$ 17,943,648	\$ -	None	N/A
Limited partnerships - Real estate fund	1,250,000	-	None	N/A

The private placement collective trust fund class includes investments in collective trusts that invest in investment-grade fixed-income securities and diversified sector/industry stocks. The limited partnership invests primarily in core, well-leased properties with an overweight to U.S. major markets and costal regions. The trusts and real estate fund are managed and designed to match or exceed the performance of specific market indices. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Reclassifications	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 2,523,904	\$ -	\$ -	\$ -	\$ 2,523,904
Capital assets being depreciated:					
Roads and sidewalks	23,426,938	-	1,307,457	-	24,734,395
Buildings and improvements	12,075,880	-	21,936	-	12,097,816
Furniture and equipment	7,512,357	-	297,044	(550)	7,808,851
Vehicles	7,535,538	-	143,997	(15,986)	7,663,549
Land improvements	3,252,259	-	271,207	-	3,523,466
Subtotal	53,802,972	-	2,041,641	(16,536)	55,828,077
Accumulated depreciation:					
Roads and sidewalks	14,764,435	-	501,913	-	15,266,348
Buildings and improvements	6,271,240	-	297,571	-	6,568,811
Furniture and equipment	5,656,366	-	329,939	(510)	5,985,795
Vehicles	4,255,159	-	512,860	(15,281)	4,752,738
Land improvements	2,379,801	-	173,335	-	2,553,136
Subtotal	33,327,001	-	1,815,618	(15,791)	35,126,828
Net capital assets being depreciated	20,475,971	-	226,023	(745)	20,701,249
Net governmental activities capital assets	\$ 22,999,875	\$ -	\$ 226,023	\$ (745)	\$ 23,225,153

June 30, 2018

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Reclassifications	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 14,242	\$ -	\$ -	\$ -	\$ 14,242
Capital assets being depreciated:					
Water and sewer distribution systems	65,140,200	-	129,837	-	65,270,037
Treatment facilities	9,921,027	-	427,525	(3,410)	10,345,142
Buildings and improvements	11,666,782	-	169,240	-	11,836,022
Machinery and equipment	5,431,375	-	255,012	(186,921)	5,499,466
Land improvements	467,823	-	-	-	467,823
Subtotal	92,627,207	-	981,614	(190,331)	93,418,490
Accumulated depreciation:					
Water and sewer distribution systems	26,727,186	-	1,626,695	-	28,353,881
Treatment facilities	6,216,732	-	413,497	(3,276)	6,626,953
Buildings and improvements	9,285,421	-	646,626	-	9,932,047
Machinery and equipment	2,523,578	-	251,830	(186,921)	2,588,487
Land improvements	149,842	-	-	-	149,842
Subtotal	44,902,759	-	2,938,648	(190,197)	47,651,210
Net capital assets being depreciated	47,724,448	-	(1,957,034)	(134)	45,767,280
Net business-type activity capital assets	<u>\$ 47,738,690</u>	<u>\$ -</u>	<u>\$ (1,957,034)</u>	<u>\$ (134)</u>	<u>\$ 45,781,522</u>

Capital asset activity for the City's component unit for the years ended June 30, 2018 was as follows:

Component Unit

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets being depreciated - Land improvements	\$ 3,411,426	\$ -	\$ -	\$ -	\$ 3,411,426
Accumulated depreciation - Land improvements	1,041,492	-	99,224	-	1,140,716
Net capital assets being depreciated	2,369,934	-	(99,224)	-	2,270,710
Net capital assets	<u>\$ 2,369,934</u>	<u>\$ -</u>	<u>\$ (99,224)</u>	<u>\$ -</u>	<u>\$ 2,270,710</u>

June 30, 2018

Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 692,022
Public safety	66,666
Public works	136,063
Recreation and culture	442,526
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>478,341</u>
Total governmental activities	<u>\$ 1,815,618</u>
Business-type activities:	
Water and sewer	\$ 2,292,022
Recreation	<u>646,626</u>
Total business-type activities	<u>\$ 2,938,648</u>
Component unit activities - Downtown Development Authority	\$ 99,224

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From	
	Recreation Fund	Nonmajor Governmental Funds
General Fund	\$ 38,410	\$ 15,195

The City has made the following long-term advances between funds:

Fund Advanced To	Fund Advanced From
	General Fund
Brownfield Redevelopment Authority	\$ 65,000
Downtown Development Authority	920,000
Recreation Fund	<u>1,889,702</u>
Total	<u>\$ 2,874,702</u>

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

The long-term advance from the General Fund to the Brownfield Redevelopment Authority represents monies advanced to cover a portion of the costs associated with long-term redevelopment and remediation of environmentally contaminated sites within the Brownfield District. The advance is to be repaid, with interest, from property taxes captured by the Brownfield Redevelopment Authority. The outstanding balance at June 30, 2018 is \$65,000.

June 30, 2018

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The long-term advance from the General Fund to the Downtown Development Authority (DDA) represents monies advanced to redeem two general obligation limited tax bonds for \$800,000 and \$630,000 during 2015. The \$800,000 advance is to be repaid in eight equal installments of \$100,000, plus interest ranging from 1.0 percent to 2.5 percent, through October 2022. The outstanding balance at June 30, 2018 is \$500,000. The \$630,000 advance is to be repaid in nine equal installments of \$70,000, plus interest ranging from 1.0 percent to 2.5 percent, through October 2023. The outstanding balance at June 30, 2018 is \$420,000.

The long-term advance from the General Fund to the Recreation Fund represents monies advanced to redeem building authority bonds for \$773,500 and to cover costs associated with ice rink energy upgrades of \$1,454,064. The \$773,500 advance is to be repaid in installments ranging from \$110,000 to \$147,333, plus interest ranging from 1.0 percent to 2.5 percent, through October 2021. The outstanding balance at June 30, 2018 is \$552,500. The \$1,454,064 advance is to be repaid in installments ranging from \$160,007 to \$308,585, plus interest ranging from 1.0 percent to 2.5 percent, through June 2025. The outstanding balance at June 30, 2018 is \$1,337,202.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Business-type activities - Recreation	\$ 361,000
	Nonmajor governmental funds - Capital projects fund	<u>38,520</u>
	Total General Fund	399,520
Nonmajor governmental funds - Major Roads	Nonmajor governmental funds - Local streets	<u>100,000</u>
	Total	<u><u>\$ 499,520</u></u>

June 30, 2018

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Transfers between the various funds represent payment from one fund to another without an equivalent return of goods or services to fund operations and projects accounted for in the respective funds.

Note 6 - 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.

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

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation bonds:							
Building Authority Refunding Bonds, Series 2015 - Amount of issue - \$711,000	0.50%- 1.75%	\$116,000- \$121,000	\$ 595,000	\$ -	\$ (122,000)	\$ 473,000	\$ 116,000
Installment purchase agreements:							
Safety and refuse vehicle - Amount of issue - \$1,151,601	2.60%	\$290,138 - \$297,786	869,050	-	(282,726)	586,324	290,138
Tractor and dump truck - Amount of issue - \$379,067	2.80%	\$96,152- \$98,874	288,524	-	(93,498)	195,026	96,152
Total bonds payable			1,752,574	-	(498,224)	1,254,350	502,290
Other long-term obligations - Compensated absences			1,835,187	508	(221,562)	1,614,133	755,564
Total governmental activities long-term debt			<u>\$ 3,587,761</u>	<u>\$ 508</u>	<u>\$ (719,786)</u>	<u>\$ 2,868,483</u>	<u>\$ 1,257,854</u>

June 30, 2018

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds:							
State revolving fund limited tax bonds - Program 5127-01 - Amount of issue - \$12,095,000	2.5%	\$710,000 - \$730,000	\$ 2,854,064	\$ -	\$ (695,000)	\$ 2,159,064	\$ 710,000
State revolving fund limited tax bonds - Program 5127-02 - Amount of issue - \$16,535,000	2.5%	\$880,000 - \$926,706	4,476,706	-	(860,000)	3,616,706	880,000
State revolving fund limited tax bonds - Program 5127-03 - Amount of issue - \$1,005,000	2.5%	\$50,000 - \$60,648	335,648	-	(50,000)	285,648	50,000
State revolving fund limited tax bonds - Program 5127-04 - Amount of issue - \$10,325,000	2.5%	\$525,000 - \$592,518	3,872,519	-	(515,000)	3,357,519	525,000
State revolving fund limited tax bonds - Program 5127-05 - Amount of issue - \$1,990,000	2.5%	\$105,000 - \$125,000	915,000	-	(105,000)	810,000	105,000
State revolving fund limited tax bonds - Program 5127-06 - Amount of issue - \$4,130,000	2.125%	\$215,000 - \$250,000	2,070,000	-	(210,000)	1,860,000	215,000
Building authority refunding bonds, series 2015 - Amount of issue - \$2,844,000	0.50% - 1.75%	\$464,000 - \$484,000	2,380,000	-	(488,000)	1,892,000	464,000
Total general obligation bonds			16,903,937	-	(2,923,000)	13,980,937	2,949,000
Compensated absences			297,476	2,690	(30,940)	269,226	108,931
Total business-type activities long-term debt			<u>\$ 17,201,413</u>	<u>\$ 2,690</u>	<u>\$ (2,953,940)</u>	<u>\$14,250,163</u>	<u>\$3,057,931</u>

Other Long-term Liabilities

The compensated absences liability represents the estimated liability to be paid to employees under the City's sick and vacation pay policy. Under the City's policy, employees earn sick and vacation time based on time of service with the City.

Debt Service Requirements to Maturity

Annual debt service requirements, exclusive of compensated absences and uninsured claims, to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 502,290	\$ 27,023	\$ 529,313	\$ 2,949,000	\$ 288,319	\$ 3,237,319
2020	516,060	18,289	534,349	3,039,000	220,789	3,259,789
2021	116,000	2,970	118,970	3,048,064	150,881	3,198,945
2022	120,000	1,050	121,050	2,376,706	88,044	2,464,750
2023	-	-	-	995,648	48,562	1,044,210
2024-2026	-	-	-	1,572,519	37,235	1,609,754
Total	<u>\$ 1,254,350</u>	<u>\$ 49,332</u>	<u>\$ 1,303,682</u>	<u>\$ 13,980,937</u>	<u>\$ 833,830</u>	<u>\$ 14,814,767</u>

Total Interest Expense incurred by the City for the year approximated \$434,000.

Note 7 - Other Postemployment Benefit Plan

Plan Description

The City provides other postemployment benefits (OPEB) for all employees who meet eligibility requirements. The benefits are provided through the City of Trenton Retiree Health Care Plan (the "Plan"), a single-employer plan administered by the City of Trenton Retiree Health Care Plan Board.

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

Management of the Plan is vested in the board of trustees, which consists of seven members - three elected by plan members, three appointed by the City, and the city treasurer, who serves as an ex-officio member.

Benefits Provided

City of Trenton Retiree Health Care Plan provides life insurance, medical, prescription drugs, dental, and vision benefits for retirees and their beneficiaries. Dental and vision are covered until the age of 65. Life insurance is currently provided in the amount of \$10,000; older retirees have lesser amounts based on the date of retirement. Employees who retired after June 30, 2005 will have the same level of coverage as that provided to active employees and will have a 20 percent cost share. Medical coverage for retirees over age 65 are provided through a third-party insurer. All other coverage is provided through the City's self-insurance program, and the full cost of benefits is covered by the plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	June 30, 2016
Inactive plan members or beneficiaries currently receiving benefits	209
Active plan members	144
Total plan members	353

The Plan was closed to general employees, nonunion employees, and TPOAM members hired after June 30, 2012. Additionally, the Plan is closed to police and fire employees hired after June 30, 2016. Employees hired after these dates are in the Health Care Savings Plan.

Contributions

The Plan's funding policy is that the employer will make discretionary contributions. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves. Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the City paid postemployment healthcare premiums of \$2,339,165, plus it contributed \$458,386 into a prefunded retiree healthcare fund, which is reported in this financial statement as a pension and other employee benefit trust fund type.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2018 measurement date. The June 30, 2018 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, which used updated procedures to roll forward the estimated liability to June 30, 2018.

Note 7 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 61,751,700	\$ 9,200,077	\$ 52,551,623
Changes for the year:			
Service cost	697,973	-	697,973
Interest	4,265,177	-	4,265,177
Differences between expected and actual experience	(1,020,127)	-	(1,020,127)
Contributions - Employer	-	2,797,561	(2,797,561)
Net investment income	-	678,436	(678,436)
Benefit payments, including refunds	(2,339,175)	(2,339,175)	-
Net changes	1,603,848	1,136,822	467,026
Balance at June 30, 2018	<u>\$ 63,355,548</u>	<u>\$ 10,336,899</u>	<u>\$ 53,018,649</u>

The plan's fiduciary net position represents 16.3 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$4,069,267.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (789,970)
Net difference between projected and actual earnings on OPEB plan investments	-	(14,710)
Total	<u>\$ -</u>	<u>\$ (804,680)</u>

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

Years Ending June 30	Amount
2019	\$ (233,835)
2020	(233,835)
2021	(233,835)
2022	(103,175)
Total	<u>\$ (804,680)</u>

Note 7 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using assumptions for each of two employee groups covered under the Plan; participants covered under the Municipal Employees' Retirement System pension (MERS) and participants covered under the Police and Fire Pension (P&F Pension Plan).

For all groups, the actuarial valuation was determined using an investment rate of return (net of investment expenses) of 7.00 percent; a healthcare cost trend rate of 9.00 percent for 2018, gradually decreasing to an ultimate rate of 3.50 percent; and an excise tax rate of 4.00 percent load applied in connection with the "Cadillac" tax.

For the MERS group, the actuarial valuation was determined using an inflation assumption of 2.00 to 3.00 percent; a wage inflation rate of 4.00 percent; assumed salary increases of 4.0 percent with merit increases of 0.30 percent to 13.0 percent; and mortality rates based on the RP-2000 Mortality Combined Healthy Tables Projected 20 years with the U.S. Projection Scale BB.

For the P&F Pension Plan group, the actuarial valuation was determined using an inflation assumption of 2.50 percent; a wage inflation rate of 3.00 percent; assumed salary increases of 3.0 percent with merit increases of 0.15 to 6.0 percent; and mortality rates based on the RP-2014 Healthy Annuitant Generational Mortality tables, with blue-collar adjustments and extended via cubic spline for postretirement participants; RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline for preretirement participants; and the RP-2014 Disabled Mortality Tables, with blue-collar adjustments and extended via cubic spline for postretirement disabled participants. All RP-2014 mortality tables were adjusted backwards to 2006 with the MP-2014 scale. A base year of 2006 was utilized with future mortality improvements assumed each year using scale MP-2016.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at statutorily required rates.

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

Note 7 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49.00 %	6.80 %
International equity	12.00	7.10
Alternatives	3.00	5.10
Fixed income	36.00	3.45

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

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

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability of the City of Trenton Retiree Health Care Plan	\$ 60,798,124	\$ 53,018,649	\$ 46,577,392

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

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

	1 Percent Decrease (8.0%)	Current Healthcare Cost Trend Rate (9.0%)	1 Percent Increase (10.0%)
Net OPEB liability of the City of Trenton Retiree Health Care Plan	\$ 45,331,030	\$ 53,018,649	\$ 62,401,610

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are 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.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. Property loss and general liability insurance is provided by Glatfelters Public Practice. The City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured limitations of \$100,000 per specific claim and approximately \$2,305,000 in aggregate claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for medical and other 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:

	Medical Claims	
	2018	2017
Estimated liability - Beginning of year	\$ 583,653	\$ 487,895
Estimated claims incurred, including changes in estimates	5,075,065	5,394,086
Claim payments	(5,021,349)	(5,298,328)
Estimated liability - End of year	\$ 637,369	\$ 583,653

Note 9 - Pension Plans

Plan Description

The City provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer plan, administered by the Municipal Employees' Retirement System of Michigan.

Municipal Employees' Retirement System of Michigan

The MERS plan is an agent multiple-employer plan, administered by the Municipal Employees' Retirement System of Michigan. 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.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Firemen and Policemen Retirement System

The P&F Pension Plan is a single-employer defined benefit pension plan that provides pensions for substantially all permanent full-time fire and police employees of the City. Management of the P&F Pension Plan is vested in the board of trustees, which consists of five members - the city treasurer, a police member (elected by members of the police department), a fire member (elected by the fire department), and two citizens of the City of Trenton, Michigan (appointed by the mayor). The financial statements of the pension plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Note 9 - Pension Plans (Continued)

General Employees' Money Purchase Plan

The City also contributes to the General Employees' Money Purchase Plan, a defined contribution pension plan for the majority of full-time general employees hired after January 1, 1996 (except the TPOAM, for which the effective date was July 1, 1996). The benefits are administered by ICMA. The City also sponsors the Fire Fighters and Police Officers' Money Purchase Plan; however, during the current year, there were no participants remaining in the plan.

Benefits Provided

Municipal Employees' Retirement System of Michigan

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

The MERS plan covers all employees of the City hired before January 1, 1996, other than the police and fire personnel. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan is closed to new entrants.

Retirement benefits are calculated as 2.25 percent (80.00 percent maximum) of the employee's best three-year average salary times the employee's years of service. Normal retirement age is 50 with 25 years of service, 55 with 15 years of service, or 60 with 10 years of service. The vesting period is 10 years.

Participating employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Nonduty disability benefits are determined in the same manner as retirement benefits. Duty disability benefits are calculated in the same manner, but with a monthly pension payment that is a minimum of 25 percent of an employee's final average compensation. Disability benefits are subject to approval by MERS.

Participating employees are eligible for nonduty death and duty death benefits. Nonduty death benefits are the greater of a lifetime benefit of at least 85 percent of the defined benefit formula or the survivor benefit payment option. A member must be vested for a beneficiary to receive a benefit. For a beneficiary to receive a duty-related death benefit, the participating employee does not have to be vested. The minimum benefit is 25 percent of the final average compensation.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent, noncompounding. 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.

Firemen and Policemen Retirement System

The P&F Pension Plan provides retirement, disability, and death benefits. Benefit terms are established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The benefits are defined as follows:

Regular Retirement:

Annual Amount: For members hired before January 1, 1996: straight-life pension equals 2.5 percent of three-year average final compensation (AFC) times years of service up to a maximum of 80 percent of AFC. For members hired on or after January 1, 1996: straight-life pension equals 2.0 percent of AFC times year of service up to a maximum of 80 percent of AFC.

Note 9 - Pension Plans (Continued)

Average final compensation (AFC) is defined as the highest three years out of 10. For fire department members hired on or before December 31, 1995, AFC includes base wages, holiday pay, longevity, overtime pay, and unused vacation time. For police department members hired on or before December 31, 1995, AFC includes base wages, holiday pay, overtime pay, and unused vacation leave. For all members under this plan hired after January 1, 1996, AFC includes base wages and up to 240 hours of accrued leave time, which is payable at time of retirement. Effective July 1, 2014 for fire department members, longevity and additional earned paid leave days are no longer included in AFC.

Death after Retirement:

Annual Amount: Spouse's default pension equals 60 percent of the straight-life pension the deceased retiree was receiving; however, other options are available.

Deferred Retirement:

Annual Amount: Computed as service retirement, but based on service, AFC, and benefit in effect at termination. Benefit begins at date retirement would have occurred had the member remained in employment.

Duty Disability Retirement:

Annual Amount: To age 55, 50 percent of AFC. At age 55, same as service retirement pension with service credit from date of disability to age 55.

Nonduty Disability Retirement:

Annual Amount: To age 55, 1.5 percent of AFC times years of service. At age 55, same as service retirement pension.

Duty Death-in-service Retirement:

Annual Amount: Same as amount that was paid by workers' compensation.

Nonduty Death-in-service Retirement:

Annual Amount: Accrued straight-life pension actuarially reduced in accordance with an Option 1 election.

Annuity Withdrawal Option

If elected, the member contribution account balance is paid in a lump sum at retirement. The regular retirement benefit is then reduced so that the total benefits paid (lump sum plus monthly pension) are equivalent to the regular retirement benefit. For members hired before January 1, 1996, the interest rate used to establish equivalency was established by the board of trustees at 4.5 percent. For members hired on or after January 1, 1996, the investment rate used to establish equivalency is calculated at the actuarial equivalent rate established by the board of trustees, which is currently 7.0 percent.

Benefit terms provide for annual cost of living adjustments to employees' retirement allowance for members hired before January 1, 1996. The adjustment is 10 percent after 5 years, 10 percent after 10 years, and 5 percent after 15 years (each increase based on base pension). For members hired on or after January 1, 1996, there is no cost of living adjustment.

General Employees' Money Purchase Plan

Benefit terms, including contribution requirements, for General Employees' Money Purchase Plan are established and may be amended by the City Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

June 30, 2018

Note 9 - Pension Plans (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Municipal Employees' Retirement System of Michigan	Firemen and Policemen Retirement System
Date of member count	December 31, 2017	June 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	123	110
Inactive plan members entitled to but not yet receiving benefits	1	1
Active plan members	13	59
Total employees covered by the plan	<u>137</u>	<u>170</u>

Contributions

Municipal Employees' Retirement System of Michigan

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

For the year ended June 30, 2018, the City's annual contribution was \$2,366,112.

Firemen and Policemen Retirement System

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city charter, union contracts, and plan provisions. The pension plan requires contribution from the employees of 6.0 percent of all pensionable earnings.

For the year ended June 30, 2018, the City contributed the actuarial required contribution of \$1,579,481.

General Employees' Money Purchase Plan

As established by the TPOAM collective bargaining agreement and per city policy, the City contributes 6.0 percent of employees' base earnings, and the employees contribute 6.0 percent of earnings. The City's contributions for each employee plus interest allocated to the employee's account are fully vested after five years of service. In accordance with these requirements, the City contributed \$207,196, and the employees contributed \$207,196 during the current year.

Note 9 - Pension Plans (Continued)

Net Pension Liability

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

	Municipal Employees' Retirement System of Michigan	Firemen and Policemen Retirement System
Measurement date used for the City NPL	December 31, 2017	June 30, 2018
Based on a comprehensive actuarial valuation as of	December 31, 2017	June 30, 2017

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

Municipal Employees' Retirement System of Michigan

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 45,670,671	\$ 24,909,943	\$ 20,760,728
Changes for the year:			
Service cost	114,242	-	114,242
Interest	3,521,124	-	3,521,124
Differences between expected and actual experience	(669,862)	-	(669,862)
Contributions - Employer	-	2,165,454	(2,165,454)
Contributions - Employee	-	51,188	(51,188)
Net investment income	-	3,231,961	(3,231,961)
Benefit payments, including refunds	(3,427,499)	(3,427,499)	-
Administrative expenses	-	(51,255)	51,255
Net changes	<u>(461,995)</u>	<u>1,969,849</u>	<u>(2,431,844)</u>
Balance at December 31, 2017	<u>\$ 45,208,676</u>	<u>\$ 26,879,792</u>	<u>\$ 18,328,884</u>

The plan's fiduciary net position represents 59.5 percent of the total pension liability.

June 30, 2018

Note 9 - Pension Plans (Continued)

Firemen and Policemen Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2017	\$ 69,879,009	\$ 52,257,573	\$ 17,621,436
Changes for the year:			
Service cost	749,965	-	749,965
Interest	4,723,777	-	4,723,777
Differences between expected and actual experience	(869,395)	-	(869,395)
Contributions - Employer	-	1,579,481	(1,579,481)
Contributions - Employee	-	242,580	(242,580)
Net investment income	-	3,187,052	(3,187,052)
Benefit payments, including refunds	(5,542,886)	(5,542,886)	-
Administrative expenses	-	(31,573)	31,573
Net changes	(938,539)	(565,346)	(373,193)
Balance at June 30, 2018	\$ 68,940,470	\$ 51,692,227	\$ 17,248,243

The plan's fiduciary net position represents 75.0 percent of the total pension liability.

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

For the year ended June 30, 2018, the City recognized pension expense of \$1,185,591 under the MERS plan and \$2,978,876 under the P&F Pension Plan.

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

	Municipal Employees' Retirement System of Michigan		Firemen and Policemen Retirement System	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ 42,020	\$ (1,202,088)
Changes in assumptions	-	-	1,385,940	-
Net difference between projected and actual earnings on pension plan investments	-	(441,929)	984,225	-
Employer contributions to the plan subsequent to the measurement date	1,183,057	-	-	-
Total	\$ 1,183,057	\$ (441,929)	\$ 2,412,185	\$ (1,202,088)

Note 9 - Pension Plans (Continued)

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

Years Ending June 30	Municipal Employees' Retirement System of Michigan	Firemen and Policemen Retirement System
2019	\$ 162,328	\$ 1,242,836
2020	69,811	499,147
2021	(416,138)	(476,184)
2022	(257,930)	(55,702)

Actuarial Assumptions

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

Municipal Employees' Retirement System of Michigan

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent (with merit increases totaling up to 11.00 percent for a total of 3.75 percent to 14.75 percent), and an investment rate of return (net of administrative and investment expenses) of 7.75 percent.

Mortality rates were based on 50 percent male and 50 percent female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables. For disabled plan members, rates were based on a blend of the 50 percent male and 50 percent RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

Firemen and Policemen Retirement System

The total pension liability in the June 30, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases of 3.00 percent with merit increases ranging from 0.20 percent to 6.00 percent for a total of 3.20 percent to 9.00 percent, and an investment rate of return (net of administrative and investment expenses) of 7.0 percent.

For healthy life postretirement, mortality rates were based on the RP-2014 Health Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table was adjusted backwards to 2006 with the MP-2014 scale. A base year of 2006 with future mortality improvements was assumed each year using scale MP-2016.

For healthy life preretirement, mortality rates were based on the RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table was adjusted backwards to 2006 with the MP-2014 scale. A base year of 2006 with future mortality improvements was assumed each year using scale MP-2016.

For disabled retirement, mortality rates were based on the RP-2014 Disabled Mortality Tables, extended via cubic spline. This table was adjusted backwards to 2006 with the MP-2014 scale. A base year of 2006 with future mortality improvements was assumed each year using scale MP-2016.

Note 9 - Pension Plans (Continued)

Discount Rate

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

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

	Municipal Employees' Retirement System of Michigan	Firemen and Policemen Retirement System
Assumed investment rate of return	8.00	7.0
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure TPL	8.00%	7.00%

Investment Rate of Return

Municipal Employees' Retirement System of Michigan

The long-term expected rate of return on the MERS plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expect 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 weight in 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 the December 31, 2017 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

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

Note 9 - Pension Plans (Continued)

Firemen and Policemen Retirement System

The long-term expected rate of return on the P&F 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, 2018 for each major class included in the P&F Pension Plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. large cap equity	25.00 %	4.42 %
U.S. small/mid cap equity	20.00	5.18
International equity - Developed	14.00	4.71
International equity - Emerging	6.00	5.82
Domestic fixed income	25.00	1.46
International fixed income	3.13	4.25
Real estate	5.00	3.66

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

Municipal Employees' Retirement System of Michigan

The following presents the net pension liability of the City for the MERS pension plan, calculated using the discount rate of 8.0 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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Municipal Employees' Retirement System of Michigan	\$ 22,798,087	\$ 18,328,884	\$ 14,518,211

Firemen and Policemen Retirement System

The following presents the net pension liability of the City for the P&F Pension Plan, calculated using the discount rate of 7.0 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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net pension liability of the Firemen and Policemen Retirement System	\$ 25,093,160	\$ 17,248,243	\$ 10,689,925

June 30, 2018

Note 9 - Pension Plans (Continued)***Pension Plan Fiduciary Net Position***

Detailed information about the the MERS fiduciary net position is available in a separately issued financial reports. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans. The plans use 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.

Detailed information about the P&F Pension Plan is not available in a separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans. The plans use 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.

Investment Policy

The P&F Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The pension board's adopted asset allocation policy as of June 30, 2018 is detailed in the table above.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on P&F Pension plan investments, net of pension plan investment expense, was 6.27 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the board of trustees for the P&F Pension, 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 2.0 percent. For any employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, the balances are transferred into the retiree reserve.

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

June 30, 2018

Note 9 - Pension Plans (Continued)

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

	Required Reserve	Amount Funded
Retiree reserve	\$ 49,521,488	\$ 49,521,488
Employee reserve	2,170,739	2,170,739

Note 10 - Pension and Other Employee Benefit Trust Funds

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

	Firemen and Policemen Retirement System Trust Fund	Retiree Health Care Trust Fund	Total
Statement of Net Position			
Investments	\$ 51,687,512	\$ 10,306,011	\$ 61,993,523
Other assets	4,715	30,888	35,603
Net position	<u>\$ 51,692,227</u>	<u>\$ 10,336,899</u>	<u>\$ 62,029,126</u>
Statement of Changes in Net Position			
Investment income	\$ 3,391,072	\$ 768,642	\$ 4,159,714
Contributions	1,822,061	2,797,561	4,619,622
Benefit payments	(5,542,886)	(2,339,175)	(7,882,061)
Other deductions	(235,593)	(90,206)	(325,799)
Net change in net position	<u>\$ (565,346)</u>	<u>\$ 1,136,822</u>	<u>\$ 571,476</u>

Note 11 - Downtown Development Authority Commitment

The Downtown Development Authority has committed to pay \$1,000,000 to the City of Trenton, Michigan for city hall renovations made in 2009. The commitment will be paid to the City over a 10-year period in installments of \$100,000 per year. The payments will only be made if sufficient tax captures are available. For the year ended June 30, 2018, the Downtown Development Authority was unable to make the \$100,000 installment payment. The outstanding commitment at June 30, 2018 was \$700,000.

Note 12 - Joint Ventures

The City is a member of the 33rd District Court System (the "District Court"), which provides judicial services to the City and various other surrounding communities. The City appoints one member to the joint venture's governing board, who then approves the annual budget.

The District Court receives its operating revenue principally through contributions from member communities. During the current year, the City returned approximately \$200 to the District Court, representing the City's share of the District Court's net activity. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future, other than the fluctuation of case loads, which impacts the government's share of the District Court's expenses. Complete financial statements for the District Court can be obtained from the administrative offices at 19000 Van Horn Rd., Woodhaven, MI 48183. The City's equity interest at June 30, 2018 is \$539,315.

Note 13 - Tax Abatements

The City receives reduced property tax revenue as a result of tax abatement agreements granted by the City. The tax abatement agreements include the following:

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property for up to 12 years.

For the fiscal year ended June 30, 2018, the City abated \$1,006,628 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

The City also uses the Obsolete Property Rehabilitation exemption to enter into agreements with local businesses to rehabilitate historical facilities that have been deemed obsolete or blighted. Under the program, the City freezes taxable value for rehabilitated properties for up to nine years.

For the fiscal year ended June 30, 2018, the City abated no taxes under this program. There are no provisions to recapture taxes; however, the abatement can be eliminated if taxes are not timely paid or rehabilitation is not started timely.

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

Note 14 - Change in Accounting Principle

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

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

	Governmental Activities	Water and Sewer Fund	Business-type Activities
Net position - June 30, 2017	\$ (9,503,840)	\$ 33,915,017	\$ 33,826,843
GASB 45 net OPEB obligation	16,626,186	-	-
GASB 75 net OPEB liability	<u>(46,730,520)</u>	<u>(5,821,103)</u>	<u>(5,821,103)</u>
Net position - June 30, 2017 - As restated	<u>\$ (39,608,174)</u>	<u>\$ 28,093,914</u>	<u>\$ 28,005,740</u>

The impact on the prior year changes in net position could not be determined.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 13,264,535	\$ 13,746,302	\$ 13,810,445	\$ 64,143
State sources	2,695,595	2,775,595	4,120,059	1,344,464
Charges for services	1,607,631	1,498,851	1,490,827	(8,024)
Fines and forfeitures	425,000	380,000	363,633	(16,367)
Licenses and permits	455,100	455,100	443,983	(11,117)
Interest income	95,000	95,000	138,172	43,172
Other	667,000	684,987	679,256	(5,731)
Total revenue	19,209,861	19,635,835	21,046,375	1,410,540
Expenditures				
Current services:				
General government:				
Mayor and Council	104,442	104,442	89,665	14,777
City administrator	522,799	541,177	542,964	(1,787)
City controller	350,318	345,636	343,253	2,383
City treasurer	17,198	17,198	16,904	294
City assessor	158,221	157,221	154,661	2,560
Board of review	1,900	1,900	1,705	195
Clerk	221,733	221,733	211,204	10,529
Buildings and grounds	829,813	818,313	803,785	14,528
Attorney	237,671	237,671	249,295	(11,624)
Elections	45,550	45,550	44,415	1,135
District court	392,530	392,530	396,889	(4,359)
Planning commission and miscellaneous	65,600	65,600	58,725	6,875
Central office	295,000	310,000	313,962	(3,962)
Public safety:				
Police department	4,506,521	4,368,503	4,314,200	54,303
Fire department	3,541,424	3,571,810	3,453,569	118,241
Traffic safety commission	700	700	540	160
Emergency	118,549	118,549	118,166	383
Animal control	66,631	86,631	73,796	12,835
Civil defense	24,728	24,728	17,694	7,034
Crossing guards	76,316	76,316	79,543	(3,227)
Corrections department/jail	70,400	70,400	33,174	37,226
Building inspection	493,094	493,094	486,839	6,255
Public works:				
City engineer	146,355	146,355	130,834	15,521
Sanitation	1,136,299	1,136,299	1,127,058	9,241
Street lighting	741,000	691,000	668,429	22,571
Department of public service	702,239	683,769	675,360	8,409
Retiree benefits and other	2,992,181	2,992,181	2,989,815	2,366
Recreation and culture:				
Cable commission	17,700	17,700	9,195	8,505
Parks department	474,067	474,067	462,894	11,173
Civic commission	22,400	22,400	17,992	4,408
Historical commission	5,718	5,718	8,255	(2,537)
Other commissions	2,230	2,230	2,503	(273)
Outdoor pool and marina	314,906	321,266	357,843	(36,577)
Debt service:				
Principal	499,182	499,182	498,224	958
Interest on long-term debt	38,192	38,192	38,070	122
Total expenditures	19,233,607	19,100,061	18,791,420	308,641

City of Trenton, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund (Continued)**

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Excess of Revenue (Under) Over Expenditures	\$ (23,746)	\$ 535,774	\$ 2,254,955	\$ 1,719,181
Other Financing Uses - Transfers out	(15,000)	(574,520)	(399,520)	175,000
Net Change in Fund Balance	(38,746)	(38,746)	1,855,435	1,894,181
Fund Balance - Beginning of year	7,060,416	7,060,416	7,060,416	-
Fund Balance - End of year	<u><u>\$ 7,021,670</u></u>	<u><u>\$ 7,021,670</u></u>	<u><u>\$ 8,915,851</u></u>	<u><u>\$ 1,894,181</u></u>

City of Trenton, Michigan

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

	Last Four Fiscal Years			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 114,242	\$ 152,285	\$ 164,886	\$ 195,162
Interest	3,521,124	3,529,188	3,449,721	3,418,536
Differences between expected and actual experience	(669,862)	(405,819)	(302,759)	-
Changes in assumptions	-	-	2,258,463	-
Benefit payments, including refunds	<u>(3,427,499)</u>	<u>(3,287,418)</u>	<u>(3,240,472)</u>	<u>(3,200,631)</u>
Net Change in Total Pension Liability	(461,995)	(11,764)	2,329,839	413,067
Total Pension Liability - Beginning of year	<u>45,670,671</u>	<u>45,682,435</u>	<u>43,352,596</u>	<u>42,939,529</u>
Total Pension Liability - End of year	<u>\$ 45,208,676</u>	<u>\$ 45,670,671</u>	<u>\$ 45,682,435</u>	<u>\$ 43,352,596</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 2,165,454	\$ 1,799,934	\$ 1,553,688	\$ 1,384,206
Contributions - Member	51,188	61,153	67,467	74,490
Net investment income (loss)	3,231,961	2,632,381	(370,266)	1,607,609
Administrative expenses	(51,255)	(52,052)	(55,063)	(58,651)
Benefit payments, including refunds	<u>(3,427,499)</u>	<u>(3,287,418)</u>	<u>(3,240,472)</u>	<u>(3,200,631)</u>
Net Change in Plan Fiduciary Net Position	1,969,849	1,153,998	(2,044,646)	(192,977)
Plan Fiduciary Net Position - Beginning of year	<u>24,909,943</u>	<u>23,755,945</u>	<u>25,800,591</u>	<u>25,993,568</u>
Plan Fiduciary Net Position - End of year	<u>\$ 26,879,792</u>	<u>\$ 24,909,943</u>	<u>\$ 23,755,945</u>	<u>\$ 25,800,591</u>
City's Net Pension Liability - Ending	<u>\$ 18,328,884</u>	<u>\$ 20,760,728</u>	<u>\$ 21,926,490</u>	<u>\$ 17,552,005</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.46 %	54.54 %	52.00 %	59.51 %
Covered Employee Payroll	\$ 855,536	\$ 1,139,210	\$ 1,243,702	\$ 1,470,740
City's Net Pension Liability as a Percentage of Covered Employee Payroll	2,142.39 %	1,822.38 %	1,763.00 %	1,193.41 %

Required Supplemental Information
Schedule of Pension Contributions
Municipal Employees' Retirement System of Michigan

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,366,112	\$ 1,964,796	\$ 1,635,072	\$ 1,472,304	\$ 1,296,108	\$ 1,165,284	\$ 1,124,748	\$ 963,204	\$ 811,248	\$ 836,844
Contributions in relation to the actuarially determined contribution	2,366,112	1,964,796	1,635,072	1,472,304	1,296,108	1,165,284	1,124,748	963,204	811,248	836,844
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 855,536	\$ 1,139,210	\$ 1,243,702	\$ 1,470,710	\$ 1,715,583	\$ 1,583,802	\$ 1,694,143	\$ 2,190,662	\$ 2,383,312	\$ 2,375,403
Contributions as a Percentage of Covered Employee Payroll	276.56 %	172.47 %	131.47 %	100.11 %	75.55 %	73.58 %	66.39 %	43.97 %	34.04 %	35.23 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	10 years
Asset valuation method	10-year smoothed market
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50 percent male - 50 percent female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables
Other information	None

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

	Last Five Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 749,965	\$ 784,947	\$ 790,014	\$ 814,380	\$ 899,643
Interest	4,723,777	4,743,870	4,718,863	4,651,292	4,621,631
Changes in benefit terms	-	-	-	-	(151,801)
Differences between expected and actual experience	(869,395)	(620,591)	(386,797)	193,772	-
Changes in assumptions	-	2,375,297	-	-	-
Benefit payments, including refunds	(5,542,886)	(4,889,453)	(4,659,822)	(4,770,653)	(5,064,779)
Net Change in Total Pension Liability	(938,539)	2,394,070	462,258	888,791	304,694
Total Pension Liability - Beginning of year	69,879,009	67,484,939	67,022,681	66,133,890	65,829,196
Total Pension Liability - End of year	\$ 68,940,470	\$ 69,879,009	\$ 67,484,939	\$ 67,022,681	\$ 66,133,890
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,579,481	\$ 1,479,258	\$ 1,424,943	\$ 1,411,401	\$ 1,329,445
Contributions - Member	242,580	248,918	242,042	241,100	259,613
Net investment income (loss)	3,187,052	6,656,314	(1,127,534)	377,453	7,857,497
Administrative expenses	(31,573)	(46,535)	(32,401)	(11,876)	(30,357)
Benefit payments, including refunds	(5,542,886)	(4,889,453)	(4,659,822)	(4,770,653)	(5,064,779)
Other	-	-	-	(21,609)	-
Net Change in Plan Fiduciary Net Position	(565,346)	3,448,502	(4,152,772)	(2,774,184)	4,351,419
Plan Fiduciary Net Position - Beginning of year	52,257,573	48,809,071	52,961,843	55,736,027	51,384,608
Plan Fiduciary Net Position - End of year	\$ 51,692,227	\$ 52,257,573	\$ 48,809,071	\$ 52,961,843	\$ 55,736,027
City's Net Pension Liability - Ending	\$ 17,248,243	\$ 17,621,436	\$ 18,675,868	\$ 14,060,838	\$ 10,397,863
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.98 %	74.78 %	72.33 %	79.02 %	84.28 %
Covered Employee Payroll	\$ 3,974,464	\$ 3,991,591	\$ 3,876,578	\$ 3,932,237	\$ 4,376,244
City's Net Pension Liability as a Percentage of Covered Employee Payroll	433.98 %	441.46 %	481.76 %	357.58 %	237.60 %

Required Supplemental Information
Schedule of Pension Investment Returns
Firemen and Policemen Retirement System

	Last Five Fiscal Years Years Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.27 %	14.00 %	(2.30)%	0.60 %	15.40 %

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

	Last Two Fiscal Years	
	2018	2017
Total OPEB Liability		
Service cost	\$ 697,973	\$ 727,715
Interest	4,265,177	4,138,732
Differences between expected and actual experience	(1,020,127)	(652,861)
Benefit payments, including refunds	(2,339,175)	(2,445,546)
Net Change in Total OPEB Liability	1,603,848	1,768,040
Total OPEB Liability - Beginning of year	61,751,700	59,983,660
Total OPEB Liability - End of year	\$ 63,355,548	\$ 61,751,700
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,797,561	\$ 2,920,196
Net investment income	678,436	831,499
Benefit payments, including refunds	(2,339,175)	(2,445,546)
Net Change in Plan Fiduciary Net Position	1,136,822	1,306,149
Plan Fiduciary Net Position - Beginning of year	9,200,077	7,893,928
Plan Fiduciary Net Position - End of year	\$ 10,336,899	\$ 9,200,077
Net OPEB Liability - Ending	\$ 53,018,649	\$ 52,551,623
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	16.32 %	14.90 %
Covered Payroll	\$ 7,285,864	\$ 8,061,212
Net OPEB Liability as a Percentage of Covered Payroll	727.69 %	651.91 %

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

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

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.04 %	10.70 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 7,583,745	\$ 6,195,000	\$ 5,180,249	\$ 4,981,011	\$ 4,771,855	\$ 4,588,321	\$ 3,736,942	\$ 3,593,213	\$ 3,919,837	\$ 3,769,073
Contributions in relation to the actuarially determined contribution	2,797,561	2,977,150	2,974,991	2,756,109	2,730,230	2,930,760	2,331,984	2,474,891	2,660,712	2,415,509
Contribution Excess	\$ (4,786,184)	\$ (3,217,850)	\$ (2,205,258)	\$ (2,224,902)	\$ (2,041,625)	\$ (1,657,561)	\$ (1,404,958)	\$ (1,118,322)	\$ (1,259,125)	\$ (1,353,564)
Covered Employee Payroll	\$ 7,285,864	\$ 8,061,212	\$ 7,915,831	\$ 7,943,814	\$ 7,943,814	\$ 5,960,046	\$ 5,960,046	\$ 5,071,911	\$ 5,071,911	\$ 5,486,642
Contributions as a Percentage of Covered Employee Payroll	38.40 %	36.93 %	37.58 %	34.70 %	34.37 %	49.17 %	39.13 %	48.80 %	52.46 %	44.03 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, 2016, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal
 Amortization method Level dollar
 Remaining amortization period 21 years, Closed
 Asset valuation method Market value
 Inflation 2.00% - 3.00%
 Healthcare cost trend rates 9.0% gradually decreasing to 3.5%
 Salary increase 3.00% to 17.00%, including inflation
 Investment rate of return 4.0%, net of OPEB plan investment expense
 Retirement age Experience-based table of rates that are specific to the type of eligibility
 Mortality RP-2014 Healthy Annuitant Generational Mortality Tables, RP-2014 Employee Generational Mortality Tables, RP-2014 Disabled Mortality Tables, each with blue-collar adjustments and extended via cubic spline and adjusted backwards to 2006 with the MP-2014 scale where a base year of 2006 is utilized with future mortality improvements assumed each year using scale MP-2016, and RP-2000 Mortality Combined Healthy Tables projected 20 years with U.S. Projection Scale BB.
 Plan closed to new hires as of June 30, 2016 for Police and Fire and June 30, 2012 for MERS. Employees hired after these dates are in the HCSP.
 Other information A 4.0% load was applied in connection with the "Cadillac" tax

June 30, 2018

Budgetary Information

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

	<u>Total Revenue</u>	<u>Total Expenditures and Transfers Out</u>
Amounts per operating statement	\$ 21,050,859	\$ 19,457,598
Separation pay fund	(4,484)	(266,658)
Amounts per budget statement	<u>\$ 21,046,375</u>	<u>\$ 19,190,940</u>

Other Supplemental Information

City of Trenton, Michigan

Special Revenue Funds							
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library	S.I.N.C.
Assets							
Cash and cash equivalents	\$ 77,336	\$ 88,253	\$ -	\$ 460,983	\$ 403,025	\$ 733,933	\$ 393,485
Receivables:							
Taxes	-	-	-	-	-	4,657	-
Other	500	-	-	3,345	-	1,019	23,518
Due from other governmental units	187,586	77,823	26,160	-	13,784	139,516	-
Total assets	\$ 265,422	\$ 166,076	\$ 26,160	\$ 464,328	\$ 416,809	\$ 879,125	\$ 417,003
Liabilities							
Accounts payable	\$ 175,053	\$ 112,290	\$ -	\$ 29,493	\$ 2,170	\$ 23,114	\$ 21,409
Due to other funds	-	-	15,195	-	-	-	-
Accrued liabilities and other	2,887	2,756	-	-	1,825	12,194	-
Total liabilities	177,940	115,046	15,195	29,493	3,995	35,308	21,409
Deferred Inflows of Resources -							
Unavailable revenue	-	-	26,160	-	-	91,455	-
Fund Balances							
Restricted:							
Roads	87,482	51,030	-	-	-	-	-
Grant operations	-	-	-	-	412,814	-	-
S.I.N.C. operations	-	-	-	-	-	-	395,594
Library capital	-	-	-	-	-	107,036	-
Committed:							
Special projects	-	-	-	434,835	-	-	-
Library	-	-	-	-	-	645,326	-
Assigned - Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	(15,195)	-	-	-	-
Total fund balances	87,482	51,030	(15,195)	434,835	412,814	752,362	395,594
Total liabilities, deferred inflows of resources, and fund balances	\$ 265,422	\$ 166,076	\$ 26,160	\$ 464,328	\$ 416,809	\$ 879,125	\$ 417,003

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 390,811	\$ 2,547,826
-	4,657
-	28,382
-	444,869
<u>\$ 390,811</u>	<u>\$ 3,025,734</u>
\$ -	\$ 363,529
-	15,195
6,460	26,122
6,460	404,846
-	117,615
-	138,512
-	412,814
-	395,594
-	107,036
-	434,835
-	645,326
384,351	384,351
-	(15,195)
<u>384,351</u>	<u>2,503,273</u>
<u>\$ 390,811</u>	<u>\$ 3,025,734</u>

City of Trenton, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library	S.I.N.C.
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,525	\$ -
Intergovernmental:							
Federal grants	-	-	120,732	-	99,993	-	-
State sources	1,172,571	455,202	-	-	106,281	108,722	-
Charges for services	-	-	-	-	14,614	345,342	107,752
Fines and forfeitures	-	-	-	-	-	39,779	107,162
Interest income	740	1,388	-	-	3,499	6,615	3,569
Other	66,515	-	-	246,627	-	-	-
Total revenue	1,239,826	456,590	120,732	246,627	224,387	776,983	218,483
Expenditures							
Current services:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	202,144	-	284,019
Public works	1,204,692	827,921	-	-	-	-	-
Special projects	-	-	26,160	369,255	8,652	-	-
Recreation and culture	-	-	-	-	121,233	807,004	-
Total expenditures	1,204,692	827,921	26,160	369,255	332,029	807,004	284,019
Excess of Revenue Over (Under) Expenditures	35,134	(371,331)	94,572	(122,628)	(107,642)	(30,021)	(65,536)
Other Financing Sources (Uses)							
Transfers in	-	100,000	-	-	-	-	-
Transfers out	(100,000)	-	-	-	-	-	-
Total other financing (uses) sources	(100,000)	100,000	-	-	-	-	-
Net Change in Fund Balances	(64,866)	(271,331)	94,572	(122,628)	(107,642)	(30,021)	(65,536)
Fund Balances - Beginning of year	152,348	322,361	(109,767)	557,463	520,456	782,383	461,130
Fund Balances - End of year	<u>\$ 87,482</u>	<u>\$ 51,030</u>	<u>\$ (15,195)</u>	<u>\$ 434,835</u>	<u>\$ 412,814</u>	<u>\$ 752,362</u>	<u>\$ 395,594</u>

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

Year Ended June 30, 2018

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 276,525
-	220,725
-	1,842,776
-	467,708
-	146,941
3,817	19,628
-	313,142
<u>3,817</u>	<u>3,287,445</u>
287,406	287,406
-	486,163
-	2,032,613
20,190	424,257
49,272	977,509
<u>356,868</u>	<u>4,207,948</u>
(353,051)	(920,503)
38,520	138,520
-	(100,000)
<u>38,520</u>	<u>38,520</u>
(314,531)	(881,983)
<u>698,882</u>	<u>3,385,256</u>
<u>\$ 384,351</u>	<u>\$ 2,503,273</u>

**Other Supplemental Information
Combining Statement of Net Position
Internal Service Funds**

June 30, 2018

	Motor Vehicle Pool Fund	Self-Insurance Fund	Total Internal Service Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 528,404	\$ 3,882,608	\$ 4,411,012
Receivables	840	22,009	22,849
Inventory	240,905	-	240,905
Prepaid expenses and other assets	-	225,125	225,125
Total current assets	770,149	4,129,742	4,899,891
Noncurrent assets - Capital assets - Assets subject to depreciation	3,072,814	-	3,072,814
Total assets	3,842,963	4,129,742	7,972,705
Liabilities			
Current liabilities:			
Accounts payable	60,703	150,260	210,963
Accrued liabilities and other	8,701	651,821	660,522
Compensated absences	16,116	-	16,116
Total current liabilities	85,520	802,081	887,601
Noncurrent liabilities - Compensated absences	23,563	-	23,563
Total liabilities	109,083	802,081	911,164
Net Position			
Net investment in capital assets	3,072,814	-	3,072,814
Unrestricted	661,066	3,327,661	3,988,727
Total net position	\$ 3,733,880	\$ 3,327,661	\$ 7,061,541

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds

Year Ended June 30, 2018

	Motor Vehicle Pool Fund	Self-Insurance Fund	Total Internal Service Funds
Operating Revenue			
Charges for services	\$ 849,888	\$ 3,940,534	\$ 4,790,422
Other	-	191,818	191,818
Total operating revenue	849,888	4,132,352	4,982,240
Operating Expenses			
Cost of insurance claims	-	4,832,472	4,832,472
Operating costs	924,101	-	924,101
Depreciation	478,341	-	478,341
Total operating expenses	1,402,442	4,832,472	6,234,914
Operating Loss	(552,554)	(700,120)	(1,252,674)
Nonoperating Revenue			
Investment income	4,907	34,621	39,528
Gain on sale of assets	6,325	-	6,325
Total nonoperating revenue	11,232	34,621	45,853
Loss - Before capital contributions	(541,322)	(665,499)	(1,206,821)
Capital Contributions	100,942	-	100,942
Change in Net Position	(440,380)	(665,499)	(1,105,879)
Net Position - Beginning of year	4,174,260	3,993,160	8,167,420
Net Position - End of year	\$ 3,733,880	\$ 3,327,661	\$ 7,061,541

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2018

	Motor Vehicle Pool Fund	Self-Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 849,447	\$ 3,940,534	\$ 4,789,981
Payments to suppliers	(659,448)	-	(659,448)
Payments to employees and fringes	(301,624)	-	(301,624)
Claims paid	-	(4,808,238)	(4,808,238)
Other receipts	-	176,241	176,241
Net cash and cash equivalents used in operating activities	(111,625)	(691,463)	(803,088)
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	7,030	-	7,030
Purchase of capital assets	(46,455)	-	(46,455)
Net cash and cash equivalents used in capital and related financing activities	(39,425)	-	(39,425)
Cash Flows Provided by Investing Activities - Interest received on investments			
	4,907	34,621	39,528
Net Decrease in Cash and Cash Equivalents	(146,143)	(656,842)	(802,985)
Cash and Cash Equivalents - Beginning of year	674,547	4,539,450	5,213,997
Cash and Cash Equivalents - End of year	\$ 528,404	\$ 3,882,608	\$ 4,411,012
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (552,554)	\$ (700,120)	\$ (1,252,674)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	478,341	-	478,341
Changes in assets and liabilities:			
Receivables	(441)	(15,577)	(16,018)
Inventories	(356)	-	(356)
Accounts payable	(15,504)	-	(15,504)
Estimated claims liability	-	24,234	24,234
Accrued and other liabilities	(21,111)	-	(21,111)
Net cash and cash equivalents used in operating activities	\$ (111,625)	\$ (691,463)	\$ (803,088)
Noncash Transactions - Capital contributions	\$ 100,942	\$ -	\$ 100,942

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

June 30, 2018

	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension and OPEB Funds
Assets			
Cash and cash equivalents	\$ 1,055,670	\$ 610,828	\$ 1,666,498
Investments:			
U.S. government securities	-	373,775	373,775
Municipal bonds	-	129,951	129,951
ETF - Equity	10,874,712	3,575,414	14,450,126
Mutual funds - Equity	12,960,984	294,462	13,255,446
Stocks	4,904,705	2,948,707	7,853,412
Corporate bonds	-	851,789	851,789
Other - Fixed income	-	632,153	632,153
Mutual funds - Fixed income	2,697,793	888,932	3,586,725
Other investments	19,193,648	-	19,193,648
Receivables - Accrued interest receivable	4,715	30,888	35,603
Total assets	51,692,227	10,336,899	62,029,126
Net Position	\$ 51,692,227	\$ 10,336,899	\$ 62,029,126

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

Year Ended June 30, 2018

	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension and OPEB Funds
Additions			
Investment income:			
Interest and dividends	\$ 828,665	\$ -	\$ 828,665
Net increase in fair value of investments	2,562,407	768,642	3,331,049
Investment-related expenses	(198,415)	-	(198,415)
Net investment income	3,192,657	768,642	3,961,299
Contributions:			
Employer	1,579,481	2,797,561	4,377,042
Employee	242,580	-	242,580
Total contributions	1,822,061	2,797,561	4,619,622
Total additions	5,014,718	3,566,203	8,580,921
Deductions			
Benefit payments	5,542,886	2,339,175	7,882,061
Administrative expenses	37,178	90,206	127,384
Total deductions	5,580,064	2,429,381	8,009,445
Net (Decrease) Increase in Net Position Held in Trust	(565,346)	1,136,822	571,476
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	52,257,573	9,200,077	61,457,650
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 51,692,227	\$ 10,336,899	\$ 62,029,126

Other Supplemental Information
Combining Statement of Assets and Liabilities
Agency Funds

June 30, 2018

	General Cash Fund	Escrow Fund	Tax Receiving Fund	Eliminations	Total Agency Funds
Assets					
Cash and cash equivalents	\$ 18,678,231	\$ 14,650	\$ 796	\$ (18,678,231)	\$ 15,446
Investments - U.S. government securities	3,945,129	-	-	(3,945,129)	-
Receivables - Accrued interest receivable	102,308	-	-	(102,308)	-
Total assets	<u>\$ 22,725,668</u>	<u>\$ 14,650</u>	<u>\$ 796</u>	<u>\$ (22,725,668)</u>	<u>\$ 15,446</u>
Liabilities					
Due to component units	\$ 944,603	\$ -	\$ -	\$ (944,603)	\$ -
Due to other funds	21,781,065	-	-	(21,781,065)	-
Accrued liabilities and other	-	-	796	-	796
Cash bonds and deposits	-	14,650	-	-	14,650
Total liabilities	<u>\$ 22,725,668</u>	<u>\$ 14,650</u>	<u>\$ 796</u>	<u>\$ (22,725,668)</u>	<u>\$ 15,446</u>