
City of Auburn Hills, Michigan

**Financial Report
with Supplemental Information
December 31, 2017**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13-14
Reconciliation of the Balance Sheet to the Statement of Net Position	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16-17
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenue, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21-22
Fiduciary Funds:	
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
Component Units:	
Statement of Net Position	25
Statement of Activities	26-27
Notes to Financial Statements	28-63
Required Supplemental Information	64
Budgetary Comparison Schedule - General Fund	65
Budgetary Comparison Schedule - Major Special Revenue Fund	66
Schedule of Changes in the Net Pension Liability and Related Ratios	67
Schedule of Pension Contributions	68
Schedule of Pension Investment Returns	69
Schedule of Changes in the Net OPEB Liability and Related Ratios	70
Schedule of OPEB Contributions	71
Schedule of OPEB Investment Returns	72
Schedule of OPEB Funding Progress	73
Notes to Required Supplemental Information	74

Other Supplemental Information	75
Nonmajor Governmental Funds:	
Combining Balance Sheet	76
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	77
Internal Service Funds:	
Combining Statement of Net Position	78
Combining Statement of Revenue, Expenses, and Changes in Net Position	79
Combining Statement of Cash Flows	80
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	81
Combining Statement of Changes in Fiduciary Net Position	82
Street Fund Detail:	
Balance Sheet	83
Statement of Revenue, Expenditures, and Changes in Fund Balances	84

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Auburn Hills, 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 information of the City of Auburn Hills, Michigan (the "City") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City of Auburn Hills, 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 information of the City of Auburn Hills, Michigan as of December 31, 2017 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members
of the City Council
City of Auburn Hills, Michigan

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Auburn Hills, 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

June 1, 2018

December 31, 2017

The Our discussion and analysis of the City of Auburn Hills, Michigan's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

Government-wide Statements

The government-wide financial statements were designed to provide a broad overview of the City's finances and are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just current financial resources, as measured in the individual fund statements. Two government-wide statements are provided.

One government-wide statement, the statement of net position, presents information on all of the City's asset and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being net position. Increases or decreases of net position from period to period provide useful information on the direction of the City's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net position changed during the current fiscal year. The statement provides information on income, expenses, and other increases or decreases in net position.

The City's activities are separated into three categories: governmental and business-type activities, which represent the City's total financial performance, followed by the component unit financial information.

- The governmental activities column reports the City's basic services, including general administration, fire, police, public works except water and sewer, seniors, and parks and recreation.
- The business-type activities represent those activities for which the City charges fees to customers to cover the costs of services. The City's water and sewer system as well as the City's golf course operations are reported as business-type activities.
- The City has six discretely presented component units included in this report. These are three separate Tax Increment Finance Authority districts (TIFA), the Brownfield Redevelopment Authority (BRA), the Economic Development Corporation (EDC), and the Downtown Development Authority (DDA). The DDA was established in the 1980's but was only recently activated in 2015.

Fund Financial Statements

The fund financial statements present a short-term view. They indicate how the 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 statement by providing information about the City's most significant, "major" funds. Non-major funds are aggregated into one column. The City has three types of funds that are used to keep track of specific sources of funding and spending for particular purposes as follows:

- **Governmental Funds** – The majority of the City's basic services, including the governmental funds, not only focus on how cash and other financial assets can readily be converted to cash flow in and out, but

December 31, 2017

also the year-end balances that are available to finance future City programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the difference between the two methods of reporting.

- **Proprietary Funds** – The City utilizes two different types of proprietary funds. Enterprise funds are used to account for the Water and Sewer fund and Fieldstone Golf Club. The City's internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City's internal service funds are fleet (supporting the City's vehicle and equipment needs) and the retiree health care program (supporting the funding of retiree health care for those employees eligible for this benefit). These internal service funds have been allocated to the governmental activities and business-type activities in the same proportion as the amount of services these functions provide to the activities.
- **Fiduciary Funds** – These funds are used to account for resources held for the benefit of parties outside the government. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance City operations.

FINANCIAL HIGHLIGHTS

As a result of this year's operations, the City's overall net position increased by \$7.7 million or 4.6 percent. The City experienced an increase of \$1.8 million in the net position of its governmental activities and an increase of \$5.9 million in the net position of its business-type activities.

Property tax revenues, the City's largest source of revenue, remained stable. This is a result of the loss of personal property tax on industrial and commercial properties. While the City's real taxable value, according to the 2016 Oakland County Equalization reports, increased 1.73% in 2016, the City's personal property tax value declined 34.72%. New development and the expiration of previously abated properties help to minimize the impact of this loss. The City did receive personal property tax reimbursement again in 2017 and is reported with other state shared revenues as it is not considered tax revenue. There was no change in the City's operating (since 2005) or police (since 2003) millages. The City's fire millage was increased by voters in August 2016. It increased from 1.7604 mills to 2.5 mills. This change provided additional tax revenue for Fire operations in 2017.

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

In a condensed format, the tables below show the net position and changes in net position as of December 31, 2017 and 2016. Following the tables is an explanation for the reasons for significant fluctuations.

Management’s Discussion and Analysis

December 31, 2017

Statement of Net Position-City of Auburn Hills
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government Government	
	2017	2016	2017	2016	2017	2016
Current, Other Assets, and Deferred Outflows.....	\$ 62.8	\$ 50.7	\$ 34.0	\$ 28.0	\$ 96.8	\$ 78.7
Capital Assets.....	65.8	65.0	69.2	70.5	135.0	135.5
Total Assets.....	128.6	115.7	103.2	98.5	231.8	214.2
Long-Term Liabilities.....	27.3	16.7	5.6	5.5	32.9	22.2
Other Liabilities & Deferred Inflows.....	21.1	20.6	2.7	4.0	23.8	24.6
Total Liabilities.....	48.4	37.3	8.3	9.5	56.7	46.8
Net position:						
Net investment in Capital Assets, Net of Related Debt.....	61.5	64.2	65.2	64.2	126.7	128.4
Restricted.....	4.5	2.0	0.8	0.8	5.3	2.8
Unrestricted.....	14.1	12.1	28.9	24.1	43.0	36.2
Total Net Position.....	\$ 80.2	\$ 78.4	\$ 94.9	\$ 89.0	\$ 175.0	\$ 167.4

Change in Net Position-City of Auburn Hills
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenue						
Program Revenues:						
Charges for Services.....	\$ 4.9	\$ 4.6	\$ 19.0	\$ 19.3	\$ 23.9	\$ 23.9
Operating Grants and Contributions.....	2.6	2.0	0.1	0.1	2.7	2.1
Capital Grants and Contributions.....	2.4	0.8	2.3	3.3	4.7	4.1
General Revenues:						
Taxes.....	15.9	15.6		0.3	15.9	15.9
State Shared Revenue.....	3.8	4.0			3.8	4.0
Investment Income.....	0.2	0.2	0.1	0.1	0.3	0.3
Other Unrestricted Revenue.....	1.6	1.0		0.4	1.6	1.4
Total Revenue	31.4	28.2	21.5	23.5	52.9	51.7
Expenses						
General Government.....	4.5	4.5			4.5	4.5
Public Safety.....	14.6	12.4			14.6	12.4
Public Works.....	7.0	5.7			7.0	5.7
Health Welfare and Community Development	0.8	1.9			0.8	1.9
Recreation and Culture.....	0.6	0.6			0.6	0.6
Interest on Long-Term Debt.....	0.2	0.1			0.2	0.1
Water and Sewer.....			15.7	15.2	15.7	15.2
Fieldstone Golf Club			1.8	1.8	1.8	1.8
Total Expenses	27.7	25.2	17.5	17.0	45.2	42.2
Increase in Net Position						
Before Transfers.....	3.7	3.0	4.0	6.5	7.7	9.5
Transfers.....	(1.9)	(1.0)	1.9	1.0	-	-
Increase in Net Position.....	\$ 1.8	\$ 2.0	\$ 5.9	\$ 7.5	\$ 7.7	\$ 9.5

Governmental Activities

December 31, 2017

The City had an increase in net position of \$1.8 million in its governmental activities during 2017. There were no significant changes in revenue or expenses.

Business-Type Activities

The City had an increase in net position of approximately \$5.9 million. While an increase, it is less than the 2016 increase of \$7.5 million. This is due primarily to a reduced rate increase in Water and Sewer Fund during 2017 as compared to the rate increase of 2016. Additionally, the City's cost of water and sewer treatment increased about 4.7% and accounts for 98% of the total increase in operating expense. The Water and Sewer Fund had operating income of \$2.0 million in 2017 compared to an operating income of \$2.9 million in 2016. The water and sewer department has remained diligent in controlling costs in order to preserve reserves for both regular maintenance of infrastructure and any unexpected emergency while minimizing annual rate increases to maintain sufficient reserves for capital repairs, reconstructions, and emergency situations.

Financial Analysis of the Individual Funds

Governmental Funds

At December 31, 2017, the City's governmental funds reported a combined fund balance of \$36.5 million, an increase of \$9.4 million from the December 31, 2016 fund balance of \$27.1 million. The increase in fund balance was primarily attributable to the addition of two funds, the Special Assessment Debt Service Fund and the Capital Projects Fund. These two funds account for \$5.0 million of the increase in the combined fund balance. The Special Assessment Debt Service Fund accounts for three new Special Assessment Road Districts approved in 2017. The City levied an assessment to property owners served by three specific industrial roads for 50% of the cost. In order to pay for the 2017 road work, the City issued special assessment bonds for the portion assessed and will repay those bonds with assessment revenue in future years.

The Capital Projects Fund accounts for the full cost of the road projects included in the three special assessment districts as well as additional road, building, and land improvement capital projects that will be completed in 2018. The City also issued debt for these projects and will repay this debt with General Fund revenue in future years.

Of the City's 2017 governmental funds, the General Fund and the Capital Projects fund account for all significant ongoing expenditures.

The General Fund ended the fiscal year with an increase in fund balance of \$3.8 million. The unassigned portion of the fund balance represents 96.5% of total General Fund expenditures (excluding transfers out) for the 2017 fiscal year as compared to 78% for fiscal year ending 2016. In 2017, the City assigned \$3 million of its fund balance to pension funding and \$2 million to OPEB funding. This prudent decision assigns additional fund balance necessary to address the increase in liability by focusing on the current year service cost and the attributable interest on that cost for future benefits.

Revenue increased by approximately \$1.7 million or 6% during 2017. This increase was primarily due to federal funding for Fire Department personnel and more than expected state reimbursement for lost personal property tax revenues.

December 31, 2017

Expenditures in the General Fund increased minimally by approximately \$205,000 in 2017 compared to 2016. While the City experienced increases in normal operating costs, unfilled positions during the year and postponement of larger maintenance projects offset regular inflationary increases.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements.

The unrestricted portion of the net position in the Water and Sewer fund as of December 31, 2017 is \$27.8 million which is an increase of \$4.5 million over the prior year.

The City is a member of the North Oakland County Water Authority (NOCWA), which provides joint management of four member community water systems. During 2015, NOCWA began operations with the goal to optimize operational efficiency and contain water service costs by which GLWA wholesale water rates are driven with the maximum day and peak hour values agreed upon in the contract. For the summer of 2015, NOCWA members followed their operational plan and was able to demonstrate that it could achieve a reduced peak hour demand than the original contract value. The GLWA contract was amended and water service cost increases were minimized to achieve greater fiscal value. The City's participation in NOCWA has allowed the City to contain its water service costs compared to past years and has helped the fund realize operational gains.

The Water and Sewer fund experienced an operational gain in 2017 of \$2 million and capital contributions and non-operating activity of \$2.5 million resulting in the increase in total net position of \$4.5 million. The continued magnitude of private development activity from 2016 to 2017 helped to support the increase in capital contributions reported at year-end.

Planned increases in water and sewer utility charges also supported the increase in net position for 2017. Water and Sewer Utility charges consider that the City needs to cover not only water and sewer treatment costs and unanticipated emergency repairs, but also operational departmental costs and improvements in infrastructure. Capital improvements performed by the Oakland County Water Resources Commissioner (OCWRC) with respect to the Clinton-Oakland Sanitary Disposal System (COSDS), the Evergreen-Farmington Sanitary Disposal System (EFSDS), the Oakland-Macomb Interceptor Drain (OMID), and the Clinton River Water Resources Recovery (CRWRR) sewage treatment facility, are presented to the City (often without adequate notice to fully prepare for cost allocations to its customers) when the City's budget is prepared. Therefore, increases in service costs are planned to help cover the ongoing increase in shared CIP infrastructure costs passed on by OCWRC.

The unrestricted net position of the Fieldstone Golf Club at year is \$3,579. Fieldstone Golf Club fund experienced an operating loss of \$249,058 and non-operating activity from bond interest expense of \$137,945. A transfer of \$1,857,500 from the General fund resulted in the Fieldstone Golf Club fund having an overall increase of \$1.5 million in its net position during 2017. The transfer primarily was to cover the final bond payment of proceeds related to the land purchase and golf course construction and development.

Budgetary Highlights

December 31, 2017

The General Fund actual revenue exceeded budgeted revenues by \$1.95 million. While the City did budget for some reimbursement, it was not assumed to be reimbursed at close to the same level as the prior year based on guidance at the time of budget. The reimbursement of certain lost personal property taxes from the State's Local Community Stabilization Authority was approximately \$1.2 million over budget. The expenses of the General fund were under budget by approximately \$1.2 million. The savings was experienced across departments as efforts of cost containment are continual. About \$500,000 was due to the postponement of costs budgeted for a grant-funded wetland restoration project and general facility repairs. Also, positions continued to go unfilled, not intentionally, during periods of 2017 contributing to savings primarily, but not limited to, the public safety area.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017 is \$126.7 million (net of accumulated depreciation and related debt) and is approximately \$1.7 million less than the prior year due to the additional debt from the 2017 bond issuances primarily for road work. Other capital investments include office furniture and equipment, machinery and equipment, vehicles, buildings and improvements, water and sewer mains and storm drains.

Long-Term Debt. The City has total debt outstanding of \$14.1 million (excluding compensating absences) at December 31, 2017. The increase from \$7.1 million last year is due to the 2017 Capital Improvement bond issuance and the 2017 Special Assessment bond issuance. The governmental long term debt includes these two new bond issuances which total \$8.5 million. The business-type activity debt of limited tax general obligation bonds which were issued in 2010 to refund a 1999 bond issuance was paid in full in 2017. . In addition, the City has assumed a pro-rata share of debt related to each of the project segments of the Oakland-Macomb Interceptor Drain and the Clinton River Water Resource Recovery Facility which as of the 2017 year-end is \$3,715,360. Additional information on the City's long term debt can be found in Note 8 of this report.

New Disclosures

During the current year, the City adopted a new accounting pronouncement, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This accounting pronouncement addresses accounting and reporting by employer governments that provide OPEB to their employees. Along with the required statement of fiduciary net position and statement of changes in fiduciary net position, these financial statements include an extensive footnote and additional supplemental information related to the measurement of the liabilities for which assets have been accumulated. Beginning in 2018, the City will recognize on the face of the financial statements its net OPEB liability.

Economic Factors and Next Year's Budgets

The City's overall 2016 taxable value decreased 7.27% due to a significant loss in personal property tax values giving way to stagnant 2017 property tax revenue despite an increase to the City's fire millage. (The fire millage increase approved in August, 2016 was applied to the Winter, 2016 tax bill that affected the 2017 City tax revenues). For fiscal year 2018, the City's property tax revenue is expected to increase as the City's overall 2017 tax valuation increased. (Per Oakland County's 2017 Equalization report the increase from 2016 is 2.53% for real

December 31, 2017

and personal property combined). Tax valuations increases are held to the limits of the Headlee Amendment and Proposal A regardless of any growth. As the City nears full capacity for new growth, without additional increases in tax base or a positive vote for a millage increase, annual tax revenue increases are anticipated but will continue to be modest in accordance with allowable inflationary increases.

To offset the slow growth of tax revenues, which actually began in the City's 2007 fiscal year, the City has insisted on cost elimination and containment during this period. To leverage a favorable borrowing environment in 2017, the City issued debt to address the funding of some of the most critical roads and other capital needs in order to ensure it maintained the funds for future legacy costs as well as the undeniable need for continued infrastructure spending, especially on roads. The City has put forth considerable effort to secure funding assistance and collaborative financial agreements from other entities to meet capital needs, but does not anticipate state or federal funding to continue over the long term. The City continues to prudently evaluate its active employee wages, benefits and retirement programs to ensure that they are both affordable for the City but competitive so as to retain talented, committed staff. More detailed comments about the status of the City's retirement programs appear in the notes of the financial statements.

Request for Information

Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Treasurer/ Finance Department, City of Auburn Hills 1827 N. Squirrel Rd., Auburn Hills, MI 48326.

December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 37,713,178	\$ 27,883,500	\$ 65,596,678	\$ 19,958,128
Receivables (Note 4)	16,914,344	3,328,883	20,243,227	1,463,187
Internal balances	(1,216,153)	1,216,153	-	-
Inventory	-	253,797	253,797	-
Prepaid expenses and other assets	387,254	-	387,254	5,000
Restricted assets (Note 5)	5,897,294	1,250,650	7,147,944	-
Land held for resale	1,057,267	-	1,057,267	-
Net OPEB asset (Note 13)	1,559,385	-	1,559,385	-
Capital assets: (Note 7)				
Assets not subject to depreciation	6,283,808	9,876,127	16,159,935	8,202,114
Assets subject to depreciation - Net	59,521,426	59,353,799	118,875,225	49,494,608
Total assets	128,117,803	103,162,909	231,280,712	79,123,037
Deferred Outflows of Resources (Note 6)	487,934	35,515	523,449	-
Liabilities				
Accounts payable	1,049,352	1,476,840	2,526,192	194,325
Due to other governmental units	360	188,877	189,237	237,787
Refundable deposits and bonds	973,950	546,848	1,520,798	-
Accrued liabilities and other	587,498	56,529	644,027	703
Provision for property tax refunds	26,680	-	26,680	7,150
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	189,063	15,254	204,317	-
Current portion of bonds payable (Note 8)	620,000	246,875	866,875	-
Due in more than one year:				
Compensated absences (Note 8)	1,307,801	87,159	1,394,960	-
Net pension liability (Note 12)	17,076,177	1,242,870	18,319,047	-
Bonds payable - Net of current portion (Note 8)	8,975,042	4,293,485	13,268,527	572,750
Total liabilities	30,805,923	8,154,737	38,960,660	1,012,715
Deferred Inflows of Resources (Note 6)	17,651,785	130,467	17,782,252	1,553,953
Net Position				
Net investment in capital assets	61,544,872	65,163,606	126,708,478	57,696,722
Restricted:				
Amphitheatre and splash pad project donations	562,614	-	562,614	-
Tree ordinance	530,846	-	530,846	-
Major and local roads	1,104,457	-	1,104,457	-
Metro Act	455,029	-	455,029	-
Police grants and forfeitures	109,679	-	109,679	-
Community development block grant	22,211	-	22,211	-
NOCWA	-	776,610	776,610	-
Debt service	1,680,038	-	1,680,038	-
Unrestricted	14,138,283	28,973,004	43,111,287	18,859,647
Total net position	\$ 80,148,029	\$ 94,913,220	\$ 175,061,249	\$ 76,556,369

City of Auburn Hills, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,518,673	\$ 324,987	\$ -	\$ -
Public safety	14,639,831	4,028,509	562,470	-
Public works	7,011,418	258,516	2,027,073	2,206,846
Health, welfare, and community development	825,422	146,131	42,235	-
Recreation and culture	606,328	158,419	11,192	145,614
Interest on long-term debt	208,519	-	-	-
Total governmental activities	27,810,191	4,916,562	2,642,970	2,352,460
Business-type activities:				
Water & Sewer Fund	15,693,915	17,583,386	136,943	2,286,553
Fieldstone Golf Club	1,838,633	1,451,630	-	-
Total business-type activities	17,532,548	19,035,016	136,943	2,286,553
Total primary government	\$ 45,342,739	\$ 23,951,578	\$ 2,779,913	\$ 4,639,013
Component units:				
TIFA A	\$ 1,465,211	\$ 49,690	\$ 250	\$ -
TIFA B	1,054,384	-	-	-
TIFA D	1,123,287	-	-	-
Brownfield Authority	1,394,702	-	-	-
Economic Development Authority	214	-	-	-
Downtown Development Authority	11,947	990	-	-
Total component units	\$ 5,049,745	\$ 50,680	\$ 250	\$ -

General revenue:

- Taxes - Property
- Unrestricted state-shared revenue
- Unrestricted investment 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

Net Position - End of year

Statement of Activities

Year Ended December 31, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,193,686)	\$ -	\$ (4,193,686)	\$ -
(10,048,852)	-	(10,048,852)	-
(2,518,983)	-	(2,518,983)	-
(637,056)	-	(637,056)	-
(291,103)	-	(291,103)	-
(208,519)	-	(208,519)	-
(17,898,199)	-	(17,898,199)	-
-	4,312,967	4,312,967	-
-	(387,003)	(387,003)	-
-	3,925,964	3,925,964	-
(17,898,199)	3,925,964	(13,972,235)	-
-	-	-	(1,415,271)
-	-	-	(1,054,384)
-	-	-	(1,123,287)
-	-	-	(1,394,702)
-	-	-	(214)
-	-	-	(10,957)
-	-	-	(4,998,815)
15,935,083	-	15,935,083	2,486,181
3,785,009	-	3,785,009	935,930
217,161	115,744	332,905	118,923
411,531	-	411,531	-
2,331	-	2,331	-
1,173,781	-	1,173,781	7,651
21,524,896	115,744	21,640,640	3,548,685
(1,857,500)	1,857,500	-	-
1,769,197	5,899,208	7,668,405	(1,450,130)
78,378,832	89,014,012	167,392,844	78,006,499
\$ 80,148,029	\$ 94,913,220	\$ 175,061,249	\$ 76,556,369

City of Auburn Hills, Michigan

	General Fund	Major and Local Streets Fund	Special Assessment Debt Service	Capital Projects Fund
Assets				
Cash and investments	\$ 29,927,994	\$ 1,586,711	\$ 226,588	\$ -
Receivables:				
Property taxes receivable	12,290,735	-	-	-
Special assessments receivable	149,592	-	1,453,450	-
Customer receivables	524,131	-	-	-
Other receivables	31,149	199	-	-
Due from other governments	2,151,596	301,366	-	-
Due from other funds	44,287	-	-	-
Prepaid expenses and other assets	385,137	-	-	-
Restricted assets	-	-	-	5,334,680
Land held for resale	1,057,267	-	-	-
Total assets	\$ 46,561,888	\$ 1,888,276	\$ 1,680,038	\$ 5,334,680
Liabilities				
Accounts payable	\$ 414,602	\$ 86,562	\$ -	\$ 504,276
Due to other governmental units	360	-	-	-
Due to other funds	25,535	1,750	-	44,287
Refundable deposits and bonds	278,567	673,553	-	-
Accrued liabilities and other	507,717	21,954	-	25,230
Provision for property tax refunds	26,680	-	-	-
Total liabilities	1,253,461	783,819	-	573,793
Deferred Inflows of Resources (Note 6)				
Unavailable revenue	488,384	-	1,445,310	-
Property taxes levied for the following year	15,859,264	-	-	-
Total deferred inflows of resources	16,347,648	-	1,445,310	-
Fund Balances				
Nonspendable:				
Land held for resale	1,057,267	-	-	-
Prepays	385,137	-	-	-
Restricted:				
Roads	-	1,104,457	-	-
Police grants and forfeitures	-	-	-	-
Debt service	-	-	234,728	-
Metro act	-	-	-	-
Capital projects	-	-	-	4,760,887
Tree ordinance	-	-	-	-
Community development block grant	-	-	-	-
Committed:				
Storm management	68,192	-	-	-
Wayne disposal	-	-	-	-
Assigned:				
Subsequent year's budget	498,317	-	-	-
Pension contribution	3,000,000	-	-	-
OPEB contribution	2,000,000	-	-	-
Unassigned	21,951,866	-	-	-
Total fund balances	28,960,779	1,104,457	234,728	4,760,887
Total liabilities, deferred inflows of resources, and fund balances	\$ 46,561,888	\$ 1,888,276	\$ 1,680,038	\$ 5,334,680

Governmental Funds
Balance Sheet

December 31, 2017

Nonmajor Funds	Total Governmental Funds
\$ 1,463,047	\$ 33,204,340
-	12,290,735
-	1,603,042
-	524,131
-	31,348
12,126	2,465,088
-	44,287
-	385,137
-	5,334,680
-	1,057,267
\$ 1,475,173	\$ 56,940,055
\$ 14,486	\$ 1,019,926
-	360
-	71,572
21,830	973,950
-	554,901
-	26,680
36,316	2,647,389
-	1,933,694
-	15,859,264
-	17,792,958
-	1,057,267
-	385,137
-	1,104,457
109,679	109,679
-	234,728
455,029	455,029
-	4,760,887
530,846	530,846
22,211	22,211
-	68,192
321,092	321,092
-	498,317
-	3,000,000
-	2,000,000
-	21,951,866
1,438,857	36,499,708
\$ 1,475,173	\$ 56,940,055

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2017

Fund Balances Reported in Governmental Funds	\$ 36,499,708
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	63,958,720
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	1,933,694
Restricted assets held by outside entities are not financial resources and are not reported in the funds	562,614
Net other postemployment (OPEB) asset is not recorded in the modified accrual statements	1,559,385
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(9,595,042)
Accrued interest is not due and payable in the current period and is not reported in the funds	(27,933)
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	(1,471,412)
Pension benefits	<u>(18,380,764)</u>
Total employee fringe benefits not reported as fund liabilities	(19,852,176)
Internal service funds are included as part of governmental activities	<u>5,109,059</u>
Net Position of Governmental Activities	<u><u>\$ 80,148,029</u></u>

City of Auburn Hills, Michigan

	General Fund	Major and Local Streets Fund	Special Assessment Debt Service	Capital Projects Fund
Revenue				
Property taxes	\$ 15,935,083	\$ -	\$ -	\$ -
Special assessments	100,570	-	230,587	297,880
Intergovernmental:				
Federal grants	584,789	-	-	-
State sources:				
State-shared revenue	3,704,610	-	-	-
Act 51 gas and weight tax	-	1,955,634	-	-
State grants	191,410	-	-	-
Local grants and contributions	-	-	-	59,754
Charges for services:				
Construction code fees	1,898,262	-	-	-
Charges to other funds	2,593,217	-	-	-
User fees	2,575,692	-	-	-
Fines and forfeitures	-	-	-	-
Licenses and permits	537,211	-	-	-
Investment income	186,043	1,955	8	18,856
Other revenue:				
Donations	17,411	-	-	-
Other miscellaneous income	384,567	25,016	-	-
Contract revenue	762,000	-	-	-
Total revenue	29,470,865	1,982,605	230,595	376,490
Expenditures				
Current services:				
General government	7,101,897	-	-	-
Public safety	13,425,224	-	-	-
Public works	891,664	2,621,276	-	4,243,405
Community and economic development	710,266	-	-	-
Recreation and culture	547,601	-	-	-
Debt service:				
Principal	50,000	-	-	-
Interest and fiscal charges	19,441	-	-	169,923
Total expenditures	22,746,093	2,621,276	-	4,413,328
Excess of Revenue Over (Under) Expenditures	6,724,772	(638,671)	230,595	(4,036,838)
Other Financing Sources (Uses)				
Transfers in	44,287	1,335,000	4,133	-
Transfers out	(3,012,500)	-	-	(48,420)
Proceeds of debt	-	-	-	8,530,000
Debt premium or discount	-	-	-	316,145
Sale of capital assets	2,331	-	-	-
Total other financing (uses) sources	(2,965,882)	1,335,000	4,133	8,797,725
Net Change in Fund Balances	3,758,890	696,329	234,728	4,760,887
Fund Balances - Beginning of year	25,201,889	408,128	-	-
Fund Balances - End of year	\$ 28,960,779	\$ 1,104,457	\$ 234,728	\$ 4,760,887

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

Nonmajor Funds	Total Governmental Funds
\$ -	\$ 15,935,083
-	629,037
71,439	656,228
71,561	3,776,171
-	1,955,634
-	191,410
-	59,754
-	1,898,262
-	2,593,217
258,516	2,834,208
46,392	46,392
-	537,211
10,299	217,161
-	17,411
-	409,583
-	762,000
458,207	32,518,762
-	7,101,897
11,874	13,437,098
244,406	8,000,751
65,764	776,030
-	547,601
-	50,000
-	189,364
322,044	30,102,741
136,163	2,416,021
-	1,383,420
(180,000)	(3,240,920)
-	8,530,000
-	316,145
-	2,331
(180,000)	6,990,976
(43,837)	9,406,997
1,482,694	27,092,711
\$ 1,438,857	\$ 36,499,708

Governmental Funds

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

Year Ended December 31, 2017

Net Change in Fund Balances Reported in Governmental Funds	\$	9,406,997
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		3,977,629
Depreciation expense		(3,016,618)
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		1,337,430
Donations held by other governments are recorded in the statement of activities when earned; they are not reported in the funds until received		145,614
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position		(8,846,145)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		53,761
Interest expense is recognized in the government-wide statements as it accrues		(22,916)
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(1,294,302)
Internal service funds are included as part of governmental activities		<u>27,747</u>
Change in Net Position of Governmental Activities	\$	<u><u>1,769,197</u></u>

Proprietary Funds
Statement of Net Position

December 31, 2017

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Fieldstone Golf Club	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 27,208,104	\$ 675,396	\$ 27,883,500	\$ 4,508,838
Receivables - Customers	3,328,883	-	3,328,883	-
Due from other funds	-	-	-	30,084
Inventory	183,020	70,777	253,797	-
Prepaid expenses and other assets	-	-	-	2,117
Total current assets	30,720,007	746,173	31,466,180	4,541,039
Noncurrent assets:				
Restricted assets (Note 5)	1,250,650	-	1,250,650	-
Capital assets: (Note 7)				
Assets not subject to depreciation	1,556,572	8,319,555	9,876,127	68,741
Assets subject to depreciation - Net	56,090,114	3,263,685	59,353,799	1,777,773
Total noncurrent assets	58,897,336	11,583,240	70,480,576	1,846,514
Total assets	89,617,343	12,329,413	101,946,756	6,387,553
Deferred Outflows of Resources - Deferred pension costs	17,022	18,493	35,515	-
Liabilities				
Current liabilities:				
Accounts payable	1,468,426	8,414	1,476,840	29,426
Due to other governmental units	185,930	2,947	188,877	-
Due to other funds	2,099	350	2,449	350
Refundable deposits and bonds	546,848	-	546,848	-
Accrued liabilities and other	37,334	19,195	56,529	4,664
Compensated absences (Note 8)	13,675	1,579	15,254	3,518
Current portion of bonds payable (Note 8)	246,875	-	246,875	-
Total current liabilities	2,501,187	32,485	2,533,672	37,958
Noncurrent liabilities:				
Compensated absences (Note 8)	73,628	13,531	87,159	21,934
Net pension liability (Note 12)	595,731	647,139	1,242,870	-
Bonds payable - Net of current portion (Note 8)	4,293,485	-	4,293,485	-
Total noncurrent liabilities	4,962,844	660,670	5,623,514	21,934
Total liabilities	7,464,031	693,155	8,157,186	59,892
Deferred Inflows of Resources - Deferred inflows related to pensions	62,535	67,932	130,467	-
Net Position				
Net investment in capital assets	53,580,366	11,583,240	65,163,606	1,846,514
Restricted - NOCWA	776,610	-	776,610	-
Unrestricted	27,750,823	3,579	27,754,402	4,481,147
Total net position	\$ 82,107,799	\$ 11,586,819	93,694,618	\$ 6,327,661
Amounts reported for business-type activities in the statement of net position are different because a portion of the internal service funds is included as business-type activities			1,218,602	
Total Net Position			\$ 94,913,220	

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

Year Ended December 31, 2017

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Fieldstone Golf Club	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Sale of water	\$ 9,382,622	\$ -	\$ 9,382,622	\$ -
Sewage disposal charges	7,549,156	-	7,549,156	-
Hydrant and equipment rental	125,275	-	125,275	-
Interest and penalty charges	197,817	-	197,817	-
Merchandise sales	-	125,011	125,011	-
Greens fees	-	1,183,455	1,183,455	-
Practice range fees	-	77,742	77,742	-
Other operating income	328,516	65,422	393,938	6,334
Charges to other funds	-	-	-	3,499,511
Total operating revenue	17,583,386	1,451,630	19,035,016	3,505,845
Operating Expenses				
Cost of water	4,585,135	-	4,585,135	-
Cost of sewage treatment	5,190,426	-	5,190,426	-
Administrative charges	2,139,170	141,806	2,280,976	-
Supplies	235,944	299,459	535,403	354,743
Contracted services	195,287	540,763	736,050	156,628
Salaries and wages	566,263	221,702	787,965	133,610
Fringe benefits	484,006	221,160	705,166	1,637,840
Other operating expenses	134,500	-	134,500	358,929
Depreciation	2,093,784	275,798	2,369,582	1,149,551
Total operating expenses	15,624,515	1,700,688	17,325,203	3,791,301
Operating Income (Loss)	1,958,871	(249,058)	1,709,813	(285,456)
Nonoperating Revenue (Expense)				
Investment income	139,770	-	139,770	22,414
Interest expense	(69,400)	(137,945)	(207,345)	-
Gain on sale of assets	-	-	-	266,763
State grants	136,943	-	136,943	-
Total nonoperating revenue (expense)	207,313	(137,945)	69,368	289,177
Income (Loss) - Before capital contributions	2,166,184	(387,003)	1,779,181	3,721
Capital Contributions				
Capital and lateral charges	1,564,320	-	1,564,320	-
Developer contributions	722,233	-	722,233	-
Total capital contributions	2,286,553	-	2,286,553	-
Transfers In	-	1,857,500	1,857,500	-
Change in Net Position	4,452,737	1,470,497	5,923,234	3,721
Net Position - Beginning of year	77,655,062	10,116,322	87,771,384	6,323,940
Net Position - End of year	\$ 82,107,799	\$ 11,586,819	\$ 93,694,618	\$ 6,327,661
Net Change in Net Position - Total Enterprise Funds			\$ 5,923,234	
Amounts reported for business-type activities in the statement of activities are different because a portion of the internal service funds is included as business-type activities			(24,026)	
Change in Net Position of Business-type Activities			\$ 5,899,208	

Proprietary Funds
Statement of Cash Flows

Year Ended December 31, 2017

	Enterprise Funds			Governmental
	Water & Sewer Fund	Fieldstone Golf Club	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 17,072,606	\$ 1,396,379	\$ 18,468,985	\$ -
Receipts from interfund services and reimbursements	-	-	-	3,511,067
Payments to suppliers	(10,079,913)	(863,457)	(10,943,370)	(602,981)
Payments to employees and fringes	(917,482)	(294,414)	(1,211,896)	(1,770,634)
Payments to other funds	(2,139,735)	(141,900)	(2,281,635)	(270,559)
Other receipts	16,373	55,251	71,624	6,334
Net cash provided by operating activities	3,951,849	151,859	4,103,708	873,227
Cash Flows from Noncapital Financing Activities				
State grants	136,943	-	136,943	-
Transfers from other funds	-	1,857,500	1,857,500	-
Net cash provided by noncapital financing activities	136,943	1,857,500	1,994,443	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	-	-	-	266,763
Purchase of capital assets	(937,529)	(57,669)	(995,198)	(995,520)
Principal and interest paid on capital debt	(376,380)	(1,540,287)	(1,916,667)	-
Capital and lateral charges	1,564,320	-	1,564,320	-
Net cash provided by (used in) capital and related financing activities	250,411	(1,597,956)	(1,347,545)	(728,757)
Cash Flows Provided by Investing Activities -				
Interest received on investments	139,770	-	139,770	22,414
Net Increase in Cash	4,478,973	411,403	4,890,376	166,884
Cash - Beginning of year	22,729,131	263,993	22,993,124	4,341,954
Cash - End of year	\$ 27,208,104	\$ 675,396	\$ 27,883,500	\$ 4,508,838
Classification of Cash - Cash and investments	\$ 27,208,104	\$ 675,396	\$ 27,883,500	\$ 4,508,838

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended December 31, 2017

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Fieldstone Golf Club	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,958,871	\$ (249,058)	\$ 1,709,813	\$ (285,456)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	2,093,784	275,798	2,369,582	1,149,551
Changes in assets and liabilities:				
Receivables	(494,407)	-	(494,407)	-
Due to and from other funds	(565)	(94)	(659)	11,556
Inventories	(37,119)	(15,622)	(52,741)	-
Prepaid and other assets	-	-	-	(33)
Accounts payable	298,498	(7,613)	290,885	(3,207)
Net pension liability	144,718	156,031	300,749	-
Deferrals related to pension	(22,515)	(24,637)	(47,152)	-
Accrued and other liabilities	10,584	17,054	27,638	816
Total adjustments	<u>1,992,978</u>	<u>400,917</u>	<u>2,393,895</u>	<u>1,158,683</u>
Net cash provided by operating activities	<u><u>\$ 3,951,849</u></u>	<u><u>\$ 151,859</u></u>	<u><u>\$ 4,103,708</u></u>	<u><u>\$ 873,227</u></u>

During 2017, developers contributed \$640,612 of water mains and \$81,621 of sewer mains to the City. In addition, on behalf of the City, Oakland County, Michigan constructed sewer lines related to the Oakland-Macomb Interceptor Drain project and the Clinton River Water Resource Recovery Facility Drainage District for which they incurred additional long-term debt of approximately \$1,550, and \$67,700, respectively.

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2017

	<u>Pension and Other Postemployment Benefits Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 1,091,502	\$ 3,691,077
Investments:		
Mutual funds - Fixed income	4,127,837	-
Limited partnerships	12,273,870	-
Commingled funds - Equity	22,437,283	-
Commingled funds - Fixed income	11,767,505	-
Common stock	12,769,395	-
Foreign stock	656,349	-
Real estate	4,528,347	-
Receivables	774,047	-
Due from component units	-	21
	70,426,135	\$ 3,691,098
Liabilities - Undistributed tax collections	-	\$ 3,691,098
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 70,426,135	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2017

	<u>Pension and Other Postemployment Benefits Funds</u>
Additions	
Investment income:	
Interest and dividends	\$ 1,097,762
Net increase in fair value of investments	7,244,123
Investment-related expenses	<u>(293,571)</u>
Total investment income	8,048,314
Contributions:	
Employer contributions	2,644,913
Employee contributions	<u>106,629</u>
Total contributions	<u>2,751,542</u>
Total additions	10,799,856
Deductions	
Benefit payments	3,762,724
Medical premiums/expenses	<u>1,310,526</u>
Total deductions	<u>5,073,250</u>
Net Increase in Net Position Held in Trust	5,726,606
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>64,699,529</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 70,426,135</u></u>

City of Auburn Hills, Michigan

Component Units Statement of Net Position

December 31, 2017

	TIFA A	TIFA B	TIFA D	Brownfield Authority	Economic Development Authority	Downtown Development Authority	Total
Assets							
Cash and investments	\$ 2,992,714	\$ 9,538,394	\$ 2,253,745	\$ 5,058,007	\$ 9,683	\$ 105,585	\$ 19,958,128
Receivables:							
Property taxes receivable	480,400	646,018	-	47,307	-	51,675	1,225,400
Other receivables	-	-	-	237,787	-	-	237,787
Prepaid expenses and other assets	5,000	-	-	-	-	-	5,000
Capital assets:							
Assets not subject to depreciation	6,108,547	-	2,093,567	-	-	-	8,202,114
Assets subject to depreciation - Net	18,002,463	8,546,950	22,945,195	-	-	-	49,494,608
Total assets	27,589,124	18,731,362	27,292,507	5,343,101	9,683	157,260	79,123,037
Liabilities							
Accounts payable	69,901	35,364	6,395	82,320	-	345	194,325
Due to other governmental units	-	-	-	237,787	-	-	237,787
Accrued liabilities and other - Accrued salaries and wages	703	-	-	-	-	-	703
Provision for property tax refunds	741	626	-	3,558	-	2,225	7,150
Noncurrent liabilities - Long-term debt	-	-	-	572,750	-	-	572,750
Total liabilities	71,345	35,990	6,395	896,415	-	2,570	1,012,715
Deferred Inflows of Resources -							
Property taxes levied for subsequent year	599,787	796,585	-	85,882	-	71,699	1,553,953
Net Position							
Net investment in capital assets	24,111,010	8,546,950	25,038,762	-	-	-	57,696,722
Unrestricted	2,806,982	9,351,837	2,247,350	4,360,804	9,683	82,991	18,859,647
Total net position	<u>\$ 26,917,992</u>	<u>\$ 17,898,787</u>	<u>\$ 27,286,112</u>	<u>\$ 4,360,804</u>	<u>\$ 9,683</u>	<u>\$ 82,991</u>	<u>\$ 76,556,369</u>

City of Auburn Hills, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
TIFA A	\$ 1,465,211	\$ 49,690	\$ 250	\$ -
TIFA B	1,054,384	-	-	-
TIFA D	1,123,287	-	-	-
Brownfield Authority	1,394,702	-	-	-
Economic Development Authority	214	-	-	-
Downtown Development Authority	11,947	990	-	-
Total	\$ 5,049,745	\$ 50,680	\$ 250	\$ -

General revenue:

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

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended December 31, 2017

Net (Expense) Revenue and Changes in Net Position						
TIFA A	TIFA B	TIFA D	Brownfield Authority	Economic Development Authority	Downtown Development Authority	Total
\$ (1,415,271)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,415,271)
-	(1,054,384)	-	-	-	-	(1,054,384)
-	-	(1,123,287)	-	-	-	(1,123,287)
-	-	-	(1,394,702)	-	-	(1,394,702)
-	-	-	-	(214)	-	(214)
-	-	-	-	-	(10,957)	(10,957)
(1,415,271)	(1,054,384)	(1,123,287)	(1,394,702)	(214)	(10,957)	(4,998,815)
879,142	1,152,644	1,799	392,179	-	60,417	2,486,181
182,142	146,511	601,122	6,155	-	-	935,930
11,359	62,940	10,338	34,286	-	-	118,923
7,651	-	-	-	-	-	7,651
1,080,294	1,362,095	613,259	432,620	-	60,417	3,548,685
(334,977)	307,711	(510,028)	(962,082)	(214)	49,460	(1,450,130)
27,252,969	17,591,076	27,796,140	5,322,886	9,897	33,531	78,006,499
\$ 26,917,992	\$ 17,898,787	\$ 27,286,112	\$ 4,360,804	\$ 9,683	\$ 82,991	\$ 76,556,369

Note 1 - Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Auburn Hills, Michigan:

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

Tax Increment Finance Authorities (TIFA)

The TIFAs are governed by a nine-member board. The board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the TIFA board, as the City Council approves the TIFA budgets. The TIFAs were created to finance infrastructure improvements within certain boundaries of the City.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority is governed by a five-member board. The board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the Brownfield board, as the City Council approves the Brownfield Redevelopment Authority budget. The five-member board is composed of one member of the City Council and four citizens at-large. The Brownfield Redevelopment Authority was created to provide a means for financing remediation of Brownfield (environmentally contaminated) sites within the City.

Economic Development Corporation (EDC)

The EDC is governed by a nine-member board. This board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the EDC, as the City Council approves the EDC budget. The EDC was created to provide a means and method for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The EDC may issue industrial revenue bonds as a means of providing financing for certain enterprises.

Downtown Development Authority (DDA)

The Downtown Development Authority is governed by a nine-member board. This board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the DDA, as the City Council approves the DDA budget. The DDA was created to provide a means and method for the encouragement of development in the downtown district of the City.

Although no separate financial statements are prepared for the component units, all financial information can be obtained from the City's finance department.

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.

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. On 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. 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 we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Major and Local Streets Fund, which is used to account for funds received from the State of Michigan in accordance with the provisions of Act 51 of 1951 to be used for major and local road maintenance. The fund is also supported by transfers from the General Fund to meet the City's major and local road maintenance needs.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

- The Capital Projects Fund is used to account for bond proceeds and funds spent on road and traffic improvements.
- The Special Assessment Debt Service Fund is used to account for special assessment revenue, which is used to pay principal and interest payments on the special assessment bonds.

Additionally, the City reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

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 & Sewer Fund provides water to customers and disposes of sanitary sewage for residents and commercial enterprises of the City on a user charge basis.
- The Fieldstone Golf Club Fund is used to account for the operations of the City's municipal golf course. This fund is funded primarily through user fees charged to individuals using these facilities.

The City's internal service funds are used to record the financing of services provided by the City to other departments and funds on a cost reimbursement basis. The internal service funds are accounted for on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

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

- The Pension System, which accumulates resources for pension benefit payments to retirees
- The Retiree Health Care Plan, which accumulates resources for future retiree healthcare payments to retirees
- The Agency Fund, which is used to account for assets held by the City as an agent for other governments of other funds. 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.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

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

Basis of Accounting

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

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow." In addition, property taxes collected in December of the current year are available; however, those taxes were levied for the following year's budget; therefore, this revenue has also been shown as a deferred inflow.

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

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand and short-term investments with a maturity of three months or less when acquired. Pooled investment income is generally allocated to each fund using a weighted average.

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. Investments that do not have an established market value are reported at estimated fair value as determined based on the City's share of the audited net asset values of the investment.

Note 1 - Significant Accounting Policies (Continued)

The pension and OPEB trust include investments valued at approximately \$41.7 million (approximately 80 percent of pension assets) and approximately \$12.7 million (approximately 48 percent of OPEB assets), respectively, whose fair values are not publicly traded and, therefore, do not always have a readily determinable market value at year end. Management's estimates of these values are based on the City's share of NAV of the related investment company. 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 existed. The difference could be material.

Inventories and Prepaid Items

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

Restricted Assets

Assets have been restricted in the primary government, as they represent assets held by the Auburn Hills Community Foundation; Oakland County, Michigan; and North Oakland County Water Authority to be applied against future payment obligations of the City. See Note 5 for additional discussion.

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. The City adopted a dollar cost threshold of \$25,000 for capital asset classes pertaining to water/sewer infrastructure/mains, buildings, and roads. The threshold for all other capital asset classes is \$5,000. All capital asset classes must have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City uses a full year of depreciation in the first year of service. Donated capital assets are recorded at estimated acquisition cost 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.

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

	Depreciable Life - Years
Water and sewer mains	50
Vehicles	3-5
Officer furniture and equipment	3-5
Machinery and equipment	5
Buildings and improvements	30-35
Roads	40
Storm drains	50

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

The City reports the following deferred outflows of resources and deferred inflows of resources:

	Outflows	Inflows
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred pension costs (or cost reductions)	✓	✓
Property taxes levied for the following year		✓

Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable, where applicable. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another resolution) 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, city manager, assistant city manager, and deputy finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

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

The City's 2017 property tax revenue was levied and collectible on December 1, 2017 and is recognized as revenue in the year ending December 31, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

The 2016 taxable valuation of the City totaled \$1,474 million (ad valorem only). A portion of the City's taxable value is abated and a portion is captured by the TIFAs, Brownfield Authority, and DDA. These authorities have tax levies both on the December and July property tax bills. The 2017 taxable valuation, which was levied on July 1 and recognized in the current year, totaled \$110.6 million captured by the TIFAs, \$6.2 million captured by the Brownfield Authority, and \$5.9 million taxable value captured by the DDA. Dollars of taxes were recognized as revenue as follows (excludes penalties, interest, and administrative fees):

Purpose	Millage Rate	Revenue
General operating	2.1100	\$ 3,740,000
Fire department	2.5000	3,586,000
Police department	5.9857	8,586,000
Captured property taxes		2,486,000
Total		<u>\$ 18,398,000</u>

Pension

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

Other Postemployment Benefit Costs

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

Compensated Absences (Leave Time)

City employees are granted leave time in varying amounts based on length of service. Leave time is accrued and fully vested when earned; upon termination, employees are paid accumulated vacation at full rates to a limit of their maximum accrual, which varies by bargaining unit.

All leave time is accrued when incurred in the government-wide and proprietary 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 & Sewer Fund, primarily) are used to liquidate obligations.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the Auburn Hills Retiree Health Care Plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2018.

In November 2016, the GASB issued 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 2019 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2020.

December 31, 2017

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 requires additional disclosures related to debt and 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 December 31, 2019.

Note 2 - Stewardship, Compliance, and Accountability

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 January 1, 2017		\$	(3,561,688)
Current year permit revenue			2,425,355
Related expenses:			
Direct costs	\$	960,182	
Estimated indirect costs		302,362	1,262,544
Current year surplus			1,162,811
Cumulative shortfall December 31, 2017		\$	(2,398,877)

Note 3 - Deposits and Investments

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

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Cash and investments	\$ 37,713,178	\$ 27,883,500	\$ 73,343,165	\$ 19,958,128
Restricted cash	5,334,680	-	-	-
Total deposits and investments	\$ 43,047,858	\$ 27,883,500	\$ 73,343,165	\$ 19,958,128

These amounts are classified into the following deposits and investment categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Deposits	\$ 17,818,322	\$ 11,881,166	\$ 4,782,579	\$ 5,348,003
Investments reported at fair value:				
Oakland County - LGIP	3,439,937	1,432,542	-	410,635
Michigan CLASS	5,825,191	3,425,529	-	503,646
Investment managers	15,964,408	11,144,263	68,560,586	13,695,844
Total	\$ 43,047,858	\$ 27,883,500	\$ 73,343,165	\$ 19,958,128

December 31, 2017

Note 3 - Deposits and Investments (Continued)

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

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

The City adopted Public Act 149 of 1999, which allows the City to invest retiree healthcare funds in more diversified investment asset classes as allowed under Michigan Public Act 314 of 1965, as amended.

The City has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, CDs, commercial paper, and municipal bonds. The City's deposits and investment policies are in accordance with statutory authority. The City's treasurer periodically submits recommendations for approved depository banks and credit unions to the City Council. The recommendations are based on external rating services and recommendations by the City's external cash fund managers. Additionally, the City participates in the Oakland County Local Government Investment Pool and the Michigan CLASS investment pool. The investment pools are not subject to regulatory oversight, are not registered with the SEC, and do not issue a separate financial report. The fair value of the position in the pools is the same as the value of the pool shares.

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's investment policy restricts depository accounts to federally insured institutions located within the state of Michigan (consistent with state law). At year end, the City had \$28,913,174 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes \$7,441,794 of a fiduciary trust fund and \$9,737 of component unit deposits. 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.

The City contracts one investment manager to manage a portion of the City's surplus operating cash. The funds placed under the investment manager represent commingled funds of the primary government, component unit funds, and an internal service fund. Investments held by the investment manager at December 31, 2017 by the custodial bank include U.S. Treasuries of \$10,578,367, U.S. agency securities of \$29,148,401, and commercial paper of \$1,077,747. The investments held by the investment managers include \$13,695,844 of component unit investments.

December 31, 2017

Note 3 - Deposits and Investments (Continued)

As noted above, the City participates in the Oakland County Local Government Investment Pool and the Michigan CLASS investment pool. As of December 31, 2017, the City's investment in the Oakland County investment pool was \$5,283,114, which includes \$410,635 of component unit investments. As of December 31, 2017, the City's investment in the Michigan CLASS investment pool was \$18,840,748, which includes \$503,646 of component unit investments.

In addition to the governmental fund bank deposits noted above, the City had cash and investments held in trust by a custodial bank as a part of the City's Pension Trust and Retiree Health Care Trust program. The fund's cash and investments stated at market value were \$52,350,059 and \$18,052,029 in the Pension Trust and Retiree Health Care Trust, respectively, as of December 31, 2017.

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 the average maturity of investments to two years, with the exception of long-term debt or capital fund investments, which may be invested in securities matched to cash flow requirements with a maximum of five years. The City's pension and retiree healthcare investment policies restrict cash equivalents to a dollar-weighted average maturity of 90 days or less.

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

Primary Government (includes component unit investments)	Carrying Value	Less Than One Year	One to Three Years
U.S. government agency	\$ 29,148,401	\$ 8,344,184	\$ 20,804,217
Commercial paper	1,077,747	1,077,747	-
U.S. Treasuries	10,578,367	2,361,130	8,217,237
Oakland County - Investment pool	5,283,114	-	5,283,114
Michigan CLASS - Investment pool	18,840,748	18,840,748	-
Total	<u>\$ 64,928,377</u>	<u>\$ 30,623,809</u>	<u>\$ 34,304,568</u>
Fiduciary Funds		Carrying Value	One to Five Years
Mutual funds - Fixed income		\$ 4,127,837	\$ 4,127,837
Commingled funds - Fixed income		11,767,505	11,767,505
Total		<u>\$ 15,895,342</u>	<u>\$ 15,895,342</u>

December 31, 2017

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's general investment policy also limits investments to: commercial paper to the highest rating (A-I/P-I); bankers' acceptances whose long-term debt rating is at least an A; obligations of the State or its political subdivisions to the highest rating (A-I/P-I); or pooled funds with a rating of at least an A. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government (includes component unit investments)			
U.S. government agency	\$ 29,148,401	AA+	S&P
Commercial paper	1,077,747	A-1	S&P
U.S. Treasuries	10,578,367	AA+	S&P
Oakland County - Investment pool	5,283,114	Not rated	
Michigan CLASS - Investment pool	18,840,748	AAAm	S&P
Total	<u>\$ 64,928,377</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Mutual funds - Fixed income	\$ 4,127,837	Aa3	Moody's
Commingled funds - Fixed income	11,767,505	Aa3	Moody's
Total	<u>\$ 15,895,342</u>		

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.

December 31, 2017

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of December 31, 2017:

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Assets				
Debt securities:				
U.S. Treasuries	\$ 10,578,367	\$ -	\$ -	\$ 10,578,367
U.S. government agency	-	29,148,401	-	29,148,401
Mutual funds - Fixed income	4,127,837	-	-	4,127,837
Total debt securities	14,706,204	29,148,401	-	43,854,605
Equity securities:				
Common stock	12,769,395	-	-	12,769,395
Foreign stock	656,349	-	-	656,349
Real estate stocks	764,421	-	-	764,421
Total equity securities	14,190,165	-	-	14,190,165
Total investments by fair value level	<u>\$ 28,896,369</u>	<u>\$ 29,148,401</u>	<u>\$ -</u>	58,044,770
Investments measured at net asset value (NAV):				
Oakland County Local Government Investment Pool				5,283,114
Michigan CLASS - Investment pool				18,840,748
Commingled funds				34,204,789
Multistrategy hedge funds				5,178,168
Private real estate funds				10,859,628
Total investments measured at NAV				<u>74,366,447</u>
Total assets				<u>\$ 132,411,217</u>

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

The fair values of U.S. government agency securities at December 31, 2017 were determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using interactive data, which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

December 31, 2017

Note 3 - Deposits and Investments (Continued)

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.

At December 31, 2017, 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
Oakland County Local Government				
Investment Pool	\$ 5,283,114	\$ -	No restrictions	None
Michigan CLASS	18,840,748	-	No restrictions	None
Commingled funds	34,204,789	-	Daily - Monthly	Daily - 15 days
Multi-strategy hedge funds	5,178,168	-	None - Quarterly	None - 95 days
Private real estate funds	10,859,628	1,508,770	None - Quarterly	None - 10 days
	<u>\$ 74,366,447</u>	<u>\$ 1,508,770</u>		
Total				

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB No. 79 to report its value for financial reporting purposes at amortized cost.

Commingled Funds - This type includes three commingled funds that invest in publicly traded domestic equity, international equity, or fixed income. Forty percent of the assets can be redeemed on a daily basis. All of the underlying securities within the commingled funds carry a Level 1 or Level 2 valuation.

The Multistrategy Hedge Funds - This type invests in three hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in approximately 44 percent global stocks, 28 percent global fixed income, and 28 percent balanced/global macro. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

Private Real Estate - This type includes four real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the plan's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next one to eight years. One hundred percent of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. Approximately 25 percent of the assets are able to be liquidated via a quarterly redemption queue. The balance of the assets will be liquidated as underlying properties are sold or the investee fund's management approves of the buyer before the sale of the investments can be completed.

December 31, 2017

Note 4 - Receivables

Receivables as of December 31, 2017 for the City's governmental activities, business-type activities, and component units, are as follows:

	Governmental Activities	Business-type Activities	Component Units
Receivables:			
Property taxes receivable	\$ 12,290,735	\$ -	\$ 1,225,400
Special assessments receivable	1,603,042	-	-
Customer receivables	524,131	3,328,883	-
Other receivables	31,348	-	237,787
Due from other governments	2,465,088	-	-
Net receivables	<u>\$ 16,914,344</u>	<u>\$ 3,328,883</u>	<u>\$ 1,463,187</u>

Note 5 - Restricted Assets

Restricted assets in the governmental activities represent cash held by the Auburn Hills Community Foundation (the "Foundation") in the amount of \$562,614 that is reflective of donations made to the Foundation for the benefit of the City that are restricted to the City's amphitheater and splash pad projects. Additionally, restricted assets in the amount of \$5,334,680 are reflective of the unspent bond proceeds recorded in the Capital Projects Fund.

Restricted assets in the business-type activities are composed of the City's unspent bond proceeds held by Oakland County, Michigan (the "County") for the improvement of the water and sewer system in the amount of \$474,040. The County holds these monies to apply against future water and sewer system construction for the City. Additionally, restricted assets include a deposit held by North Oakland County Water Authority (NOCWA) in the amount of \$776,610. NOCWA is holding the deposit to cover future water expenses.

Note 6 - Deferred Inflows/Outflows of Resources

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

	Governmental Activities	Business-type Activities
Pension related (Note 12)	\$ 487,934	\$ 35,515

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

	Governmental Funds	Governmental Activities	Business-type Activities	Component Units
Property taxes levied for the next fiscal year	\$ 15,859,264	\$ 15,859,264	\$ -	\$ 1,553,953
Special assessments - Unavailable	1,594,412	-	-	-
Grant and other revenue - Unavailable	339,282	-	-	-
Pension related (Note 12)	-	1,792,521	130,467	-
Total deferred inflows of resources	<u>\$ 17,792,958</u>	<u>\$ 17,651,785</u>	<u>\$ 130,467</u>	<u>\$ 1,553,953</u>

December 31, 2017

Note 7 - Capital Assets

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

Governmental Activities

	Balance January 1, 2017	Reclassifications	Additions	Disposals	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 5,608,136	\$ -	\$ 40,855	\$ -	\$ 5,648,991
Construction in progress	93,320	(71,962)	613,459	-	634,817
Subtotal	5,701,456	(71,962)	654,314	-	6,283,808
Capital assets being depreciated:					
Roads	76,081,092	71,962	3,237,479	-	79,390,533
Storm drains	7,713,816	-	-	-	7,713,816
Buildings and improvements	18,959,179	-	-	-	18,959,179
Machinery and equipment	8,206,403	-	415,432	(160,854)	8,460,981
Vehicles	7,231,205	-	657,174	(757,270)	7,131,109
Office furnishings and equipment	1,313,592	-	16,540	-	1,330,132
Land improvements	8,900	-	-	-	8,900
Subtotal	119,514,187	71,962	4,326,625	(918,124)	122,994,650
Accumulated depreciation:					
Roads	32,484,563	-	2,029,423	-	34,513,986
Storm drains	2,041,139	-	153,894	-	2,195,033
Buildings and improvements	11,238,136	-	655,495	-	11,893,631
Machinery and equipment	6,926,373	-	629,468	(160,854)	7,394,987
Vehicles	6,279,827	-	655,901	(749,480)	6,186,248
Office furnishings and equipment	1,244,681	-	41,395	-	1,286,076
Land improvements	2,670	-	593	-	3,263
Subtotal	60,217,389	-	4,166,169	(910,334)	63,473,224
Net capital assets being depreciated	59,296,798	71,962	160,456	(7,790)	59,521,426
Net governmental activities capital assets	\$ 64,998,254	\$ -	\$ 814,770	\$ (7,790)	\$ 65,805,234

December 31, 2017

Note 7 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2017	Reclassifications	Additions	Disposals	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 8,325,776	\$ -	\$ -	\$ -	\$ 8,325,776
Construction in progress	850,442	(42,833)	742,742	-	1,550,351
Subtotal	9,176,218	(42,833)	742,742	-	9,876,127
Capital assets being depreciated:					
Water and sewer mains	82,287,526	42,833	789,971	-	83,120,330
Buildings and improvements	10,650,199	-	-	-	10,650,199
Machinery and equipment	2,903,955	-	57,668	-	2,961,623
Subtotal	95,841,680	42,833	847,639	-	96,732,152
Accumulated depreciation:					
Water and sewer mains	26,551,296	-	1,884,700	-	28,435,996
Buildings and improvements	5,698,039	-	392,379	-	6,090,418
Machinery and equipment	2,759,436	-	92,503	-	2,851,939
Subtotal	35,008,771	-	2,369,582	-	37,378,353
Net capital assets being depreciated	60,832,909	42,833	(1,521,943)	-	59,353,799
Net business-type activity capital assets	\$ 70,009,127	\$ -	\$ (779,201)	\$ -	\$ 69,229,926

December 31, 2017

Note 7 - Capital Assets (Continued)

Capital asset activity for the City's component units at December 31, 2017 is as follows:

Component Units

	Balance January 1, 2017	Reclassifications	Additions	Disposals	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 7,856,676	\$ -	\$ -	\$ -	\$ 7,856,676
Construction in progress	305,438	-	40,000	-	345,438
Subtotal	8,162,114	-	40,000	-	8,202,114
Capital assets being depreciated:					
Roads	36,051,420	-	-	-	36,051,420
Buildings and improvements	26,650,587	-	-	-	26,650,587
Office furniture and equipment	528,037	-	76,491	-	604,528
Land improvements	7,134,407	-	-	-	7,134,407
Subtotal	70,364,451	-	76,491	-	70,440,942
Accumulated depreciation:					
Roads	9,026,311	-	956,039	-	9,982,350
Buildings and improvements	7,022,923	-	680,843	-	7,703,766
Office furniture and equipment	458,091	-	63,539	-	521,630
Land improvements	2,451,408	-	287,180	-	2,738,588
Subtotal	18,958,733	-	1,987,601	-	20,946,334
Net capital assets being depreciated	51,405,718	-	(1,911,110)	-	49,494,608
Net capital assets	<u>\$ 59,567,832</u>	<u>\$ -</u>	<u>\$ (1,871,110)</u>	<u>\$ -</u>	<u>\$ 57,696,722</u>

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

Governmental activities:	
General government	\$ 124,926
Public safety	230,381
Public works	2,647,513
Community and economic development	13,798
Internal service	1,149,551
Total governmental activities	<u>\$ 4,166,169</u>
Business-type activities:	
Water & sewer	\$ 2,093,784
Fieldstone Golf Club	275,798
Total business-type activities	<u>\$ 2,369,582</u>
Component unit activities:	
TIFA A	\$ 335,680
TIFA B	821,355
TIFA D	830,566
Total component unit activities	<u>\$ 1,987,601</u>

December 31, 2017

Note 7 - Capital Assets (Continued)

Construction Commitments

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

	Spent to Date	Remaining Commitment
Auburn Road	\$ 124,991	\$ 2,600,009
DPW roof	1,743	631,507
Library roof	274,500	141,360
Pontiac Road and Pontiac Road Water Main	192,889	2,925,000
DPW parking lot	24,600	688,061
Opdyke Water Main	32,029	1,411,096
Total	\$ 650,752	\$ 8,397,033

Note 8 - 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 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:							
State Revolving Fund Loan - Storm Water Management Retrofit (1)	2.50%	\$5,000 - \$10,000	\$ 97,658	\$ -	\$ (5,000)	\$ 92,658	\$ 5,000
State Revolving Fund Loan - Storm Water Management Galloway Drain (1)	2.50%	\$45,000 - \$60,000	705,000	-	(45,000)	660,000	45,000
Capital Improvement Bonds, Series 2017 (LTGO) (2)	3.00%	\$375,000 - \$550,000	-	6,865,000	-	6,865,000	445,000
Special Assessment Bonds, Series 2017 (LTGO) (3)	2.00% - 2.25%	\$125,000 - \$175,000	-	1,665,000	-	1,665,000	125,000
Total principal outstanding			802,658	8,530,000	(50,000)	9,282,658	620,000
Unamortized bond premiums			-	316,145	(3,761)	312,384	-
Total bonds payable			802,658	8,846,145	(53,761)	9,595,042	620,000
Accumulated compensated absences			1,494,263	224,548	(221,947)	1,496,864	189,063
Total governmental activities long-term debt			\$ 2,296,921	\$ 9,070,693	\$ (275,708)	\$ 11,091,906	\$ 809,063

(1) The principal repayment amounts for the SWMR and Galloway Drain projects represent 60 percent of the project costs, while 40 percent of the project costs qualified for principal forgiveness from the American Recovery and Reinvestment Act of 2009. Principal payments on both projects began in April 2011, and the loan repayments are amortized over 20 years with an interest rate of 2.5 percent.

December 31, 2017

Note 8 - Long-term Debt (Continued)

(2) In October 2017, the City issued Capital Improvements Bonds to fund a portion of the City's costs of improvements in three Special Assessment Districts (Pacific Drive, N. Atlantic and Continental Drives, and Deepwood Drive), as well as fund the construction costs of other identified road, building, and facility improvements planned for completion in 2018. The original issue amount was \$6,865,000. The final loan payment related to issuance is expected to be fiscal year 2032.

(3) In October 2017, the City issued Special Assessment Bonds to fund a portion of the City's upfront costs of improvements in three Special Assessment Districts (Pacific Drive, N. Atlantic and Continental Drives, and Deepwood Drive). The original issue amount was \$1,655,000. The final loan payment related to issuance is expected to be fiscal year 2027. Payments on this debt is expected to be made with special assessment revenue collected from benefiting property owners.

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:							
Refunding Bonds, Series 2009 (LTGO) (4)	3.38%		\$ 1,490,000	\$ -	\$ (1,490,000)	\$ -	\$ -
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2010A (5)	2.50%	\$39,010 - \$54,878	685,974	-	(38,183)	647,791	39,010
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2010B (5)	1.50% - 5.90%	\$9,257 - \$17,191	175,378	-	(8,926)	166,452	9,257
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2011A Segment 2 (6)	1.50% - 5.90%	\$44,850 - \$63,318	903,389	-	(43,633)	859,756	44,850
Oakland-Macomb Interceptor Drain - Financing Source not finalized by Oakland County for OMID 2013A Segment 3 (7)	2.00%	\$98,758 - \$133,395	2,068,916	1,550	(96,848)	1,973,618	98,758
State Revolving Fund Loan - Sanitary Sewer Rehabilitation (8)	2.50%	\$55,000 - \$70,000	880,000	-	(55,000)	825,000	55,000
Clinton River Water Resource Recover Facility - Drainage District Drain Bond, Series 2017 (SRF) (9)	2.50%	\$67,743	-	67,743	-	67,743	-
Total principal outstanding			6,203,657	69,293	(1,732,590)	4,540,360	246,875
Unamortized bond premiums			32,768	-	(32,768)	-	-
Total bonds payable			6,236,425	69,293	(1,765,358)	4,540,360	246,875
Accumulated compensated absences			94,515	20,590	(12,692)	102,413	15,254
Total business-type activities long-term debt			\$ 6,330,940	\$ 89,883	\$ (1,778,050)	\$ 4,642,773	\$ 262,129

(4) In September 1999, the City issued Refunding Bonds Series 2009 relative to its Fieldstone Golf Course operations. The proceeds were used to call and retire early the April 1999 bond issue incurred for the Fieldstone Golf Course (original issue amount of \$14,900,000). The 1999 bond issuance was used to defease the original 1996 bond issuance, the proceeds of which were used for the Fieldstone Golf Course land purchase and golf course construction and development. This final payment was made during 2017.

Note 8 - Long-term Debt (Continued)

(5) During 2009, Macomb and Oakland counties jointly established the Oakland-Macomb Interceptor Drain - Drainage District (OMID), an intercounty drainage district, under Chapter 21 of the Drain Code. The OMID was created to acquire, operate, and maintain the Oakland-Macomb Interceptor (OMI); title to the OMI was transferred from the City of Detroit, Michigan to the OMID as part of a settlement agreement with the City of Detroit, Michigan reached in May 2009. The OMID apportioned the responsibility to pay the debt required to finance this project to the participating cities, townships, and villages located in the two counties. The OMID bond debt will be amortized over a 20-year period with an interest rate of 2.5 percent. The OMID 2010B debt has a 45 percent federal interest subsidy, which is reimbursed to the City semiannually.

(6) During 2011, additional bonds (Series 2011A) were issued through the State's revolving fund loans for Segment 2 of the OMID project. The state revolving fund loan is for a 20-year period with a fixed interest rate of 2.5 percent. The City will have a level debt service payment of approximately \$66,400 for principal and interest for the loan duration. The final loan payment related to this issuance will be in fiscal year 2033.

(7) Beginning in 2012 as part of Oakland-Macomb Interceptor Drain project, Oakland County, Michigan commenced with Segment 3 of the project. The tentative estimated cost of this segment is \$65,140,000. The City's pro rata share of the project is approximately 3.47 percent, which resulted in the City's share of the debt being approximately \$2.26 million. The City will have a level debt service payment of approximately \$138,300 for principal and interest for the loan duration. The final loan payment related to this issuance will be in fiscal year 2034.

(8) The principal repayment amounts for the Sanitary Sewer Rehabilitation represent 60 percent of the total project costs, as 40 percent of the project cost qualified for principal forgiveness from the American Recovery and Reinvestment Act of 2009. The first principal payment on this project was paid in April 2011. The loan repayments are amortized over 20 years with an interest rate of 2.5 percent.

(9) During 2017, the Clinton River Water Resource Recovery Facility Drainage District sold Drain Bonds Series 2017 for the Biosolids Handling and Septage Receiving Facility Project that spans the Oakland County community. This debt reflects the City's 6.124 percent share of this project. The final payment related to this debt is expected in 2038.

Component Unit

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable - Michigan Department of Environmental Quality Loan (10)	1.5%	\$49,003-\$56,030	\$ 572,750	\$ -	\$ -	\$ 572,750	\$ -

(10) In 2016, the Brownfield Redevelopment Authority received a loan from the Michigan Department of Environmental Quality (MDEQ) to fund a redevelopment project. The redevelopment project will be completed by a developer. The Brownfield Redevelopment Authority entered into a loan agreement with the developer for the same amount of the MDEQ loan. The developer will draw down the funds from the Brownfield Redevelopment Authority in the future and will repay the loan through tax increment revenue. The Brownfield Redevelopment Authority will start making loan payments to the MDEQ in 2020, and the final loan payment will be in fiscal year 2030.

December 31, 2017

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$180,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 620,000	\$ 269,680	\$ 889,680	\$ 246,875	\$ 106,226	\$ 353,101	\$ -	\$ -	\$ -
2019	600,000	233,790	833,790	319,029	101,583	420,612	-	-	-
2020	610,000	217,640	827,640	261,239	93,797	355,036	56,030	-	56,030
2021	625,000	201,115	826,115	266,027	88,526	354,553	48,279	7,751	56,030
2022	640,000	184,153	824,153	270,612	81,059	351,671	49,003	7,027	56,030
2023-2027	3,387,658	652,000	4,039,658	1,458,193	302,622	1,760,815	256,266	23,884	280,150
2028-2032	2,800,000	207,125	3,007,125	1,395,228	118,894	1,514,122	163,172	4,919	168,091
2033-2037	-	-	-	323,157	9,700	332,857	-	-	-
Total	\$ 9,282,658	\$ 1,965,503	\$ 11,248,161	\$ 4,540,360	\$ 902,407	\$ 5,442,767	\$ 572,750	\$ 43,581	\$ 616,331

Component Units

Excluded from the component unit long-term debt are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. As of December 31, 2017, there were five series of Economic Development Corporation bonds outstanding. The aggregate principal amount outstanding could not be determined. However, the bonds' original issue amounts totaled \$16,850,000.

Note 9 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service Fund - Retiree Health Care	General Fund	\$ 25,535
	Major and Local Streets Fund	1,750
	Water & Sewer Fund	2,099
	Fieldstone Golf Club Fund	350
	Internal Service Fund - Fleet Management	350
	Total Internal Service Fund - Retiree Health Care	30,084
General Fund	Capital Projects Fund	44,287
	Total	\$ 74,371

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

December 31, 2017

Note 9 - Interfund Receivables, Payables, and Transfers (Continued)

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Major and Local Streets Fund	\$ 1,155,000
	Fieldstone Golf Club Fund	1,857,500
	Total General Fund	3,012,500
Wayne-Oakland Disposal Fund	Major and Local Streets Fund	180,000
Capital Projects Fund	General Fund	44,287
	Special Assessment Debt Service Fund	4,133
	Total Capital Projects Fund	48,420
	Total	<u>\$ 3,240,920</u>

The transfers from the General Fund to the Major and Local Streets Fund were necessary to supplement Act 51 funds provided by the State of Michigan for road maintenance. The transfer from the General Fund to the Fieldstone Golf Club Fund was provided to support its operations and meet the state-approved deficit elimination plan for the golf club. The transfer from the Wayne-Oakland Disposal Fund to the Major and Local Streets Fund was made to support additional local street maintenance expenditure. The transfer from the Capital Projects Fund to the General Fund was made for design and engineering expenses incurred in previous years related to the capital projects that were bonded for during 2017. The transfer from the Capital Projects Fund to the Special Assessment Debt Service Fund was made in accordance with the Capital Improvement Bond issuance.

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. The City is self-insured for prescriptions. The City records prescription charges incurred through the end of the fiscal year. In 2004, the City became self-insured for property damage to city vehicles under \$75,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past 10 years.

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

Under the provisions of a contractual agreement signed in 1996 between the City and the Cardell Corporation or its successor corporation, Molex, LLC (collectively, the "Corporations"), the City receives a cash advance to support the operations of the Fieldstone Golf Course when property taxes of specific identified land parcels do not exceed a predetermined amount set forth in the agreement for each fiscal year through 2020. Repayment of this advance is only required when the Fieldstone Golf Club Fund reaches a specified cash balance. During the year, the City reached an agreement with the Corporations to relieve them of making any further advances. As part of the agreement, certain parties may not seek repayment of the advance, but a potential obligation exists with other parties related to the agreement.

Note 11 - Joint Venture

The City is a member of the North Oakland County Water Authority (NOCWA), which provides joint management of the four member communities' water systems. Each of the four member communities appoints one member to the governing body. During the year ended December 31, 2017, the City contributed \$4,585,829 and \$14,153 to pay water and other obligations, respectively. Additionally, during 2015, the City deposited \$776,610 with NOCWA to cover two months worth of expenses in the event the City fails to pay that has been recorded as a restricted asset. There are no financial statements available for the authority for the year ended December 31, 2017.

Note 12 - Pension Plans

Plan Description

The City of Auburn Hills Pension Board of Trustees (the "Pension Board") administers the City of Auburn Hills Employee Pension Plan - a single-employer defined benefit pension plan that provides pensions to all full-time employees hired prior to 1998. The plan is closed to new employees. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the Pension Board, which consists of nine members - the mayor, mayor pro tem, city manager, city clerk, finance director, two public safety members elected by police and fire members of the plan, a public service member elected by public service members of the plan, and a clerical or technical member elected by clerical or technical members of the plan.

The City also established two defined contribution plans for certain employees who meet eligibility requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's first defined contribution plan was established in 1985 as a complementary plan to the defined benefit pension plan. The International City Managers Association (ICMA) administers the plan, and the City Council has authority over plan provisions and contribution requirements. This defined contribution plan is limited to members of the defined benefit pension plan. The plan is closed to employees hired after January 1, 2000. As established by the City Council, the City is required to contribute 4 percent of total salaries for employees who contribute 3 percent. Employees are permitted to make contributions to the plan up to applicable Internal Revenue Code limits. At December 31, 2017, there were 26 active employee participants.

The City established another defined contribution plan in 1998 as an alternative to the defined benefit plan. ICMA administers the plan, and the City Council has authority over plan provisions and contribution requirements. The defined contribution plan is the only plan available to employees hired after January 1, 2000. The City is required to contribute between 9 and 12 percent of total salaries. Employees are permitted to make contributions to the plan up to the applicable Internal Revenue Code limits. At December 31, 2017, there were 184 active employee participants.

In accordance with these defined contribution plan requirements, for both plans, the City contributed \$1,037,221 during the current year and employees contributed \$561,962. Employees are fully vested after five years of service in each plan.

December 31, 2017

Note 12 - Pension Plans (Continued)

Benefits Provided

The City of Auburn Hills Employee Pension Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. 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:

Unit	Multiplier	Max.	Final Avg. Comp.	Member Contribution	COLA (Noncompound)		
					Percent	Start	Max.
Admin	2.65%	80%	Final 5	6%	2.5%	55	15 years
Police officers	2.80%/1% at 25 years	80%	5 highest consecutive	6%	2.5%	50 (a)	15 years
Police command	2.80%	80%	5 highest consecutive	5%	2.5%	50	15 years
Detectives	2.80%	80%	5 highest consecutive	5%	2.5%	50	15 years
Dispatch	2.65%	90.1%	5 highest consecutive	5%	2.5%	55	15 years
IA fire	2.65%	80%	Highest 3 of final 5	6%	2.5%	55	15 years
PT fire	(b)		N/A	0%	N/A		

(a) Normal retirement is either 25 years of service or age 50 with 15 years of service; an officer with 25 years of service could have normal retirement prior to age 50 and would begin receiving benefit increases each January 1 following one year of retirement.

(b) \$5 per month for each year of service prior to January 1, 1988; \$10 per month for each year of service after January 1, 1988.

Deferred Retirement - Annual Amount - Computed as service retirement but based upon service, AFC, and benefit multiplier in effect at termination. Benefits begin at the date retirement would have occurred had the member remained in employment.

Death After Retirement - Annual Amount - Surviving spouse receives the excess of member contributions with interest over the total of benefits paid.

Death in Service - Annual Amount - Surviving beneficiary receives 100 times the projected monthly benefit.

Disability - Annual Amount - With long-term disability - the greater of a member's accrued benefit or 60 percent of the projected benefit, based on AFC at the date of disability and years of service until earliest retirement (payable at age 65). Without long-term disability - the accrued benefit is payable immediately with 10 years of service if age 40.

December 31, 2017

Note 12 - Pension Plans (Continued)

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

	City of Auburn Hills Employee Pension Plan
	<u>December 31, 2017</u>
Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	113
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	<u>23</u>
Total employees covered by the plan	<u><u>150</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, 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 Pension Board in accordance with the City's collective bargaining units. The system contribution from employees is detailed in the table above. For the year ended December 31, 2017, the average active member contribution rate was 55.92 percent of annual pay.

Net Pension Liability

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2017	\$ 64,434,558	\$ 48,806,421	\$ 15,628,137
Changes for the year:			
Service cost	591,358	-	591,358
Interest	3,664,089	-	3,664,089
Differences between expected and actual experience	290,536	-	290,536
Changes in assumptions	5,467,388	-	5,467,388
Contributions - Employer	-	1,034,387	(1,034,387)
Contributions - Employee	-	106,629	(106,629)
Net investment income	-	6,181,445	(6,181,445)
Benefit payments, including refunds	<u>(3,762,724)</u>	<u>(3,762,724)</u>	<u>-</u>
Net changes	<u>6,250,647</u>	<u>3,559,737</u>	<u>2,690,910</u>
Balance at December 31, 2017	<u><u>\$ 70,685,205</u></u>	<u><u>\$ 52,366,158</u></u>	<u><u>\$ 18,319,047</u></u>

The plan's fiduciary net position represents 74.08 percent of the total pension liability.

December 31, 2017

Note 12 - Pension Plans (Continued)

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

For the year ended December 31, 2017, the City recognized pension expense of \$2,767,573, exclusive of the defined contribution plan expenses described above.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,412	\$ -
Changes in assumptions	497,037	-
Net difference between projected and actual earnings on pension plan investments	-	(1,922,988)
Total	\$ 523,449	\$ (1,922,988)

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

Years Ending December 31	Amount
2018	\$ 166,685
2019	(356,763)
2020	(605,814)
2021	(603,651)

Actuarial Assumptions

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

- Inflation: 2.50 percent
- Salary increases (including inflation): 4.5 percent
- Investment rate of return (net of investment expenses): 6.54 percent
- Mortality rates: RP 2014 with Generational Mortality Scale MP 2016
- Cost of Living Adjustments (COLA): 2.5 percent simple payable, for 15 years for future retirees. Current retiree COLA depends on date of retirement.

Discount Rate

The discount rate used to measure the total pension liability was 5.57 percent in the December 31, 2017 valuation. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied only to periods before the crossover, which was projected by the actuary to occur in 2050, after which time the S&P Municipal Bond 20 Year High Grade Index bond rate of 3.04 percent was applied to remaining projected benefits.

Note 12 - Pension Plans (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return as of December 31, 2017 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
Domestic large-cap equity	25.00 %	5.39 %
Domestic small-/mid-cap equity	10.00	5.96
International equity	15.00	5.20
Domestic bonds	30.00	1.98
Real estate	10.00	4.25
Alternative investments	10.00	3.53

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

The following presents the net pension liability of the City, calculated using the discount rate of 5.57 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 (4.57 percent) or 1 percentage point higher (6.57 percent) than the current rate:

	1 Percent Decrease (4.57%)	Current Discount Rate (5.57%)	1 Percent Increase (6.57%)
Net pension liability of the City of Auburn Hills Employee Pension Plan	\$ 27,915,170	\$ 18,319,047	\$ 10,457,783

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position 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 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.

Assumption Changes

- The single discount rate decreased from 5.83 to 5.57 percent for the December 31, 2017 valuation
- Mortality rates were based on the RP 2014 with Generational Mortality Scale MP 2016 for December 31, 2017. For the December 31, 2016 valuation, the RP 2014 Health Annuitant Mortality table was used.
- The expected long-term rate of return decreased slightly from 6.66 to 6.54 percent

December 31, 2017

Note 13 - Other Postemployment Benefits

Plan Description

The City provides retiree healthcare benefits to eligible former City Council members and retired employees and eligible dependents through the Auburn Hills Retiree Health Care Plan. Benefits are provided in accordance with labor contracts and personnel policies. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. At December 31, 2017, the plan has 98 retired members (186 participants with spouses and dependents) and 88 active members. As of January 1, 2012, the plan was closed to new full-time employees.

This is a single-employer defined benefit plan administered by the City of Auburn Hills Retiree Health Care Board. The benefits are provided under collective bargaining agreements (or other legal authority for providing benefits). The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions (or by the employer if not funded through the plan).

Funding Policy

With only a few exceptions, retirees receiving retiree health care are currently not required to make contributions toward healthcare premiums. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of \$1,310,526, plus it contributed \$300,000 into a prefunded retiree healthcare trust fund, which is reported in these financial statements in the Retiree Health Care Trust Fund.

Funding Progress

For the year ended December 31, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,457,864
Interest on the prior year's net OPEB obligation	(99,454)
Less adjustment to the annual required contribution	<u>64,505</u>
Annual OPEB cost	1,422,915
Amounts contributed:	
Payment of current premiums	(1,310,526)
Advance funding	<u>(300,000)</u>
Decrease in net OPEB obligation	(187,611)
OPEB asset - Beginning of year	<u>(1,371,774)</u>
OPEB asset - End of year	<u>\$ (1,559,385)</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Asset
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
December 31, 2017	December 31, 2016	\$ 1,457,864	\$ 1,422,915	110.47 %	113.18 %	\$ (1,559,385)
December 31, 2016	December 31, 2015	1,526,848	1,483,000	84.32	86.82	(1,371,774)
December 31, 2015	December 31, 2014	1,421,536	1,378,196	98.23	101.32	(1,567,270)

December 31, 2017

Note 13 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
December 31, 2017	\$ 18,059,976	\$ 32,014,455	\$ 13,954,479	56.41 %	\$ 7,173,993	194.51 %
December 31, 2016	15,893,109	30,732,164	14,839,055	51.71	7,422,868	199.91
December 31, 2015	14,974,488	30,423,568	15,449,080	49.22	7,842,053	197.00

Actuarial Methods and Assumptions

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

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

In the December 31, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 6.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 10 years. The healthcare cost trend rate included a 5.0 percent inflation assumption. The actuarial value of assets was based on the December 31, 2017 the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was 30 years.

Note 14 - Other Postemployment Benefit Plan

Plan Description

The City provides OPEB to eligible former City Council members and retired employees and eligible dependents. The benefits are provided through the Auburn Hills Retiree Health Care Plan, a single-employer plan administered by the City of Auburn Hills Retiree Health Care Board.

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

Management of the plan is vested in the Retiree Health Care Board, which consists of nine members - the mayor, mayor pro tem, city manager, city clerk, finance director, and four members elected by their constituents (two public safety members, one public service member, and one clerical or technical member).

December 31, 2017

Note 14 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

The Auburn Hills Retiree Health Care Plan provides healthcare, dental, and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and generally the full cost of the benefits is covered by the plan. The City is self-insured for prescriptions, and the full cost of benefits is covered by the plan. As of January 1, 2012, the plan was closed to new entrants.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>Auburn Hills Retiree Health Care Plan</u>
Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	93
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>88</u>
Total plan members	<u><u>186</u></u>

Contributions

The City Code grants the authority to establish and amend the contribution requirements of the City and employees to the board. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the year ended December 31, 2017, the City's amount of contributions was approximately \$1.6 million. Employees are not required to contribute to the plan.

Net OPEB Liability

The City reports OPEB expense based on funding requirements, as directed by GAAB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The City has chosen to use the December 31, 2017 measurement date as its measurement date for the net OPEB liability. The December 31, 2017 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 December 31, 2017 measurement date. The December 31, 2017 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

December 31, 2017

Note 14 - 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 December 31, 2016	\$ 39,915,088	\$ 15,893,109	\$ 24,021,979
Changes for the year:			
Service cost	1,012,637	-	1,012,637
Interest	2,652,607	-	2,652,607
Differences between expected and actual experience	(781,920)	-	(781,920)
Changes in assumptions	600,606	-	600,606
Contributions - Employer	-	1,604,387	(1,604,387)
Net investment income	-	1,866,867	(1,866,867)
Benefit payments, including refunds	(1,304,387)	(1,304,387)	-
Net changes	2,179,543	2,166,867	12,676
Balance at December 31, 2017	<u>\$ 42,094,631</u>	<u>\$ 18,059,976</u>	<u>\$ 24,034,655</u>

The plan's fiduciary net position represents 42.90 percent of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using an investment rate of return (net of investment expenses) of 6.57 percent; a healthcare cost trend rate of 6.0 percent for 2017, decreasing 0.1 percent per year to an ultimate rate of 5 percent for 2027 and later years; and the RP-2014 mortality tables with MP 2016 Generational Mortality. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.57 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the 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.

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 geometric real rates of return as of the December 31, 2017 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:

December 31, 2017

Note 14 - Other Postemployment Benefit Plan (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic large-cap equity	25.00 %	5.39 %
Domestic small-/mid-cap equity	15.00	5.96
International equity	10.00	5.20
Domestic bonds	30.00	1.98
Real estate	10.00	4.25
Alternative investments	10.00	3.53

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 6.57 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 (5.57%)	Current Discount Rate (6.57%)	1 Percent Increase (7.57%)
Net OPEB liability of the Auburn Hills Retiree Health Care Plan	\$ 30,866,392	\$ 24,034,655	\$ 18,585,956

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 6.0 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 (5.00%)	Current Healthcare Cost Trend Rate (6.00%)	1 Percent Increase (7.00%)
Net OPEB liability of the Auburn Hills Retiree Health Care Plan	\$ 18,310,065	\$ 24,034,655	\$ 32,280,357

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in a 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.

December 31, 2017

Note 15 - Other Postemployment Benefits - Health Savings Plan

The City provides retiree healthcare benefits to employees ineligible for the defined benefit retiree healthcare plan through the Retiree Health Savings (RHS) Plan. ICMA Retirement Corporation administers the plan, and the City Council has authority over plan provisions and contribution requirements. The benefits are provided under collective bargaining agreements. The City is required to contribute 3 percent of total salaries, while employees must contribute either 3 percent of their salaries for the administrative group or 5 percent for the participants in the fire, ASFCME, and the police command, detective, and patrol units, not to exceed amounts limited by statute. All employee units are vested after 10 years, with the exception of the fire unit, which is vested after five years with the City.

During the year ended December 31, 2017, the City made contributions of \$79,490 and the plan members contributed \$129,123 to the plan.

Note 16 - Tax Abatements

The City offers property tax incentives to promote economic activity, increase and retain employment, and provide incentives for investment in property that increase the tax base of the City. The more significant property tax abatements, as defined by GASB No. 77, *Tax Abatement Disclosures*, that occurred during fiscal year 2017 are as follows:

The City uses the New Facility Industrial Facilities Exemption Certificate (IFEC) to enter into agreements with local businesses for industrial real property and land improvements, other than a replacement facility to be built or installed in a plant rehabilitation district or industrial development district by an existing business or new business, as provided in PA 198 of 1974. The minimum investment in a facility shall have an estimated construction value of \$2,000,000. Under the program, the City grants reductions of 50 percent of the property tax bill for real property for up to 12 years. As a condition of receiving the IFEC pursuant to city policy, the business agrees to operate the facility for which the certificate is granted for the term of the certificate plus an additional term after the date of expiration of the certificate equal to one year of business residency per abated year. If a business vacates or fails to operate the facility for which the certificate is granted, then it shall be liable for repayment of any property tax savings benefiting the business due to the existence of the certificate, beginning with the initial effective year of the certificate. For the fiscal year ended December 31, 2017, the City abated approximately \$350,000 of taxes under this program.

The City uses the Replacement or Rehabilitation of Obsolete Industrial Property IFEC to enter into agreements with a new or existing business for real property that meets the definition of obsolete property, as contained in the Plant Rehabilitation and Industrial Development Districts PA 198 of 1974, and is included within a plant rehabilitation district and will require restoration or replacement. The planned investment must correct functional obsolescence, and the minimum investment in a facility shall have an estimated construction value of \$2,000,000. Under this program, property tax values may be frozen for up to 12 years. As a condition of receiving the IFEC pursuant to city policy, the business agrees to operate the facility for which the certificate is granted for the term of the certificate plus an additional term after the date of expiration of the certificate equal to one year of business residency per abated year. If a business vacates or fails to operate the facility for which the certificate is granted, then it shall be liable for repayment of any property tax savings benefiting the business due to the existence of the certificate, beginning with the initial effective year of the certificate. For the fiscal year ended December 31, 2017, the City abated approximately \$161,000 of taxes under this program.

Note 16 - Tax Abatements (Continued)

The City uses the New Personal Property Exemption to enter into agreements with businesses located within a specific district in the City, as provided in PA 328 of 1998. Under the program, the City grants reductions of 100 percent of property tax bill for real property for up to 10 years. As a condition of receiving the New Personal Property Exemption, the business agrees to operate the facility for which the certificate is granted for the term of the certificate plus an additional term after the date of expiration of the certificate equal to one year of business residency per abated year. If a business vacates or fails to operate the facility for which the certificate is granted, then it shall be liable for repayment of any property tax savings benefiting the business due to the existence of the certificate, beginning with the initial effective year of the certificate. For the fiscal year ended December 31, 2017, the City abated approximately \$265,000 of taxes under this program.

The City has a payment in lieu of taxes agreement with a business that provides housing for elderly citizens of low and moderate income, which is federally aided or statute authority aided in accordance with the State Housing Development Act of 1966, as provided in PA 346 of 1966. Under this program, the property pays 6 percent of rental income to the City in lieu of taxes. The tax-exempt status of the property shall be rescinded when the authority no longer has an interest in the property. For the fiscal year ended December 31, 2017, the City abated approximately \$38,000 of taxes under this program.

Finally, the Brownfield Redevelopment Authority, a discretely presented component unit, uses Brownfield Redevelopment Agreements under PA 381 of 1996 to capture property taxes within the Brownfield area and then uses those captures to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the City's tax revenue is reduced as this revenue is captured by the Brownfield. For the fiscal year ended December 31, 2017, the Brownfield captured approximately \$392,000 of city taxes, in addition to captures from other taxing jurisdictions. Additionally, this captured Brownfield revenue must, by agreement, be used in part to reimburse developers. Due to the restricted nature of these agreements, the Brownfield essentially must pass on related tax dollars to the developers and, for the purpose of this pronouncement, reimbursed approximately \$490,684 to developers during the year.

Required Supplemental Information

City of Auburn Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 15,319,269	\$ 15,871,761	\$ 15,935,083	\$ 63,322
Special assessments	44,000	44,000	100,570	56,570
Intergovernmental	3,381,878	3,548,883	4,480,809	931,926
Charges for services:				
Construction code fees	813,975	1,529,175	1,898,262	369,087
Charges to other funds	2,491,100	2,593,217	2,593,217	-
User fees	2,372,122	2,569,751	2,575,692	5,941
Licenses and permits	494,604	496,604	537,211	40,607
Investment income	290,468	186,679	186,043	(636)
Other revenue:				
Donations	15,500	11,930	17,411	5,481
Other miscellaneous income	238,994	668,339	384,567	(283,772)
Contract revenue	-	-	762,000	762,000
Total revenue	25,461,910	27,520,339	29,470,865	1,950,526
Expenditures				
Current services:				
General government:				
City Council	137,528	149,862	137,687	12,175
City manager	928,178	863,156	844,644	18,512
Information services	376,406	376,406	332,765	43,641
Finance/Treasurer	712,879	727,308	698,796	28,512
Assessing	650,438	547,839	522,337	25,502
Clerk	313,644	297,274	279,131	18,143
Facilities	1,764,570	1,748,433	1,648,636	99,797
Human resources	262,693	250,638	238,978	11,660
Pension board	77,562	80,785	78,217	2,568
Parks and grounds	1,651,661	1,687,045	1,608,423	78,622
General administration	757,828	795,761	712,283	83,478
Public safety:				
Police - Patrol	5,678,317	5,186,937	5,225,391	(38,454)
Police - Investigations	1,770,439	1,740,176	1,630,053	110,123
Police - Communications	14,379	9,556	9,556	-
Police - Technical services	925,827	738,691	688,356	50,335
Fire - Suppression	3,668,447	3,270,359	3,153,250	117,109
Fire - Prevention	315,560	321,313	310,137	11,176
Police administration	679,054	659,915	679,820	(19,905)
Fire administration	540,868	534,674	517,479	17,195
Building inspections and related	944,500	1,231,980	1,211,182	20,798
Public works:				
Storm water management	406,038	679,264	290,993	388,271
DPW Management Services	632,596	616,875	600,671	16,204
Community and economic development:				
Community Development Administration	264,122	238,170	231,515	6,655
Senior citizens	495,946	501,902	438,276	63,626
Grant expenditures - SMART	42,681	42,463	40,475	1,988
Recreation and culture - Recreation	602,432	589,784	547,601	42,183
Debt service	69,442	69,442	69,441	1
Total expenditures	24,684,035	23,956,008	22,746,093	1,209,915
Excess of Revenue Over Expenditures	777,875	3,564,331	6,724,772	3,160,441
Other Financing Sources (Uses)				
Transfers in	-	-	44,287	44,287
Transfers out	(6,903,740)	(3,012,500)	(3,012,500)	-
Sale of capital assets	-	-	2,331	2,331
Total other financing (uses) sources	(6,903,740)	(3,012,500)	(2,965,882)	46,618
Net Change in Fund Balance	(6,125,865)	551,831	3,758,890	3,207,059
Fund Balance - Beginning of year	25,201,889	25,201,889	25,201,889	-
Fund Balance - End of year	\$ 19,076,024	\$ 25,753,720	\$ 28,960,779	\$ 3,207,059

City of Auburn Hills, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Fund
 Major and Local Streets Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 1,800,901	\$ 1,879,308	\$ 1,955,634	\$ 76,326
Investment income	1,670	1,980	1,955	(25)
Other revenue - Other miscellaneous income	46,768	46,768	25,016	(21,752)
Total revenue	1,849,339	1,928,056	1,982,605	54,549
Expenditures - Current - Public works	8,039,529	3,121,226	2,621,276	499,950
Excess of Revenue Over (Under) Expenditures	(6,190,190)	(1,193,170)	(638,671)	554,499
Other Financing Sources - Transfers in	6,153,740	1,335,000	1,335,000	-
Net Change in Fund Balances	(36,450)	141,830	696,329	554,499
Fund Balances - Beginning of year	408,128	408,128	408,128	-
Fund Balances - End of year	<u><u>\$ 371,678</u></u>	<u><u>\$ 549,958</u></u>	<u><u>\$ 1,104,457</u></u>	<u><u>\$ 554,499</u></u>

City of Auburn Hills, Michigan

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

	Last Four Fiscal Years*			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 591,358	\$ 842,510	\$ 809,483	\$ 381,691
Interest	3,664,089	3,459,438	3,369,628	3,509,763
Differences between expected and actual experience	290,536	(1,807,601)	489,295	72,377
Changes in assumptions	5,467,388	(9,027,540)	(578,372)	1,533,771
Benefit payments, including refunds	<u>(3,762,724)</u>	<u>(3,189,841)</u>	<u>(3,056,599)</u>	<u>(2,661,802)</u>
Net Change in Total Pension Liability	6,250,647	(9,723,034)	1,033,435	2,835,800
Total Pension Liability - Beginning of year	<u>64,434,558</u>	<u>74,157,592</u>	<u>73,124,157</u>	<u>70,288,357</u>
Total Pension Liability - End of year	<u>\$ 70,685,205</u>	<u>\$ 64,434,558</u>	<u>\$ 74,157,592</u>	<u>\$ 73,124,157</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,034,387	\$ 1,093,400	\$ 476,733	\$ 472,439
Contributions - Member	106,629	108,915	126,708	148,282
Net investment income	6,181,445	2,851,238	1,630,824	3,514,376
Benefit payments, including refunds	<u>(3,762,724)</u>	<u>(3,189,841)</u>	<u>(3,056,599)</u>	<u>(2,661,802)</u>
Net Change in Plan Fiduciary Net Position	3,559,737	863,712	(822,334)	1,473,295
Plan Fiduciary Net Position - Beginning of year	<u>48,806,421</u>	<u>47,942,709</u>	<u>48,765,043</u>	<u>47,291,748</u>
Plan Fiduciary Net Position - End of year	<u>\$ 52,366,158</u>	<u>\$ 48,806,421</u>	<u>\$ 47,942,709</u>	<u>\$ 48,765,043</u>
City's Net Pension Liability - Ending	<u>\$ 18,319,047</u>	<u>\$ 15,628,137</u>	<u>\$ 26,214,883</u>	<u>\$ 24,359,114</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.08 %	75.75 %	64.65 %	66.69 %
Covered Employee Payroll	\$ 1,787,161	\$ 2,039,201	\$ 2,250,657	\$ 2,124,477
City's Net Pension Liability as a Percentage of Covered Employee Payroll	1,025.04 %	766.39 %	1,164.77 %	1,146.59 %

* 10 years of data is required; however, only four years of information is presented as additional information is not available.

Required Supplemental Information
Schedule of Pension Contributions

Last Ten Fiscal Years
Years Ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,034,387	\$ 1,093,400	\$ 474,821	\$ 422,149	\$ 675,872	\$ 752,445	\$ 795,296	\$ 1,123,301	\$ 1,699,843	\$ 1,601,259
Contributions in relation to the actuarially determined contribution	1,034,387	1,093,400	476,733	472,439	677,224	821,670	1,095,918	1,541,169	1,625,050	7,963,061
Contribution Excess (Deficiency)	\$ -	\$ -	\$ 1,912	\$ 50,290	\$ 1,352	\$ 69,225	\$ 300,622	\$ 417,868	\$ (74,793)	\$ 6,361,802
Covered Employee Payroll	\$ 1,787,161	\$ 2,039,201	\$ 2,250,657	\$ 2,124,477	\$ 2,823,161	\$ 3,213,855	\$ 3,306,696	\$ 3,747,622	\$ 4,044,637	\$ 4,441,536
Contributions as a Percentage of Covered Employee Payroll	57.88 %	53.62 %	21.18 %	22.24 %	23.99 %	25.57 %	33.14 %	41.12 %	40.18 %	179.29 %

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, the year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate as of December 31, 2007, entry age prior to December 31, 2007
Amortization method	N/A
Remaining amortization period	Remaining working lifetime
Asset valuation method	Market
Inflation	4.5 percent
Salary increase	4.50 percent including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, 7.5 percent prior to 2015
Mortality	RP 2014 Healthy Annuitant Mortality Table
Other information	The investment rate of return was reduced from 7.5 percent to 7.25 percent during 2015.

City of Auburn Hills, Michigan

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

**Last Four Fiscal Years*
Years Ended December 31**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	16.92 %	6.30 %	3.90 %	7.60 %

* 10 years of data is required; however, only four years of information is presented as additional information is not available.

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

	Last Fiscal Year*
	2017
Total OPEB Liability	
Service cost	\$ 1,012,637
Interest	2,652,607
Differences between expected and actual experience	(781,920)
Changes in assumptions	600,606
Benefit payments, including refunds	(1,304,387)
Net Change in Total OPEB Liability	2,179,543
Total OPEB Liability - Beginning of year	39,915,088
Total OPEB Liability - End of year	\$ 42,094,631
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,604,387
Net investment income	1,866,867
Benefit payments, including refunds	(1,304,387)
Net Change in Plan Fiduciary Net Position	2,166,867
Plan Fiduciary Net Position - Beginning of year	15,893,109
Plan Fiduciary Net Position - End of year	\$ 18,059,976
Net OPEB Liability - Ending	\$ 24,034,655
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	42.90 %
Covered Employee Payroll	\$ 7,173,993
Net OPEB Liability as a Percentage of Covered Employee Payroll	335.02 %

* 10 years of data is required; however, only four years of information is presented as additional information is not available.

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,457,864	\$ 1,526,848	\$ 1,421,536	\$ 1,179,856	\$ 1,039,846	\$ 1,081,247	\$ 1,065,670	\$ 1,219,653	\$ 1,392,647	\$ 1,235,544
Contributions in relation to the actuarially determined contribution	1,604,387	1,287,504	1,396,382	1,570,268	966,251	1,039,766	1,226,681	1,357,025	1,571,635	1,897,135
Contribution Excess (Deficiency)	\$ 146,523	\$ (239,344)	\$ (25,154)	\$ 390,412	\$ (73,595)	\$ (41,481)	\$ 161,011	\$ 137,372	\$ 178,988	\$ 661,591
Covered Employee Payroll	\$ 7,173,993	\$ 7,422,868	\$ 7,842,053	\$ 8,022,211	\$ 8,918,032	\$ 9,351,137	\$ 8,663,837	\$ 9,591,993	\$ 10,030,044	\$ 10,277,834
Contributions as a Percentage of Covered Employee Payroll	22.36 %	17.35 %	17.81 %	19.57 %	10.83 %	11.12 %	14.16 %	14.15 %	15.67 %	18.46 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	Market
Healthcare cost trend rates	5.0 percent
Salary increase	4.5 percent
Investment rate of return	7.25 percent
Mortality	RP 2014 Healthy Annuitant Table

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

**Last Fiscal Year*
Year Ended December 31**

2017

Annual money-weighted rate of return - Net of investment expense 5.89 %

* 10 years of data is required; however, only four years of information is presented as additional information is not available.

Required Supplemental Information
Schedule of OPEB Funding Progress

Years Ended December 31

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
December 31, 2017	\$ 18,059,976	\$ 32,014,455	\$ 13,954,479	56.41 %	\$ 7,173,993	194.51 %
December 31, 2016	15,893,109	30,732,164	14,839,055	51.71	7,422,868	199.91
December 31, 2015	14,974,488	30,423,568	15,449,080	49.22	7,842,053	197.00

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2017, the latest actuarial valuation, follows:

Amortization method	Market
Amortization period (perpetual)	16 years
Asset valuation method	7.25 percent
Actuarial assumptions:	
Investment rate of return	5.0 percent
Projected salary increases	4.5-8.5 percent
*Includes inflation at	4.5 percent
Cost-of-living adjustments	None

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first Monday in August, city departments, in conjunction with the finance office, prepare and submit their proposed operating budgets for the year beginning January 1 to the city manager.
2. The city manager compiles and reviews such budget requests and then prepares recommendations and submits them to the City Council on or before September 1 of each year.
3. A public hearing is conducted to obtain taxpayers' comments.
4. No later than the first Monday in November, the budget is legally enacted through council passage for the budget resolutions.
5. After the budget is adopted, any revisions that alter total expenditure of a department or fund must be approved by the City Council.

The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations) for the General Fund and the fund total level for all other funds.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. 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 that were in excess of the amounts budgeted, as follows:

	Budget		Actual		Variance
General Fund:					
Police - Patrol	\$ 5,186,937	\$	5,225,391	\$	(38,454)
Police administration	659,915		679,820		(19,905)

Pension Information

Changes in Assumptions

1. The long-term assumed rate of return was decreased from 6.66 to 6.54 percent.
2. The mortality tables were adjusted. The pension plan moved from using the RP 2014 Healthy Annuitant Mortality table to RP 2014 with Generational Mortality Scale MP 2016.
3. The single discount rate was decreased from 5.83 to 5.57 percent.

OPEB Information

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Other Supplemental Information

Other Supplemental Information
 Combining Balance Sheet
 Nonmajor Governmental Funds

December 31, 2017

	Nonmajor Special Revenue Funds					Total
	Metro Act	Wayne-Oakland Disposal	Tree Ordinance	State and Federal Drug Forfeiture	CDBG Fund	
Assets						
Cash and investments	\$ 468,946	\$ 321,117	\$ 552,745	\$ 109,679	\$ 10,560	\$ 1,463,047
Receivables	-	-	-	-	12,126	12,126
Total assets	\$ 468,946	\$ 321,117	\$ 552,745	\$ 109,679	\$ 22,686	\$ 1,475,173
Liabilities						
Accounts payable	\$ 13,917	\$ 25	\$ 69	\$ -	\$ 475	\$ 14,486
Refundable deposits and bonds	-	-	21,830	-	-	21,830
Total liabilities	13,917	25	21,899	-	475	36,316
Fund Balances						
Restricted:						
Police grants and forfeitures	-	-	-	109,679	-	109,679
Metro act	455,029	-	-	-	-	455,029
Tree ordinance	-	-	530,846	-	-	530,846
Community development block grant	-	-	-	-	22,211	22,211
Committed	-	321,092	-	-	-	321,092
Total fund balances	455,029	321,092	530,846	109,679	22,211	1,438,857
Total liabilities and fund balances	\$ 468,946	\$ 321,117	\$ 552,745	\$ 109,679	\$ 22,686	\$ 1,475,173

City of Auburn Hills, Michigan

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

Year Ended December 31, 2017

	Special Revenue Funds					Total
	Metro Act	Wayne- Oakland Disposal	Tree Ordinance	State and Federal Drug Forfeiture	CDBG Fund	
Revenue						
Intergovernmental:						
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 71,439	\$ 71,439
State sources - State-shared revenue	71,561	-	-	-	-	71,561
Charges for services	-	257,466	1,050	-	-	258,516
Fines and forfeitures	-	-	-	46,392	-	46,392
Investment income	4,362	1,664	4,273	-	-	10,299
Total revenue	75,923	259,130	5,323	46,392	71,439	458,207
Expenditures						
Current services:						
Public safety	-	-	-	11,874	-	11,874
Public works	186,648	36,758	21,000	-	-	244,406
Community and economic development	-	-	-	-	65,764	65,764
Total expenditures	186,648	36,758	21,000	11,874	65,764	322,044
Excess of Revenue (Under) Over Expenditures	(110,725)	222,372	(15,677)	34,518	5,675	136,163
Other Financing Uses - Transfers out	-	(180,000)	-	-	-	(180,000)
Net Change in Fund Balances	(110,725)	42,372	(15,677)	34,518	5,675	(43,837)
Fund Balances - Beginning of year	565,754	278,720	546,523	75,161	16,536	1,482,694
Fund Balances - End of year	\$ 455,029	\$ 321,092	\$ 530,846	\$ 109,679	\$ 22,211	\$ 1,438,857

City of Auburn Hills, Michigan

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

December 31, 2017

	Fleet Management	Retiree Health Care	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 4,127,702	\$ 381,136	\$ 4,508,838
Due from other funds	-	30,084	30,084
Prepaid expenses and other assets	954	1,163	2,117
Total current assets	4,128,656	412,383	4,541,039
Noncurrent assets -			
Capital assets:			
Assets not subject to depreciation	68,741	-	68,741
Assets subject to depreciation - Net	1,777,773	-	1,777,773
Total noncurrent assets	1,846,514	-	1,846,514
Total assets	5,975,170	412,383	6,387,553
Liabilities			
Current liabilities:			
Accounts payable	29,426	-	29,426
Due to other funds	350	-	350
Accrued liabilities and other	3,815	849	4,664
Compensated absences	3,518	-	3,518
Total current liabilities	37,109	849	37,958
Noncurrent liabilities - Compensated absences	21,934	-	21,934
Total liabilities	59,043	849	59,892
Net Position			
Net investment in capital assets	1,846,514	-	1,846,514
Unrestricted	4,069,613	411,534	4,481,147
Total net position	\$ 5,916,127	\$ 411,534	\$ 6,327,661

City of Auburn Hills, Michigan

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

Year Ended December 31, 2017

	Fleet Management	Retiree Health Care	Total Internal Service Funds
Operating Revenue			
Other operating income	\$ 6,334	\$ -	\$ 6,334
Charges to other funds	2,053,298	1,446,213	3,499,511
Total operating revenue	2,059,632	1,446,213	3,505,845
Operating Expenses			
Supplies	354,743	-	354,743
Contracted services	120,424	36,204	156,628
Salaries and wages	133,610	-	133,610
Fringe benefits	66,503	1,571,337	1,637,840
Other operating expenses	358,929	-	358,929
Depreciation	1,149,551	-	1,149,551
Total operating expenses	2,183,760	1,607,541	3,791,301
Operating Loss	(124,128)	(161,328)	(285,456)
Nonoperating Revenue			
Investment income	22,414	-	22,414
Gain on sale of assets	266,763	-	266,763
Total nonoperating revenue	289,177	-	289,177
Change in Net Position	165,049	(161,328)	3,721
Net Position - Beginning of year	5,751,078	572,862	6,323,940
Net Position - End of year	\$ 5,916,127	\$ 411,534	\$ 6,327,661

**Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds**

Year Ended December 31, 2017

	Fleet Management	Retiree Health Care	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 2,053,204	\$ 1,457,863	\$ 3,511,067
Payments to suppliers	(566,777)	(36,204)	(602,981)
Payments to employees and fringes	(199,095)	(1,571,539)	(1,770,634)
Payments to other funds	(270,559)	-	(270,559)
Other receipts	6,334	-	6,334
	<u>1,023,107</u>	<u>(149,880)</u>	<u>873,227</u>
Net cash provided by (used in) operating activities			
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	266,763	-	266,763
Purchase of capital assets	(995,520)	-	(995,520)
	<u>(728,757)</u>	<u>-</u>	<u>(728,757)</u>
Net cash used in capital and related financing activities			
Cash Flows Provided by Investing Activities - Interest received on investments			
	<u>22,414</u>	<u>-</u>	<u>22,414</u>
Net Increase (Decrease) in Cash			
	316,764	(149,880)	166,884
Cash - Beginning of year	<u>3,810,938</u>	<u>531,016</u>	<u>4,341,954</u>
Cash - End of year	<u>\$ 4,127,702</u>	<u>\$ 381,136</u>	<u>\$ 4,508,838</u>
Combining Statement of Net Position Classification of Cash and Cash Equivalents - Cash and investments			
	<u>\$ 4,127,702</u>	<u>\$ 381,136</u>	<u>\$ 4,508,838</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (124,128)	\$ (161,328)	\$ (285,456)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	1,149,551	-	1,149,551
Changes in assets and liabilities:			
Due to and from other funds	(94)	11,650	11,556
Prepaid and other assets	(33)	-	(33)
Accounts payable	(3,207)	-	(3,207)
Accrued and other liabilities	1,018	(202)	816
	<u>1,147,235</u>	<u>11,448</u>	<u>1,158,683</u>
Total adjustments	<u>1,147,235</u>	<u>11,448</u>	<u>1,158,683</u>
Net cash provided by (used in) operating activities	<u>\$ 1,023,107</u>	<u>\$ (149,880)</u>	<u>\$ 873,227</u>

City of Auburn Hills, Michigan

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

December 31, 2017

	Pension Trust Fund	Retiree Health Care Trust Fund	Total Pension and OPEB Funds
Assets			
Cash and cash equivalents	\$ 342,047	\$ 749,455	\$ 1,091,502
Investments:			
Mutual funds - Fixed income	-	4,127,837	4,127,837
Limited partnerships	8,247,295	4,026,575	12,273,870
Commingled funds - Equity	17,876,200	4,561,083	22,437,283
Commingled funds - Fixed income	11,767,505	-	11,767,505
Common stock	8,641,397	4,127,998	12,769,395
Foreign stock	444,256	212,093	656,349
Real estate	4,281,359	246,988	4,528,347
Receivables:			
Accrued interest receivable	16,098	7,949	24,047
Other receivables	750,000	-	750,000
Total assets	52,366,157	18,059,978	70,426,135
Liabilities	-	-	-
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 52,366,157	\$ 18,059,978	\$ 70,426,135

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

Year Ended December 31, 2017

	Pension Trust Fund	Retiree Health Care Trust Fund	Total Pension and OPEB Funds
Additions			
Investment income:			
Interest and dividends	\$ 760,890	\$ 336,872	\$ 1,097,762
Net increase in fair value of investments	5,654,064	1,590,059	7,244,123
Investment-related expenses	(233,508)	(60,063)	(293,571)
Total investment income	6,181,446	1,866,868	8,048,314
Contributions:			
Employer contributions	1,034,387	1,610,526	2,644,913
Employee contributions	106,629	-	106,629
Total contributions	1,141,016	1,610,526	2,751,542
Total additions	7,322,462	3,477,394	10,799,856
Deductions			
Benefit payments	3,762,724	-	3,762,724
Medical premiums/expenses	-	1,310,526	1,310,526
Total deductions	3,762,724	1,310,526	5,073,250
Net Increase in Net Position Held in Trust	3,559,738	2,166,868	5,726,606
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	48,806,419	15,893,110	64,699,529
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 52,366,157	\$ 18,059,978	\$ 70,426,135

**Other Supplemental Information
Street Fund Detail - Balance Sheet**

December 31, 2017

	Major Street	Local Streets	Total
Assets			
Cash and investments	\$ 1,118,652	\$ 468,059	\$ 1,586,711
Receivables:			
Other receivables	-	199	199
Due from other governments	233,607	67,759	301,366
Total assets	<u>\$ 1,352,259</u>	<u>\$ 536,017</u>	<u>\$ 1,888,276</u>
Liabilities			
Accounts payable	\$ 82,481	\$ 4,081	\$ 86,562
Due to other funds	875	875	1,750
Refundable deposits and bonds	492,960	180,593	673,553
Accrued liabilities and other	16,105	5,849	21,954
Total liabilities	592,421	191,398	783,819
Fund Balances - Restricted - Roads	<u>759,838</u>	<u>344,619</u>	<u>1,104,457</u>
Total liabilities and fund balances	<u>\$ 1,352,259</u>	<u>\$ 536,017</u>	<u>\$ 1,888,276</u>

City of Auburn Hills, Michigan

Other Supplemental Information
Street Fund Detail - Statement of Revenue, Expenditures, and Changes in
Fund Balances

Year Ended December 31, 2017

	<u>Major Street</u>	<u>Local Streets</u>	<u>Total</u>
Revenue			
Intergovernmental	\$ 1,511,715	\$ 443,919	\$ 1,955,634
Investment income	734	1,221	1,955
Other revenue - Other miscellaneous income	23,644	1,372	25,016
Total revenue	1,536,093	446,512	1,982,605
Expenditures - Streets and public improvements	1,826,274	795,002	2,621,276
Excess of Expenditures Over Revenue	(290,181)	(348,490)	(638,671)
Other Financing Sources - Transfers in	925,000	410,000	1,335,000
Net Change in Fund Balances	634,819	61,510	696,329
Fund Balances - Beginning of year	125,019	283,109	408,128
Fund Balances - End of year	<u><u>\$ 759,838</u></u>	<u><u>\$ 344,619</u></u>	<u><u>\$ 1,104,457</u></u>